

# **PACIFIC ACP - EUROPEAN COMMUNITY**

## **REGIONAL STRATEGY PAPER and REGIONAL INDICATIVE PROGRAMME**

**for the period 2002 - 2007**

The Pacific ACP, represented by the Pacific Islands Forum Secretariat, and the European Commission hereby agree as follows:

- (1) The Pacific Islands Forum Secretariat, as represented by Mr W. Noel Levi, CBE, Secretary General, and the European Commission, as represented by Commissioner Paul Nielson, hereinafter referred to as the Parties, held discussions in Suva from 4<sup>th</sup> October 2002 to the 5<sup>th</sup> October 2002 with a view to determining the general guidelines for cooperation for the period 2002–2007. The European Investment Bank was represented at these discussions by Stephen McCarthy, Head of Division, Caribbean and Pacific Division.

During these discussions, the Regional Strategy Paper, including an Indicative Programme of Community Aid in favour of the Pacific ACP, was drawn up in accordance with the provisions of Articles 8 and 10 of Annex IV to the ACP-EC Partnership Agreement, as signed in Cotonou on 23 June 2000. These discussions complete the programming process in the Pacific ACP.

The Pacific ACP include the following countries: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

The Regional Strategy Paper and the Indicative Programme are attached to this document.

- (2) As regards the indicative programmable financial resources which the Community envisages making available to the Pacific ACP for the period 2002–2007, an amount of €29 million is earmarked for the allocation referred to in Article 9 of Annex IV to the ACP-EC Partnership Agreement. This allocation is not an entitlement and may be revised by the Community following the completion of mid-term and end-of-term reviews, in accordance with Article 11 of Annex IV. Balances remaining from previous EDFs at the date of entry into force of the Financial Protocol, as well as decommitments made at a later stage, will be added to this indicative allocation, in accordance with Paragraph 5 of Annex 1 to the ACP-EC Partnership Agreement.
- (3) The Indicative Programme under Chapter 6 concerns the resources of the allocation. This allocation is designed to cover economic integration support, sectoral policies, programmes and projects at regional level in support of the focal or non-focal areas of Community Assistance. It does not pre-empt financing decisions by the Commission.
- (4) The European Investment Bank may contribute to the present Regional Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 and 4 of the Financial Protocol of the ACP-EC Partnership Agreement.
- (5) In accordance with Article 11 of Annex IV to the ACP-EC Partnership Agreement, the signatories will undertake a mid-term and end-of-term review of the Regional Strategy Paper and the Indicative Programme in the light of current needs and performance. The mid-term review will be undertaken within two years and the end-of-term review within four years of the date of signature of the Regional Strategy

Paper and the Regional Indicative Programme. Following completion of the mid-term and end-of-term reviews, the Community may revise the resource allocation in the light of current needs and performance.

- (6) The agreement of the two Parties on this Regional Strategy Paper and Regional Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within eight weeks of the date of signature, unless either party communicates to the contrary before the end of that period.

Signatures

For the Region of the Pacific ACP

For the Commission

## TABLE OF CONTENTS

### **PART A : COOPERATION STRATEGY**

	Executive Summary	5
Chapter 1	The EC Regional Cooperation Principles & Objectives	6
	Comparative Frame of Reference	7
	Map and Key Statistics	8
Chapter 2	The Policy Agenda of the Region	9
	Assessment of the Process of Regional Integration	9
	The Policy Agenda of the Region	12
Chapter 3	Analysis of the Context of the Region	15
	Political environment	16
	Economic situation	17
	Social situation	21
	Environmental Situation	23
Chapter 4	Overview of Past and Ongoing EC Cooperation	26
	Past and Ongoing EC Cooperation : Results and analysis, Lessons and Experience	25
	Programmes of EU Member States and Donors	27
	Other EC Policies	28
Chapter 5	The Response Strategy	30

### **PART B : INDICATIVE PROGRAMME**

Chapter 6	Presentation of the Indicative Programme	33
<b>Annexes</b>		
Annex 1	Interventions Framework	37
Annex 2	Activities Timeline	40
Annex 3	Indicative Commitments and Disbursements Timetable	40
Annex 4	Ongoing Projects and Programmes	41
Annex 5	Donor Analysis	42
Annex 6	Pacific ACP Group Profiles	46
Annex 7	Regional Integration – History and Structure	50
Annex 8	Pacific Regional Organisations	53
Annex 9	Forum Vision Statement	55
Annex 10	Biketawa Declaration	56
Annex 11	Forum Trade Policies	58
Annex 12	The Forum Basic Education Plan	62

## EXECUTIVE SUMMARY

- I. The Pacific ACP region consists of 14 ACP States spread over an area more than twice the size of Europe. The total population of the region is about 7 million, with about two thirds residing in Papua New Guinea. In contrast to a total land area of just 528 000 km<sup>2</sup>, the combined EEZ is 20 million km<sup>2</sup> and constitutes the world's largest tuna fishery.
- II. The region has a strong structure of eight regional organisations providing technical assistance and policy advice, with leadership provided by the Pacific Islands Forum and its Secretary General, who is also mandated as the Regional Authorising Officer.
- III. Instances of political and socio-economic instability have been of concern and the Biketawa Declaration has been adopted as a mechanism to deal with these in the future.
- IV. Economically the Pacific ACP are diverse in their resource endowment and stages of development, though they share many common characteristics. Thus, while policy approaches will need to be tailored to country circumstances, the focus at regional level must be on shared opportunities such as international trade and the development of shared resources, such as human capital and the oceans.
- V. The overarching issue facing the Pacific ACP is globalisation. In this regard, the Pacific ACP countries have recently agreed on a regional trade agreement (PICTA) that will progressively establish a free trade area among them. This is considered a stepping stone to wider liberalisation in adjusting to globalisation and facilitating integration into the global economy. It could also provide a framework for negotiating further trading arrangements with developed countries or regions such as the EU.
- VI. To ensure that the benefits of these steps are fully captured, the Pacific ACP have also agreed to address human resource development, thereby underpinning private sector development and improving the foundations of good governance and management of capital, natural resources and the environment.
- VII. The sector where these benefits are most expected to impact and which has the most potential for revenue generation and economic growth is Fisheries. The Region therefore attaches particular importance to the sustainable development of this sector.
- VIII. The main objectives of the RSS are to foster regional economic integration and to develop the region's human resources and fisheries sectors. The first sector is allocated €9 million out of the indicative amount of €29 million, the second €8 million, and the third €5 million. The balance is allocated for non-focal activities, including participation of the new Pacific ACP in 8th EDF PRIP projects and for technical assistance.
- IX. Regional economic integration has been selected because it provides the best means of achieving successful integration into the global economy, and because the EU has a clear advantage over other donors in political, social and economic regional integration issues. Increased trade and investment and higher growth will be the main measures of success.
- X. HRD has been selected because it is a key element in all sectors and also because it complements the fact that education and training has been selected by many of the Pacific ACP as the principal area of concentration within their CSPs. Improved exit performance, higher HRD indices and improved economic growth will be the main measures of success.
- XI. The fisheries sector has been selected because, managed sustainably, it is the most important shared natural resource for long-term income generation. The EU intends to contribute to the steps being taken by the Region to ensure the conservation and sustainable management of this resource.

## **PART A**

### **COOPERATION STRATEGY**

#### **CHAPTER 1**

##### **THE EC REGIONAL COOPERATION PRINCIPLES AND OBJECTIVES**

1. In accordance with Article 177 of the Treaty establishing the European Community, development cooperation policy shall foster:
  - the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
  - the smooth and gradual integration of the developing countries into the world economy;
  - the campaign against poverty in the developing countries.
  
2. These objectives were confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which puts the main emphasis on the objective of reducing and eventually eradicating poverty. Cooperation between the Community and the Pacific ACP will pursue these objectives, taking into account the fundamental principles laid down in Article 2 of the Agreement and the essential and fundamental elements as defined in Article 9.
  
3. Furthermore, in their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and cooperation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law.
  
4. In the regional context, Article 28 of the Agreement presents the general approach for regional cooperation and integration. "Cooperation shall provide effective assistance to achieve the objectives and priorities, which the ACP countries have set themselves in the context of regional and sub-regional cooperation and integration. In this context cooperation support shall aim to: a) foster the gradual integration of the ACP States into the world economy; b) accelerate economic cooperation and development both within and between the regions of the ACP States; c) promote the free movement of persons, goods, services, labour and technology among ACP countries; d) accelerate diversification of the economies of the ACP States and coordination and harmonisation of regional and sub-regional cooperation policies; and e) promote and expand inter and intra-ACP trade and with third countries".
  
5. Cooperation in the area of regional economic integration and regional cooperation should support the main fields identified in Articles 29 and 30 of the Cotonou Agreement. Furthermore, it is stated in Article 35 that "economic and trade cooperation shall build on

regional integration initiatives of ACP States, bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy”.

6. The Treaty establishing the EC provides that the Community and the Member States should coordinate their policies on development co-operation and consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account must be taken in mainstreaming into all areas of cooperation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity-building.

7. The above objectives and principles together with the policy agenda for the region constitute the starting point for the formulation of the Regional Strategy Paper, in accordance with the principle of ownership of development strategies.

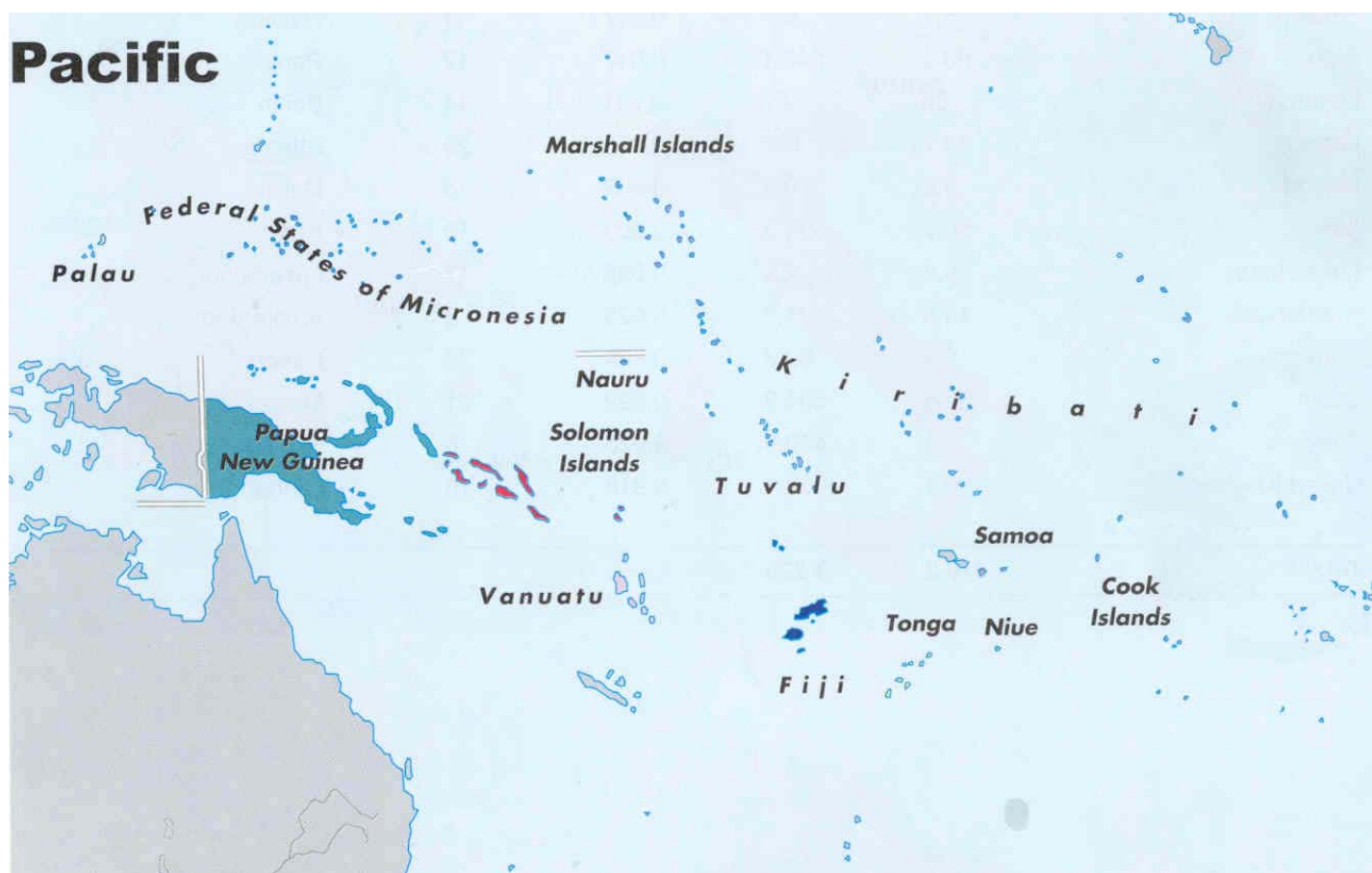
#### COMPARATIVE FRAME OF REFERENCE

	<b>European Union</b>	<b>Pacific ACP States</b>
Countries	15	14
Population	369 000 000	7 090 000
Land area	3 243 000 km <sup>2</sup>	527 900 km <sup>2</sup>
Exclusive Economic Zone	5 000 000 km <sup>2</sup>	20 000 00 km <sup>2</sup>
Average GNP per capita	€ 25 000	€ 1,500
Main exports	Steel, Vehicles, Machinery, Chemicals, Foodstuffs	Sugar, Palm Oil, Coffee, Gold, Copper, Logs, Petroleum, Fish, Copra

## MAP AND KEY STATISTICS

	<b>Population</b> (2000 est.)	<b>Area</b> (1000 km <sup>2</sup> )	<b>HDI</b>	<b>EEZ</b> (1000 km <sup>2</sup> )
<b>Cook Islands</b>	19 449	240	0.822	1 830
<b>Fiji</b>	799 265	18 272	0.667	1 260
<b>Kiribati*</b>	84 422	690	0.515	3 600
<b>Marshall Islands</b>	51 665	170	0.563	2 131
<b>Micronesia</b>	117 644	700	0.569	2 978
<b>Nauru</b>	12 514	24	0.663	320
<b>Niue</b>	1 800	259	0.774	390
<b>Palau</b>	19 485	487	0.861	601
<b>Papua New Guinea</b>	5 099 200	462 840	0.314	3 120
<b>Samoa*</b>	169 889	2 857	0.590	120
<b>Solomon Islands*</b>	416 195	28 446	0.371	1 630
<b>Tonga</b>	98 840	699	0.647	700
<b>Tuvalu*</b>	9 900	26	0.583	757
<b>Vanuatu*</b>	189 712	12 189	0.425	680
<b>Total</b>	<b>7 090 000</b>	<b>527 900</b>		<b>20 117</b>

\* Least-developed countries as listed in Annex 6 of the Cotonou Agreement.





## CHAPTER 2

### THE POLICY AGENDA OF THE REGION

#### ASSESSMENT OF THE PROCESS OF REGIONAL ECONOMIC INTEGRATION

##### Regional Institutional Arrangements

8. The *Pacific Islands Forum* – an annual meeting of heads of government - is the premier regional policy-making body of the self-governing states in the Pacific. It comprises (since the signing of the Cotonou Agreement) all fourteen Pacific island members of the ACP Group, together with Australia and New Zealand. The Forum is serviced by its Secretary General.

9. The Secretary General's work is supported by the *Pacific Islands Forum Secretariat*, which is one of the Pacific's eight regional organisations. The core activities of the latter are funded by assessed contributions from member governments, but they are governed by bodies that reflect varying memberships. These organisations, their membership, mandates and a summary of activities are listed in Annex 8. The *Fiji School of Medicine* and *South Pacific Board for Educational Assessment* also operate regionally.

10. Generally the governing bodies of the eight regional organisations - or sub-committees thereof - meet annually and approve annual budgets and staff ceilings. Staff remuneration principles and their application have been harmonised across all organisations except the *Pacific Islands Development Programme* (which is based in Hawaii). The Australia civil service provides the benchmark for setting remuneration levels, though adjustments are made according to the cost-of-living in the country of location. Disputes between Member countries are settled by conciliation and consensus.

11. While up to 1995 the *Forum Secretariat* undertook a wide range of technical activities it has since then been restructured, with most technical activities being devolved to other regional organisations, and now focuses on policy advice based on consultations with the appropriate specialised regional organisation. As such it is primarily responsible as the regional integration organisation, a role which is reinforced by its remaining technical (and policy) activities in trade (for which it has the only regional mandate) and related issues, and the management of a variety of regional programmes (including the TA to RAO).

12. To make for cost-effective use of regional resources the Forum, in 1988, established a *Council of Regional Organisations in the Pacific* (CROP), comprising heads of the regional organisations, and also agreed, in 1995, that its Secretary General be the permanent Chair. The Chair reports annually to the Forum. CROP has a mandate to reduce duplication and harmonise activities so as to optimise benefits for members. CROP has taken a proactive role focusing on managing policy advice, coordinating regional meeting arrangements, international representation and donor relations.

13. More detail on the history of, and current arrangements among, regional organisations is set out in Annex 7. From an institutional perspective, many regional organisations are themselves the outcome of regional integrating efforts (such as *South Pacific Tourism Organisation* or *South Pacific Regional Environmental Programme*), while the *Forum Pacific Line* represents successful cooperation in the commercial field. In

summary, however, because of the focus of its work on trade and sectoral policy coordination, the Forum Secretariat is the key regional integrating organisation.

### **Pacific ACP Extra-Regional Linkages**

14. Within the Forum structure, while preference is given to the priorities of the island states, there are strong elements of common policy coordination and mutual support in international forums with Australia and New Zealand. In addition, some other developed countries - notably France, the United Kingdom and the USA - are members of some of the regional organisations (see Annex 8). The Forum itself follows its annual meetings with policy dialogues (the *Post-Forum Dialogue*) with development partners and others with common interests, encompassing Canada, the Peoples Republic of China, the European Union, France, Indonesia, Japan, Republic of Korea, Malaysia, Republic of the Philippines, the United Kingdom, and the USA. A *Taiwan-Forum Island Countries Dialogue* is also convened at this time.

15. At the global level, many (though not all) Pacific ACP countries are members of the Commonwealth and the United Nations. Those that are members of the United Nations maintain global links with *Small Island Developing States* (SIDS) through the *Association of Small Island States* (AOSIS). In addition, the Forum Secretariat maintains close links with CARICOM and the Indian Ocean Commission, including biennial meetings of the Heads of these organisations and caucusing at the fringes of international forums, such as meetings of the WTO.

16. The Doha Development Round launched in November 2001 will involve Pacific ACP who are WTO members or observers, and will indirectly affect other Pacific ACP through the need of WTO members to ensure that the obligations they enter into are compatible with their WTO obligations. The launch of this new WTO round could lead to a number of significant concessions to developing countries but the Pacific ACP will face formidable capacity-building requirements if they are to promote and defend their interests through meaningful participation.

17. The Forum has endorsed the *Pacific Area Closer Economic Relations Agreement* (PACER—see Annex 11 for details), which covers economic relations between the countries comprising the Pacific ACP (on the one hand) and Australia and New Zealand (on the other) with provisions which include the continuation of the *South Pacific Area Regional Trade and Economic Cooperation Agreement* (SPARTECA<sup>1</sup>) and measures for trade facilitation and preferential trading arrangements. In addition the Federated States of Micronesia, Palau and the Republic of the Marshall Islands maintain Compact agreements covering, *inter alia*, development assistance, economic and migration relations with the USA. In accordance

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<sup>1</sup> a non-reciprocal agreement (1982) between Australia and New Zealand and the members of the *Pacific Forum Island Countries* (FICs). SPARTECA seeks to enhance economic, commercial/industrial, agricultural and technical cooperation among the signatory nations in order to accelerate the development of the FICs. The PACER provides that Australia and New Zealand must continue to provide individual FICs with the existing level of market access (i.e. retain SPARTECA) until such time as new arrangements are concluded providing equal or better market access. The FICs are required to enter into negotiations for an FTA with Australia and New Zealand within 8 years of the PICTA coming into force. However, if one or more of the FICs begin negotiation for free trade arrangements with another developed country partner such as the EU, this will trigger Article 6.3 (a) of the PACER which states that: *if any Forum Island Country which is Party to this Agreement commences formal negotiations for free trade arrangements which would include one or more developed non-Forum country, then that Forum Island Country shall offer to undertake consultations as soon as practicable with Australia and New Zealand, whether individually or jointly, with a view to the commencement of negotiation of free trade arrangements.*

with Article 37 of the Cotonou Agreement, the negotiation of an Economic Partnership Agreement (EPA) with the EU is currently being considered by the Region.

### **Strengthening Trade Linkages**

18. Trade statistics reveal that intra-regional trade among the 14 Pacific ACP currently stands at only 2% of total trade (see Annex 6f) although it has been rising very gradually in recent years from a very low base of 1.0% in 1995.

19. This is due primarily to the fact that most of the goods produced in the Pacific ACP are substitutive of goods produced in other Pacific ACP countries rather than complementary to them. Compared with other ACP regions, the issue has less to do with tariff and non-tariff barriers and more to do with relatively weak cultural links and individual states' isolation in an ocean environment which leads to very high transport costs. The small size of the islands' domestic markets further contributes to their reputation as unattractive prospects for market development.

20. The value of developing inter-regional trading relations has, nevertheless, been recognised in recent years and is reflected in the sub-regional trading relations established among the Melanesian countries of Fiji, Papua New Guinea, Solomon Islands and Vanuatu known as the *Melanesian Spearhead Group* (MSG), which also includes an OCT, New Caledonia. Such groupings have the added value of fostering a sense of cultural and political identity in a region long used to two-way relationships with distant metropolitan powers.

21. The MSG Agreement came into force on 22 July 1993 and was notified to the WTO under the 'Enabling Clause' in 1999. The tariff liberalisation schedule in the MSG Agreement is 2003 for PNG and Fiji and 2008 for Solomon Islands and Vanuatu. This means that by 2008 there should be a free trade area established amongst the MSG Group. In 2000, the MSG agreed to begin moves towards a customs union.

22. The *Pacific Island Countries Trade Agreement* (PICTA - see Annexes 11 and 13) is expected to come into force by the end of 2002. At that stage, the 10 Forum Island Countries (FICs) which have signed so far will start to open up to free trade with each other. In view of the very limited intra-regional trade, without a large trading partner in the FTA and/or considerable diversification, FTA benefits are likely to be modest in the beginning but should increase once Forum Island Countries are able to make the necessary adjustments to their economies.

23. In this connection, it should be recalled that those Pacific ACP countries located in the south Pacific have strong two-way trade links with Australia and New Zealand (with encouragement for their exports through the SPARTECA) whereas, the three US-Compact Pacific ACP countries to the north have similar trading relationships with the USA. Nonetheless, there have been significant shifts in trade patterns over recent decades (see Annex Table 6e), including a wider range of exports being distributed globally and increased imports (either direct or as re-exports) from the larger and more diversified economies, such as Fiji.

24. Article 5(1) of the PACER accordingly requires FICs to enter into negotiations with Australia and New Zealand with a view to establishing a reciprocal FTA eight years after

the PICTA enters into force (see footnote on previous page). This timeframe is provided so that FICs commence liberalisation amongst themselves first and so that they undertake structural adjustments/fiscal reforms in their economies prior to commencement of negotiations of FTAs with their developed trading partners such as Australia and New Zealand or the EU - in other words a *'stepping stone'* approach.

25. As far as relations with the EU are concerned, the implementation of the EU *Everything But Arms Initiative* (EBA) grants unrestricted market access for all products from the region's 5 LDCs (Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu) with the only temporary exceptions being bananas, rice and sugar. Fiji is currently a major beneficiary under the preferential Cotonou Sugar Protocol (€ 50 million on average/year) but will certainly need to restructure the sector to maintain its competitive market position in response to possible changes to the CAP, the Sugar Protocol itself and the wider market opening offered to LDCs as a result of the EBA initiative.

26. EPA negotiations under the Cotonou Agreement will make for a further marked change in the current trading arrangements between the Pacific ACPs and the EU. There will be both costs and benefits, but the main objective is to remove trade barriers while creating a framework that will allow the Pacific ACPs to adapt to the necessary changes without undue disruption to their economies. As already mentioned in connection with the WTO, the biggest challenge among the Pacific ACPs will be capacity-building among the 14 countries as well as addressing non-market access issues such as trade facilitation, investment, tourism and non tariff barriers in general.

## THE POLICY AGENDA OF THE REGION

### Regional Vision, Objectives and Initiatives

27. At their meeting in Madang in 1995 the Leaders Forum focussed on the theme of *"Securing Development Beyond 2000"*, and adopted, for the 25 years to 2020, a *Forum Vision Statement* (see Annex 9) for enhancing regional cooperation. This was followed on 28 October 2000 by the *Biketawa Declaration* which lays the basis for regional Political Cooperation and creates a mechanism for regional conflict prevention and resolution (see Annex 10).

28. The *Vision Statement* also served to strengthen the region's capacity to adapt to a rapidly changing international and regional economic and social environment. A number of national policy measures and regionally-based activities which would contribute to this vision were also adopted, including endorsement of the preparation of a regional Strategy designed to improve aid management and regional cooperation.

29. In the following year, meeting in Majuro, leaders focussed on the theme of *Pacific Solidarity for the Common Good* and delegated to Forum Economic Ministers the responsibility of elaborating on and giving effect to the region's goals. The *Forum Economic Ministers Meeting* (FEMM), which has been held annually since July 1997, reports to Forum in the form of a consolidated *Forum Economic Action Plan*.

30. At their meeting in Rarotonga in 1997 the Forum received the results of the first FEMM. Leaders agreed that the implementation of the Action Plan would require strong commitment by all members to create a policy environment to encourage private sector

development and enhance the competitiveness of their economies. This should include the development of tourism, particularly in the Forum Island Countries with limited or no exploitable resources.

31. Since 1997 the *Forum Economic Action Plan* has prompted initiatives for strengthening regional cooperation beyond the PICTA to agreements such as the *Forum Basic Education Action Plan* agreed in 2001, which focuses on more extensively developing human resources in support of private sector development and poverty eradication (see Annex 12).

32. Significantly, the *Forum Economic Action Plan* has also initiated or supported a range of other activities including economic governance, gender equality, environment and economics, economic and social statistics, developing an investor friendly legal and institutional environment, and land access policies for development.

33. Marine resources, especially those of the oceans, have been a key concern of the Forum. The establishment of the Forum Fisheries Agency in 1979 was an important step towards developing a common management regime for the EEZs of Forum members. The opportunity provided by the *United Nations Convention on the Law of the Sea* and subsequent conventions on straddling and migratory fish stocks was used to initiate the *Multilateral High Level Conference*, which in 2000 adopted a *Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean* (the *Tuna Convention*). Its purpose is to manage the Pacific tuna resource not already covered by other Conventions. Implementation of this Convention, expected to come into force in 2004, is being pursued through Preparatory Conferences expected to lead to the establishment of a *Commission for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean* (the "*Tuna Commission*").

### **Regional Trade Policy**

34. In agreeing on a regional free trade agreement through the PICTA, the Pacific ACP recognised that regional economic integration is also part of a strategy for integration with the world economy. Economic integration with close neighbours and with other compatible partner economies can assist in preparing Pacific ACP economies for the larger step of opening to global competition. Regional economic integration can also provide a basis for Pacific ACP partners to coordinate their international economic policies, thereby assisting them to operate more effectively within the international economy.

35. Furthermore, PICTA was seen as only the beginning of establishing closer economic relations among the Pacific ACP. Ministers also decided to eventually extend the agreement to services, with a focus on aviation, shipping, finance, telecommunications, health, education and tourism, directing that officials start by undertaking an inventory of regulations in these sectors. Trade facilitation (quarantine regulations, customs procedures, government procurement and standards and conformance) was also emphasised and Ministers agreed that work be pursued in this area, including the establishment of National Trade Facilitation Committees and a Regional Trade Facilitation Forum.

36. In respect of rules of origin, a 40% value added benchmark is to be used. The Rules are to be introduced and applied under a Rules of Origins Committee, established within the provisions of PICTA, which is to deal with the difficulties as they arise.

37. Fishery products are important exports for several of the countries of the region (Marshall Islands, FSM and Kiribati) and the presence of large tuna stocks in the region provides a good opportunity for the promotion of trade in fish both in the region and with third countries.

### **Regional Operational Framework**

38. The 1995 Forum's *Vision Statement* and associated *Plan of Action* also provided a keystone for the work of regional organisations. Under the umbrella of CROP they developed the *1997 Regional Strategy*, which focuses on improving the management of regional aid resources, through ensuring that the targeted priorities reflect genuine, critical needs which can be more cost effectively met through joint regional use of resources.

39. The Regional Strategy sets out to address truly regional issues. The criteria for determining regionality involve opportunities to share or pool human and financial resources in order to address trans-boundary issues, common needs or common problems. However, the most crucial criterion to follow is that such opportunities are also national priorities and can be linked to or complement national programmes.

40. Criteria and guidelines for determining regionality were formulated during a regional meeting on *Criteria and Priorities for Regional Development Projects* in Suva in February 1983 and subsequently approved by the governing bodies of both the Secretariat of the Pacific Community and the Forum Secretariat. These are:

- economies of scale to make for greater efficiency;
- regional programmes made more effective through joint action;
- need to address external factors and constraints;
- supplementing shortfalls within the scope of domestic or bilateral measures;
- demonstrating regional solidarity; and
- running trials before commitments are made under national programmes.

## CHAPTER 3

### ANALYSIS OF THE CONTEXT OF THE REGION

41. The Pacific ACP region stretches some 10 000 kilometres from east to west and 5 000 kilometres from north to south, with a combined EEZ of close to 20 million km<sup>2</sup> (see Annex 6 for a geographic profile). In contrast, the total land area is just over 500 000 km<sup>2</sup>, of which PNG accounts for 88%, and Fiji, Solomon Island and Vanuatu for 11%, while the other 10 countries make up the remaining 1%. The size and ecological diversity of these states falls from south-west to north-east, tapering from the high forested islands of Melanesia to scores of tiny, sparsely vegetated atolls scattered across the central Pacific.

42. The population of these fourteen states is about seven million people. Of these over five million are in PNG. At the other end of the scale is Niue, with a population of 1 800. The three cultural areas also have quite different access to economic opportunity. In general, Melanesian countries have almost all the land and land-based mineral resources, Micronesia occupies the greatest sea areas with the largest tuna resources, and Polynesia combines useful agriculture and marine resources. The high degree of economic and cultural dependence on the natural environment has given rise to a series of key environmental issues that must be addressed in conjunction with economic development.

### ANALYSIS OF THE POLITICAL, ECONOMIC AND SOCIAL CONTEXT IN THE REGION

43. During the 1990s the security and stability and governance of several Pacific Island countries declined with growing unemployment, poverty, social disintegration and widening income differentials. These changes were to some extent stimulated by long-term international and regional trends such as deteriorating terms of trade, rising external debt and unsustainable development policies as well as by more short-term developments such as the financial crisis in Asia.

44. The overarching issue facing the Pacific ACP is, however, globalisation. This is not a new phenomenon – even at independence Pacific island countries had strong global connections through reliance on imports, their exporting activities and flow of persons. Since then these global interactions have intensified – consumption of imports has increased with incomes, the range of exports has widened, including into services such as tourism and offshore financial centres, international telecommunications has expanded and entertainment services from the rest of the world (film, video, music, among others) has become more popular, labour services have expanded and migration flows have increased (with an attendant rise in the importance of remittance flows).

45. Over the last decade the intensity of globalisation has increased. Firstly, through technological change, particularly with the internet; secondly, via increased pressure to accept international norms for the regulation of certain services (such as the OECD's harmful tax competition and *FATF* anti-money-laundering initiatives); and thirdly, through pressure to liberalise trade and domestic commercial markets. While recognising that globalisation, widely defined, provides opportunities, it has also accelerated change – causing social insecurity – and bringing with it greater pressures on local culture and traditions.

46. While the technological changes driving the recent intensification of globalisation have great potential for enhancing economic and social interaction with the rest of the world, the Pacific ACP remain held back by their smallness, isolation and vulnerability from taking full advantage of such opportunities. There is, therefore, an increasing risk of marginalisation as the rest of the world changes more rapidly. Reducing the risk of marginalisation requires assistance in:

- enhancing the availability and quality of education to give individuals the capital required to interact meaningfully with the rest of the world;
- addressing the “digital divide” (itself reflecting older “divides”) which is particularly intense among the more isolated communities of the Pacific ACP;
- providing the skills and capacities required to deal with the shift in regulatory policies and standards from the domestic into the global arena;
- formulating and implementing development strategies in productive sectors such as fisheries.

47. A high degree of economic and cultural dependence on the natural environment, combined with the fragility of the island ecosystems, has given rise to a series of key environmental issues that must be addressed in conjunction with economic development. The *Pacific Environment Outlook* (UNEP, 1999) identifies the priority problems for the region as loss of biological diversity, particularly as a result of indiscriminate commercial logging practices, threats to fresh water resources, degradation of coastal environments, climate change and sea level rise, and land and sea-based pollution.

### **Political Environment**

48. Security interests, and perceptions of security, differ widely across the region. However, the main situations that have involved overt conflict in the Pacific in the past twenty years all involve at least four common elements: ethnic differences; land disputes; disparity of economic opportunities; and a lack of confidence in the government’s ability to resolve differences fairly or satisfactorily. Recent political instability and civil unrest in Melanesian countries has seen a worsening of their environment for investment.

49. Though the issue of socio-political instability should be viewed in the context of relatively recent graduation to statehood (within the last thirty years or so), the result is a weak foundation for socio-economic development. This has been recognised in the region, as evidenced by the reactions to recent crises in Papua New Guinea (Bougainville), Solomon Islands and Fiji. Though in all cases a solution to overcoming these must be nationally based, there has been a regional effort toward encouraging the identification and implementation of resolutions to such crises.

50. The Biketawa Declaration, as already mentioned in § 27, is an important first step in adopting a regional approach for responding to future political and security crises in the region.

51. Poor governance has been a significant trigger of reforms in the Pacific. In 1997 the Forum adopted *Eight Principles of Accountability* to guide reforms. Subsequent stock-taking surveys revealed three key weaknesses:



Weak legislatures: a prevailing weak culture of accountability and transparency reflecting a weak legislature and lack of clarity in the independence of Parliament.

Weak regulatory framework for prompt accountability: laws on the responsibility of public institutions and officers are often ambiguous or absent, with few sanctions against non-compliance.

Weak judiciaries: judicial services are generally understaffed and weak and the courts often have a considerable backlog of cases.

52. Ethnic issues (both between indigenous and immigrant, and between different indigenous cultures) have been prominent in security breakdowns. Ethnic problems are especially acute in multi-cultural countries, which now includes most of the Pacific.

53. A further major cause of insecurity derives from inadequate education. Education levels are rising world-wide. But they are rising faster in East Asia, the region with which the Pacific Islands will interact much more, than in the Pacific. This is widening the gap in knowledge, income, privilege and power between Pacific people and those with whom they interact. Another major gap is in levels of education between the capitals and the outer islands or hinterland, which ties in with a vicious circle of deteriorating economies, shrinking services and growing insecurity.

54. Disputes over land have almost always been a component of breaches of security in the region in recent years. They are a major factor in sluggish economic growth. At the time of independence, most new governments gave resolution of land disputes a high priority, though in fact other priorities soon took over. The reasons land issues have not been given priority include the fact that they are very time-consuming, that results are slow to emerge, and that they involve a high level of social tension. There are no total solutions to land problems, but work on resolving them merits a higher priority.

55. The quality of governance can be significantly improved by addressing the weaknesses in key governance institutions and policies, processes and procedures. The governance problem in Pacific Island countries is a paucity of governance systems that are participatory, accountable, transparent, efficient, equitable and based on the rule of law. Various good practices are being pursued in a number of institutions, but the overall weaknesses curtail the wider realisation of good governance.

## **Economic Situation**

56. There is great diversity among the Pacific ACP in their resource endowment and stages of development (see Annex 6 for a compendium of statistics). In particular, the constraints and opportunities facing a remote micro-state, such as Kiribati, vary significantly from, for example, Papua New Guinea. Thus, policy options and approaches will need to be tailored to country circumstances, while at the regional level the focus needs to be on shared or common resources, such as their peoples and the oceans.

57. The characteristics that have important implications for development include:

- Remoteness and insularity: being located far from major markets and comprising widely dispersed multi-island micro-states, resulting in high international and domestic transportation costs, arising from both the distances to be covered and the low volume of cargo. Equally, the development of even a

small domestic market is constrained by distances between settlements and infrequent internal transport services.

- Susceptibility to natural disasters: being frequently affected by adverse climatic and other natural events which, typically, affect the entire population and economy.
- Small population size: many states are limited by small population size as it effects institutional capacity and increases unit costs of services, and also limits the potential for private sector growth and investment.
- Limited diversification: a narrow resource base and small domestic markets automatically results in being relatively undiversified in production and exports, and also limits capacity in the private sector.
- Openness: heavy reliance on external trade and foreign investment to overcome inherent scale and resource limitations leaves states vulnerable to external economic and environmental shocks.

58. For the Pacific ACP, small domestic markets combined with large distances from overseas markets results in a lack of competition - often the size of the market can only support a single producer. As a result, the economies of small states do not benefit from the effects of competition on improving efficiency, lowering costs and spurring innovation.

59. The Pacific ACP also experience higher volatility in their incomes than large states. This volatility stems from economies being more open to fluctuations in world market prices because a much larger share of domestic economic activity is accounted for by exports and imports. Small states by their nature have relatively undiversified production and exports.

60. Also, because of their high openness to trade, the Pacific ACP tend to be more dependent than large states on taxes on imports for fiscal revenue. The high volume of external trade provides a convenient, broad tax base from which taxes can be collected at a relatively low administrative cost. Reduction of import tariffs as part of overall external trade liberalisation therefore can lead to a fall in tax revenues that is not easy to offset by raising other taxes, creating potential problems of rising debt.

61. Openness to capital flows can provide benefits through foreign direct investment flows, linking the more isolated small states to developments abroad and bringing know-how for improving private sector capacity overall and providing information on new technologies and market opportunities. Nonetheless, the Pacific ACP are at a disadvantage compared to other developing countries when it comes to attracting FDI. Even when they have good policies and other characteristics, small states are considered to be significantly more risky.

62. Many of the Pacific ACP also depend heavily on official development assistance and in some cases migrant remittances to help finance their development expenditures. Many small states are limited in their access to commercial borrowing. Evidence suggests that information costs and country risk issues, sometimes reflected in financial and capital market regulation in capital exporting countries, often result in small states' facing higher spreads for their borrowing, if they are able to borrow at all.

63. Sovereignty implies the provision of a range of public goods and services, including the central functions of government, regulatory activities, tax administration, provision of education, health and social services, a judicial system, foreign relations, and security. To the extent that there are indivisibilities in the provision of such public services, for the Pacific ACP the fixed costs must be spread among a relatively small population. Regional co-operation helps but small size means higher unit costs.

64. In this respect, too, the institutional capacity of the public sector among the Pacific ACP tends to be stretched, particularly in those that have high internal transport costs. This places a heavier burden on administrators and personnel. In a global context, insufficient institutional capacity in the public sector and the high costs involved means that many small states are unable to participate fully in international financial and trade negotiations, the outcome of which can profoundly affect their economies.

65. Private sector firms are typically small in the Pacific ACP, largely because small domestic markets and poor endowments of physical resources limit entrepreneurial opportunities. Consequently the private sector is at a disadvantage because it cannot realise economies of scale, cannot attract business partners, and cannot spend significant funds on marketing, market intelligence, and research and development.

66. A weak private sector also tends to limit the absorptive capacity of the Pacific ACP, both in terms of aid and investment because participants in the sector lack the necessary skills in generating innovative project proposals, and in demonstrating their investment worthiness. A weak private sector may also lack the capacity to adjust to lower tariff protection and greater competition without transitional assistance.

67. Despite these inherent weaknesses, the Pacific ACP have, in a developing world context, high levels of per capita income. These are derived mainly from rentier incomes (fishing licenses, fees on the operation of offshore financial centres, and other licensing opportunities) or from unrequited financial flows (migrant remittances, development assistance). Nonetheless, both the peoples of the region and their natural resources provide opportunities for development.

68. In respect of natural resources the Pacific ACP are, by their nature, dominated by the ocean and their tropical climate. Key natural resources, and the focus of economic activity (see also Annex 6c), are:

Oceans, with vast EEZs including fisheries of high economic and strategic value where, in principle, some potential for increased catches still exists, and yet to be exploited undersea minerals.

Coastal areas provide the food, income as well as the cultural and recreational opportunities which are important to Pacific Islanders but which are increasingly threatened by over-fishing, pollution and poor planning, thus undermining the livelihood of coastal communities.

Agriculture is a major source of export earnings for many states, particularly Melanesia, and the source of employment for the majority of Pacific Islanders. A wide variety of cash crops and mainly horticultural production can be found throughout Melanesia and the higher, larger islands of Polynesia.

Forestry, which like agriculture, if sustainably managed, has potential throughout Melanesia and the higher, larger islands of Polynesia.

Minerals, which continue to be exploited throughout Melanesia and provide significant cash flow.

Tourism, which capitalises on the advantages of coast and climate, and can be significant for export earnings and employment.

69. The Pacific ACP are located in the most important tuna fishing ground in the world. Within their EEZs the catch amounts to an average of one million metric tons annually, worth a landed value of close to US\$2 billion. This amounts to a third of the world's tuna catch and provides between 40% and 50% of the total supply to tuna canneries globally.

70. However, only some 11% of the total catch is accounted for by Pacific island vessels, with the distant water fishing nations providing the bulk of fishing effort, in return for licence fees where this effort occurs in EEZs. In the late 1990s fees paid amounted to over US\$54 million, the greater part being received by the Micronesian and more western Melanesian countries. For the Micronesian countries, these fishing licence fees represent a significant proportion of government revenues – 61% in the case of Kiribati and 29% in the case of FSM. Nonetheless, a key issue is to increase the local economic benefits of this resource through increasing Pacific island owned fishing capacity and capabilities and encouraging the localisation of other activities, such as transshipment bases.

71. The main regional institutions supporting fisheries development are:

- the *Secretariat of the Pacific Community* (SPC - formerly the *South Pacific Commission*) which is the oldest<sup>1</sup> and largest<sup>2</sup> Pacific regional organisation. The SPC has *inter alia* the region's mandate for fisheries research and stock monitoring, including both oceanic and coastal components. It uses its findings to encourage and promote the economic and social development of the region;
- the *Forum Fisheries Agency* (FFA) established in 1979. The FFA's functions include providing technical assistance to Forum members in the development of fisheries management policies and in negotiations on the issue of licences, collection of fees, and surveillance of zones; collecting and disseminating relevant information on prices, shipping, processing and marketing of fish and fish products; focusing on management procedures, legislation and agreements adopted by other countries within and outside the region. A sophisticated fishing vessel monitoring system as well as control boats have recently been made available to the FFA by Australia;
- the *University of the South Pacific* (USP), particularly through its recently developed *Marine Studies Centre*

72. A particular challenge is to improve management of the tuna resource, which through its migratory nature, must be based on a management regime that covers both the high seas and EEZs. The Forum members have used the international convention framework provided through the United Nations to pursue and adopt the *Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central*

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<sup>1</sup> established in 1947 under the *Canberra Agreement* signed by New Zealand, Australia, France, the Netherlands, the United Kingdom and the United States

<sup>2</sup> the fact that it includes the French and UK Pacific OCTs means that the latter can apply to participate in ACP PRIP programmes with funds from their (OCT) Regional allocation

*Pacific Ocean (the "Tuna Convention")*, the area of which accounts for half of the world's tuna catch, at 1.8 million metric tons annually. The Convention's objective is to ensure, through effective management, the long-term conservation and sustainable use of the highly migratory fish stocks throughout the Western and Central Pacific. The Convention expected to collect sufficient ratifications to come into force by 2004.

73. Parties to the Convention are in the process of establishing a *Commission on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean* (the "*Tuna Commission*") which will function with inputs from a *scientific committee* and a *technical and compliance committee* supported by a small secretariat. The functions of the proposed *Tuna Commission* include, *inter alia*, determining the total allowable catch and level of fishing effort in the convention area, adopting standards for the collection and exchange of data on fishing in the convention area, ensuring compatibility of conservation and management measures between high seas and EEZs, and establishing appropriate compliance and enforcement mechanisms.

74. The establishment of the *Tuna Commission* is in a starting phase and the European Community has expressed a strong interest in becoming a full member in it. A promising step in this direction was taken at the Preparatory Conference in Madang in February 2002, where the European Commission was represented.

75. Forests are also a common resource through Melanesia and on the larger islands through the southern reaches of the region. Like oceanic fisheries, the challenge is to manage and exploit this resource in an ecologically sustainable manner, and to generate employment and private sector development. This was recognised by the Forum in 1995, when it agreed on a *Logging Code of Conduct*. While implementation has been slow, given poor governance and the temptation of ready cash, it is being pursued under the guidance of the regional organisations and through the *United Forum on Forests*.

76. The 1999 Asian Development Bank in *Pursuing Economic Reform in the Pacific*, concluded that, despite substantial aid flows (27% of GDP between 1980 and 1992), economic performance was disappointing. This partly reflects the characteristics of the Pacific ACP - as outlined previously - which make it difficult to achieve sustainable improvements in economic performance. Furthermore, although the standards of living in most developing Pacific island countries are relatively high, they remain vulnerable because of reliance on aid, remittances and preferential trade arrangements.

77. The Pacific ACP, however, have been active in addressing constraints to economic performance. Since 1996 most have undergone substantive economic reforms and instituted private sector development programmes designed to induce economic growth. Those countries which have worked to provide a stable investment environment – such as the Cook Islands and Samoa – have seen substantial improvements in economic performance.

## **Social Situation**

78. Despite the challenges they face, a number of the Pacific ACP have achieved high average per capita incomes relative to other developing countries. However, under-development and poverty remain serious challenges. For those countries for which data are available poverty rates are higher than would be expected in countries with the same per

capita income (see Annex 6c). This ties in with anecdotal evidence that the multi-island nature of some states is associated with an uneven distribution of income, with the bulk of economic activity concentrated in the main cities.

79. The UNDP *Human Development Report 1999* notes that poverty of opportunity is a more encompassing image of poverty in the Pacific. This is borne out in many ways, such as rapid emigration from some countries, high but disguised unemployment, and a small but emerging subculture of youth crime and despair, including an extraordinarily high level of youth suicide in some parts of the region.

80. Young people are especially at risk of unemployment. In some countries up to seven times as many young people are seeking work each year as there are new jobs available. Women are also disadvantaged in the job market. Although their numbers have grown over the past decade, women workers are at a general disadvantage through their lesser access to vocational and higher formal education and because they are usually lower paid, lower ranked and less often promoted than men.

81. In Melanesia, population to land ratios are low and emigration is insignificant. Rapid population growth has given rise to expansion of towns faster than urban services can be provided. Most strikingly, several decades of high birth rates and improved child health have given rise to large numbers of children and young adults needing education, health care and jobs. While job seekers in Melanesia, particularly single men, traditionally travel to find work, their increasing numbers and the fact that language and customs differ within and between islands, makes internal migration a potential source of friction.

82. Polynesia generally has higher population densities, slower growth rates and significant emigration. The outflow of migrants has several highly pertinent results. First, near-stability of the resident population despite high birth rates, greatly easing pressure on natural resources and social services. Second, substantial remittances in the form of goods and cash which support both consumption and investment expenditures (including the development of small scale enterprises). And third, their presence in their new countries of residence constitutes a potentially useful lobby for aid, trade and immigration policies helpful to their countries of origin.

83. In Micronesia, land areas are much smaller and average population densities higher. Emigration varies in importance, with Palau, FSM, and the Marshall Islands making use of their preferential access to Guam and the USA under Compacts of Free Association. In Palau emigration from "Rim Countries" also has a significant impact. Kiribati sends trained seamen to overseas shipping lines, but they usually return home at the end of their service. Nauru and the ex-US dependencies have imported substantial numbers of foreign workers to do jobs the indigenous people did not want, and now have to deal with the fact that many of them want to stay. Generally the urban settlements of Micronesia are under intense pressure with overloaded services.

### Education

84. The most urgent concern across the region is how to better meet the needs and aspirations of the upcoming generation. The UNDP notes that 20% of the region's population is aged between 15 and 24 years – a total of 1.4 million, which is expected to rise by a further 300 000 by the year 2010. Many school leavers find they have inadequate

or inappropriate skills for the few waged jobs that are available, for agricultural work or for other types of livelihood. Most lack opportunities to upgrade their skills because too few non-formal training programmes are available.

85. A significant factor is the weakness in basic education which leads to wastage at the secondary and tertiary levels and in training. The basics of literacy, science, mathematics and ethics have to be learned or inculcated in young people if they are to be productive and responsive to new opportunities at a later stage. Evidence also points to a clear correlation between strong basic education on one hand and improvements in technical skills uptake, in work and social adaptation, and in other social indicators of better health, nutrition and reduced fertility.

86. In this context it is therefore unfortunate that the current financing of education in the Pacific tends to be weighted towards secondary and post-secondary education at the expense of basic education. To address this situation the Forum called for a meeting of Forum Education Ministers in Auckland, New Zealand, in May 2001, to specifically address issues of basic education. Ministers developed a *Forum Basic Education Action Plan*, which is contained in Annex 12.

### Health

87. Infant mortality has declined significantly throughout the region. More women now have proper prenatal, intra-natal and post-natal care. However, despite improvements in health care and reductions in infant mortality, the levels remain high across the Pacific. However, in some countries, improvements in child survival are being more than balanced by increased adult mortality, associated with so-called 'lifestyle' diseases and accidental deaths, and the resurgence and emergence of infectious and vector-borne diseases. Sexually transmitted infections also continue to increase.

88. Structural weaknesses of health systems have increasingly become evident at the same time as the demand for community and national health services has grown. The UNDP *Pacific Human Development Report* notes that common problems are declining funding, non-supportive macro-economic policies, a growing burden of poverty and the emergence of new and the resurgence of old diseases.

### **Environmental Situation**

89. The common environmental problems placing pressure on the natural resources, lifestyles and economic development of the region are the loss of biological diversity, threats to freshwater quality, degradation of coastal environments, climate change and sea level rise and pollution from both land and sea-based sources. Rapid population growth, habitat destruction from logging, agriculture, over-harvesting of fish and invasive species have combined to put tremendous pressure on natural environments and species. In the Solomon Islands an estimated 46% of mammal species have been lost and throughout the region 41% of the reef ecosystems are at medium to high risk. Community-based in-situ and species conservation efforts will be essential to reversing these trends.

90. Contributing to these problems, and impacting on the region's health and tourism potential, is the management of wastes. Pacific island countries are producing solid wastes

at 0.2-0.7 kg/person/day. The waste stream, with high organic content (10-60%), is increasingly filled with plastics and scrap metal. Reducing wastes is constrained by a lack of basic information, human resource development in municipal waste management and landfill operations. Waste minimisation efforts are required to supplement the limited disposal options. The effective mitigation of sedimentation will also need to be promoted and national capacity built in relation to land use planning and practices in key productive sectors of forestry, agriculture and urban development.

91. In relation to climate change and variability, the *IPCC Third Assessment Report* outlines changes that are expected over the region in extreme events. These include higher maximum temperatures, more hot days, more intense rainfall events and, over some areas, increased frequency and severity of tropical cyclones. There is recognition that even the most optimistic forecasts of future greenhouse gas emission reductions would not be sufficient to prevent additional changes in the climate. The development of appropriate, affordable, and cost-effective adaptation and response measures, relevant to all sectors, is therefore urgently required.

92. Appropriate policy and legal frameworks at national and regional levels are still evolving, as are the efforts to strengthen environmental education and awareness raising. The integration of these environmental concerns in specific economic development sectors and within the economic and governance reform agenda has commenced. Particular attention will need to be paid to trade liberalisation, globalisation, tourism development, rapid population growth, urbanisation and settlement patterns in order to achieve the region's goal of sustainable development.

#### **SUSTAINABILITY OF POLICIES AND MEDIUM-TERM OUTLOOK**

93. The Pacific ACP are characterised by dispersion, frustrated by their isolation and smallness and among them have quite different strengths and weaknesses. Combined with a variety in their respective colonial experience and heritage, this means that their instinct for regional integration and collective approaches can be more limited than the Caribbean and, probably, the African ACP. Nonetheless, there has been a strong tendency over the past three decades for the Pacific islands to increasingly work together and to cooperate, especially when under pressure from the rest of the world.

94. Such pressures have increased markedly over the past decade – the issues of climate variability, management of migratory fish stocks and the call for transparency and supervision of offshore financial centres based on low tax rates are but some examples. Furthermore, Forum Leaders have been persistent over this period in iterating their desire for greater cooperation, in particular, and integration. In many areas, as exemplified by the operation of the eight regional organisations, this cooperation and sharing has been sustained, and there is little reason why this should not continue. In other areas – notably market-oriented activities, such as the regional airline concept – success has, in contrast, been difficult to achieve.

95. The sustainability of current integration initiatives depends on how well policies are formulated and implemented, and the perception of Pacific Islanders as to whether these are making a positive contribution to their quality of life. Assistance with the formulation and implementation of such policies is essential given the lack of capacity and narrow range of economic activity that characterise the Pacific ACP.



96. Stronger regional economic integration, starting with trade, has been identified as a key element for engendering economic growth and building a relationship with the rest of the world. Human resource development is seen as essential to take advantage of the development opportunities that will arise from such integration, particularly in the private sector. This should boost the development of regional fisheries which will in turn help achieve other policy objectives, such as revenue generation, employment, conservation of the environment and better governance.

97. While the willingness of the Pacific ACP to take on these and other sectoral regional initiatives speaks of itself of their sustainability, these small island developing states will need considerable assistance to pursue their priorities. However, it will also be necessary to address the structural problems specific to small states, such as income volatility, difficulties in attracting the attention of investors and weak domestic capacity, both in the public sector and in commercial activities. To facilitate transition and attract private investment, specific domestic policy areas merit attention:

- first, countries must send clear signals that changes will occur in the direction of their trade policies and regulation and will not be postponed;
- second, the drop in import tariff revenues resulting from tariff reduction as part of import liberalisation;
- third, flexibility in domestic factor markets should be encouraged to facilitate transformation of the productive structure;
- fourth, the unfinished structural reform agenda is still large and needs to be tackled as a priority.

98. The integration of Pacific economies amongst themselves and with the global economy through either regional arrangements or through the multilateral process would require assistance in a number of areas:

- first, the need to implement the reform measures necessary to accompany regional trade integration, especially to find alternative taxation systems that would address revenue erosion resulting from integration;
- second, the need to develop supply side capacities through the development of the private sector and strengthening government dialogue with it;
- third, the need for harmonisation of trade facilitation policies and measures amongst Pacific ACP countries to support trade in the larger regional market.

99. Nonetheless, there are clear indications that there is a strong awareness of the benefits of continued integration. The strong direction by Forum Ministers to pursue liberalisation of trade in services, the desire of the Melanesian Spearhead Group to remain in the forefront of regional liberalisation by adopting a customs union and even discussion in academic circles of the possibility of currency union are all indicative of this will.

## CHAPTER 4

### OVERVIEW OF PAST AND ONGOING EC COOPERATION

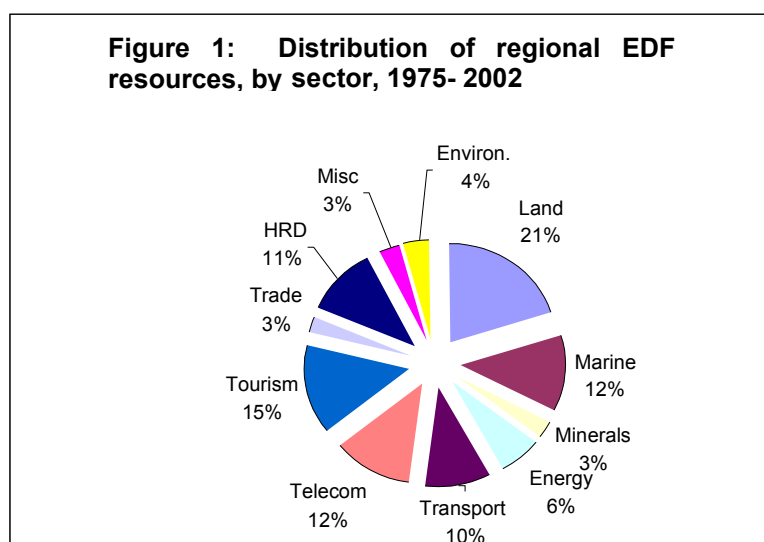
#### PAST AND ONGOING EC COOPERATION

100. Cooperation between the European Union and Pacific Island Countries began in 1975 with Fiji, Tonga and Samoa signing the first Lomé Convention. Since then the Pacific ACP group has enlarged, either when other countries and territories became independent during the lifetime of the first Convention (Solomon Islands, Papua New Guinea, Tuvalu and Kiribati), at the beginning of the second Convention (Vanuatu), or at the beginning of the Cotonou Agreement (Cook Islands, Federated States of Micronesia, Republic of the Marshall Islands, Nauru, Niue and Palau).

101. In the period 1975-2002 EDF resources allocated to Pacific ACP regional projects totalled some € 165 million. Financial instruments have consisted of Regional Indicative Programme funds, Lomé IV Trade Promotion grants, and one EIB loan amounting to € 2.7 million made under Lomé III.

102. In the 1975-80 period EDF assistance supported regional initiatives in telecommunications and HRD. Lomé II (1980-85) focused on developing regional transportation, energy and telecommunication infrastructure and training, and support for areas of comparative advantage, notably tourism. Lomé III (1985-90) extended infrastructure support in transport, energy and telecommunications, increased tourism development support, and at the same time provided funds for the productive sectors of agriculture and fisheries. Under the first financial protocol of Lomé IV (1990-95) the double strategy of alleviating natural resource constraints and of supporting sectors of comparative advantage continued, while new areas of intervention, mainly HRD and the environment, also received support. Lomé IV (bis) continued support to HRD and to the sustainable development of natural resources.

103. Figure 1 shows the percentage distribution of resources between sectors (training and HRD activities within sectors have been significant components of individual projects). Table 1 shows a breakdown of EDF assistance to the various sectors for 1975-2002.



**Table 1: Total EDF Regional Resource Allocation to Pacific ACP 1975-2002**

Million €	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IV (bis)	Total
	1975-80	1980-85	1985-90	1990-95	1995-2000	
Marine Resources	0.36	0.44	5.90	5.3	8.1	20.08
Land Resources	0.00	3.50	10.56	10.8	8.9	33.80
Mineral Resources	0.00	0.00	5.00	0.0	0.0	5.00
Energy	0.00	6.30	4.40	0.0	0.0	10.70
Environment	0.00	0.00	0.05	1.8	4.1	5.97
Transport (Sea)	0.40	4.18	0.07	0.0	0.0	4.65
Transport (Air)	0.69	4.80	5.38	1.2	0.0	12.04
Telecommunications	5.81	8.15	5.83	0.0	0.0	19.79
Tourism	0.00	3.52	7.42	12.9	0.6	24.42
Trade	0.00	0.36	1.67	1.5	0.8	4.30
HRD	3.25	1.16	0.00	2.1	12.5	18.99
Miscellaneous	0.00	1.90	0.92	2.8	0.0	5.62
<b>Total</b>	<b>10.50</b>	<b>34.30</b>	<b>47.20</b>	<b>38.4</b>	<b>35.0</b>	<b>165.36</b>

Source: OLAS, Annual reports, Pacific Regional Indicative Programmes

This table covers only assistance at the regional level; bilateral assistance is not included.

Includes RIP, EIB and Lomé IV Trade Promotion funds. The region also accesses other Inter ACP funds such as the € 30 million set aside to prepare for EPA and WTO negotiation as well as Budget line funds.

Furthermore, the European Business Assistance Scheme (EBAS) has contributed € 0.9m to 47 projects in the region

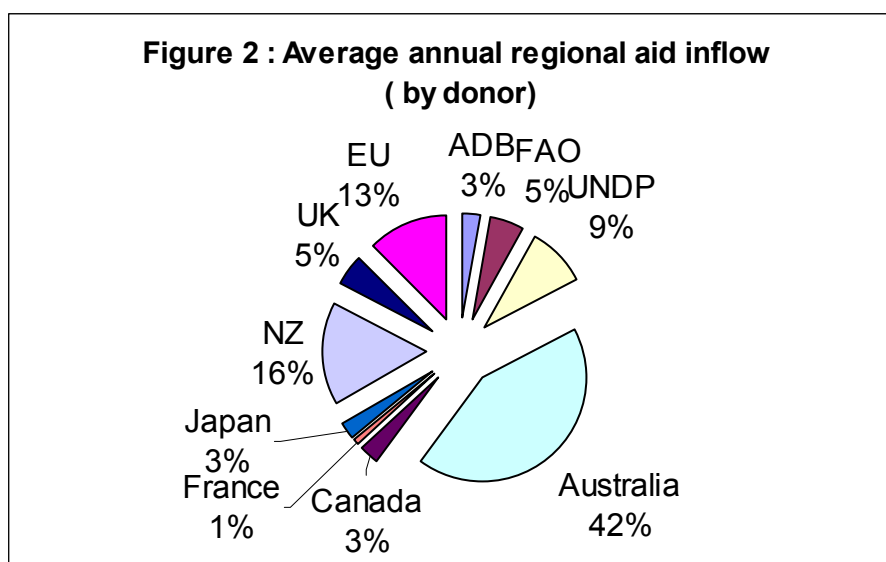
104. Evaluation of the land resource sector (21% of EDF resources since 1975) has shown that the institutional framework adopted for project implementation is a key factor affecting programme impact. In general, projects implemented by mandated regional organisations tend to result in more positive outcomes. Implementation by other bodies, e.g. commercial firms, tend to lack accountability and measures are sometimes seen as being externally driven. In the 1970s and 1980s such instances were unavoidable due to the relatively weak regional institutions that existed. Since then, the regional framework has strengthened significantly to the point where CROP agencies are now the preferred delivery mechanism for EDF regional assistance, given their proven capacity to deliver and effective links with their (ACP) member states. The adoption of Grant Agreements between the RAO and CROP agencies for the implementation of the 8th EDF regional indicative programme has further improved this delivery mechanism.

## PROGRAMMES OF EU MEMBER STATES AND OTHER DONORS

105. On average annual regional official development assistance (*ODA*) totals about € 67 million. Current approximate data show that Australia dominates, providing some 42% of the total, while New Zealand provides 16%. Both countries are members of the Forum and four of the other CROP organisations (see Annex 8). Direct grant funding to CROP agencies accounts for about a third of all Australia and NZ regional expenditure. The remainder of Australian / NZ assistance is split between health, education, economic reform and natural resources sectors.

106. EDF assistance at the regional level amounts to around 13% of the total. Including France and the UK, total EU assistance is around 19%. On its own, the UK accounts for 5% of the total regional aid flow to the Pacific ACP, but this level of assistance is likely to decline following closure of its regional programme in 2004. Current UK assistance focuses on Human Rights/Good governance programmes. The UK also provides core budget funding to SPC of about € 0.5 million annually. French assistance accounts for about 1% of

the total and is concentrated on renewable energy initiatives. Figure 2 shows a breakdown of donor contribution to regional development. Annex 5 provides a more detailed analysis of assistance.



## DONOR COORDINATION

107. Donor coordination takes place at formal and informal levels. Following the FEMM a formal exchange of views between donors and national and regional representatives is conducted. Discussions include individual country and regional programmes. This is followed by a separate meeting of donors, including the United Kingdom, France and the EC. Informal donor meetings occur more frequently, on the basis of common interests on a particular sector, often following a mission or study. Of particular relevance is the recent agreement between Australia and New Zealand to harmonise their policies and practices, a move they invite other donors to join.

## OTHER EC POLICIES

108. Recent years have seen a number of conflicts flare up in the region, other than the earlier troubles in PNG. Of particular relevance are the crisis in the Solomon Islands and the 2000 coup in Fiji. As part of the increased importance of EU-ACP political dialogue in the framework of the Cotonou Agreement, the Commission is considering the best means to support local peace building and reconciliation initiatives, notably through its *Democracy and Human Rights* budget-line.

109. The European Commission is directly involved in fisheries in the Pacific, not only through its past and ongoing projects, but also through the presence in the region of a number of EU fishing boats. Moreover, in May 2001, the EU decided to open negotiations with a view to the conclusion of bilateral tuna fishing agreements<sup>3</sup> with Pacific ACP

<sup>3</sup> with respect to such agreements, it is interesting to note that the 8 November 2001 Resolution of the European Council of Ministers states that each agreement concerning access of European vessels to the fishery resources of the Region shall involve the following elements, among others:

countries and the first such agreement was initialled with Kiribati on 09/07/02. Furthermore, as has already been mentioned, the EU has expressed a strong interest in becoming a full member of the *Commission on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean*.

110. Trade volumes between the EU and the Pacific ACP are not very high, typically amounting to less than 5% of total imports into the Pacific. Export of products to the EU is low for most countries and virtually nil for the very small island states. However, a particularly relevant exception is Fiji for which, as mentioned under point 25, the Sugar Protocol has brought major benefits.

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*- well founded scientific knowledge of the fishery resources and determination of the allowable catch, ensuring that the maintenance of living resources is not endangered by over-exploitation. Fisheries agreements should respect article 62 of the United Nations Convention on the Law of the Sea : "The coastal State shall determine its capacity to harvest the living resources of the exclusive economic zone. Where the coastal State does not have the capacity to harvest the entire allowable catch, it shall, through agreements or other arrangements"... "give other States access to the surplus of the allowable catch".*

*- flexible adjustment of fishing possibilities on the basis of an assessment of the resources taking into account the best available scientific information and in accordance with the needs of the local fish industry;*

*- application of the precautionary principle as laid down in the Code of Conduct for Responsible Fisheries;*

*- implementation of protective measures for small-scale fishing and for subsistence fishing (in particular by strict observance of a protection zone);*

*- observance of the principles of good governance, with financial compensation having to be paid and used in accordance with sound budgetary management practice, and national Poverty Reduction plan.;*

*- guarantee that the development and management of fisheries agreements be based on a functioning Monitoring-System of their environmental, economic and social impacts in Partner Countries. "*

And, referring to article 23 of the Cotonou Agreement: *"any fishery agreement that may be negotiated between the Community and the ACP States shall pay due consideration to consistency with the development strategies in this area"*

## CHAPTER 5

### THE EC RESPONSE STRATEGY

111. **Regional Economic Integration** support is a logical priority, given the provisions of the Cotonou Agreement and the European Union's experience and comparative advantage in such matters. Liberalising trade among Forum Island Countries is a necessary first step in the pursuit of economic growth and global integration. The adoption of PICTA and PACER is expected to result in increased trade, more employment, and the creation of a stronger regional economic platform from which Pacific Island Countries can negotiate new international trade arrangements, including those foreseen under the Cotonou Agreement.

112. Currently, only 2% of 8th EDF resources are directed at REI and few other donors provide assistance to this sector. A greater level of support to assist the region's economic integration agenda is therefore required. In the context of the RIP areas of trade-related support will include: developing and strengthening the capacities of regional integration institutions and organisations, and national governments, in matters of regional integration; the provision of assistance for mutual reduction in tariffs, customs cooperation and trade facilitation; and activities to assist the private sector to fully benefit from liberalisation.

113. Technical assistance in public financial management, tax administration and policy, as well as banking regulation and supervision, will be addressed.

114. Furthermore, timely and accurate statistics are essential for effective planning and policy-making. The current state of the FICs statistical systems should be assessed in view of their capacity to satisfy the information needs of the beneficiary countries in general and for the focal and non-focal sectors of the Indicative Programme in particular. If necessary, strategies and actions to strengthen the statistical systems must be drawn up and carried out.

115. A sum of € 9 million, equivalent to 31% of the 9th EDF RIP, will be made available for activities under the Regional Economic Integration focal area.

116. **Human Resource Development** is a priority because, although Pacific island governments have invested relatively high proportions of their budgets on education and training, many children leave school prematurely, lacking the skills that will equip them for earning a livelihood in either the formal or informal sectors of the economy. An increasing number of students are refused enrolment at tertiary institutes because they lack the basic entrance requirements and students who reach secondary and tertiary institutions are frequently unable to cope with the academic demands. Failures at these levels often become disenchanted dropouts who lack the skills to contribute effectively to their societies. Unfortunately, the region offers little in terms of alternatives, in the area of formal or non-formal TVET studies that are relevant for the islands' economies.

117. In May 2001 Education Ministers therefore formulated an *action plan* to address basic education needs in the Pacific. They recognised that basic education is the fundamental building block for society. Through the teaching of health, culture, governance and other subjects, basic education can engender the broader life skills that lead to good governance and social cohesion and which, when combined with an enhancing of

employment opportunities, creates a higher level of personal and societal security. It is noteworthy that these views coincide entirely with what is said in the May 2002 Council of Ministers Resolution on the EU's *Education and Training Strategy in the Context of Poverty Reduction*.

118. Consequently, more than half of the Pacific ACP *Country Strategies* have adopted education and/or formal or non-formal Technical and Vocational Education and Training (TVET) as a focal sector under their 9th EDF NIPs. Pacific NAOs expect this regional strategy to complement and consolidate these efforts by addressing problems which can only be tackled, or be tackled more cost-effectively, at the regional level.

119. The consensus within the region is that the regional strategy should deliberately take a two-pronged approach, supporting both basic education and regional formal and non-formal TVET providers. TVET initiatives will therefore accompany improvements to basic education and pick up where the latter leaves off, ensuring that the number of courses increases and that they are relevant in the present socio-economic context in terms of access to employment or self-employment.

120. Given the demographically small size of the Pacific islands, it may be economically more sensible to undertake curriculum revisions at the regional level. The reformed curricula can subsequently be adopted by and delivered in national institutions throughout the region. The same reasoning applies to teacher training programmes in formal education and formal and non-formal TVET

121. As soon as this strategy is adopted, a study will be launched drawing on the expertise of all regional stakeholders, which will fully investigate the areas in both formal education and formal/non-formal TVET, as set out in the Indicative Programme and where it is anticipated that a comparative advantage can be gained by taking a regional approach.

122. A sum of € 8 million, equivalent to 28% of the 9th EDF RIP, will be made available to support activities in the HRD focal area.

123. **Development of Fisheries** consistent with the region's poverty eradication targets and taking account of sustainable development criteria requires a strengthening of all regional institutions active in regional fisheries development.

124. A sum of € 5 million, equivalent to 17% of the 9th EDF RIP, will be made available to support activities in the Fisheries focal area.

125. **The non-focal sector** reflects the fact that with the signing of the Cotonou Agreement in June 2000 six 'new' member countries joined the Pacific ACP Group, expanding it by 75%. The 8th EDF RIP, available to the eight country signatories to the Lomé IV Convention, is now fully committed. That said, many of the projects and programmes financed under the 8th EDF RIP have only just commenced. Pacific ACP states have expressed a wish to include the 6 new member countries in appropriate 8th EDF programmes. As these focus largely on tertiary education and natural resource development, they are consistent with the development goals of the 9th EDF strategy. The implementing agencies concerned are supportive of expanding these programmes to the six new states under 9th EDF RIP funding. Technical Assistance will also be considered under the non-focal sector.

126. A sum of € 7 million, equivalent to 24% of the 9th EDF RIP, is made available for non-focal programmes.

127. Cross-cutting issues which will be taken into account when designing specific projects and programmes to be implemented under the Indicative Programme specifically include equal access for girls and boys in education and men and women to HRD. Capacity-building and the environment will be systematically addressed in all Financing Agreements in both focal and non-focal areas.

128. The involvement of non-state stakeholders (including local government) in the preparation and implementation of programmes will be sought. They may also be beneficiaries, notably in the context of capacity-building.



## PART B

### INDICATIVE PROGRAMME

#### CHAPTER 6: PRESENTATION OF THE INDICATIVE PROGRAMME

##### INTRODUCTION

129. Within the general framework of the present Regional Strategy Paper, and in accordance with provisions of Article 10 of Annex IV to the Cotonou agreement, the Parties have agreed on the main priorities for their cooperation and on the sectors on which the support of the Community will be concentrated. A detailed Indicative Programme is presented in this chapter, followed by annexes containing a series of tables presenting the intervention frameworks for each focal sector, an activities timeline and the indicative commitment and expenditure schedules.

130. Amounts mentioned in this chapter indicate the global distribution of funds between economic integration and trade support, other focal sectors and other programmes. This distribution can be modified in the context of mid- and end-of-term reviews.

##### FINANCIAL INSTRUMENTS

131. This Indicative Programme is based on the indicative allocation for the *Pacific Region* amounting to € 29 million . The indicative allocation will be distributed as follows:

<i>Focal Sector 1: Regional Economic Integration and Trade</i>	€ 9 million	31% of total
<i>Focal sector 2: Human Resource Development</i>	€ 8 million	28% of total
<i>Focal Sector 3: Fisheries</i>	€ 5 million	17% of total
<i>Non-focal Sector:</i>	€ 7 million	24% of total

132. Balances remaining from previous EDFs at the date of entry into force of the Financial Protocol as well as decommitments made at a later stage, will be added to the above-mentioned indicative allocation. These funds will be used to support projects and programmes in line with the priorities set out in this Indicative Programme.

##### FOCAL SECTORS

###### **Regional Economic Integration and Trade Support**

133. The following specific objective are to be pursued:

- Implementation of a Free Trade Area (PICTA) among Pacific ACP states and improvement of trade-negotiating capacities at regional and multilateral levels (including WTO and EPAs). This is expected to result in increased intra-regional trade; improved capacity to formulate trade policies and more investment-led private sector development.

134. For indicative purposes, approximately € 9 million are to be reserved for this sector.

135. The main measures envisaged are:
- The provision of TA and financial support to undertake the following reforms and studies encompassing all 14 Forum island states: legislative and fiscal reform; awareness campaigns (government, private sector, NGOs); implementation of tariff concessions and ‘negative lists’; notification procedures; rules of origin oversight; trade facilitation including quarantine, customs harmonisation and standards and conformance; social and environmental impact assessments; studies in government procurement; studies referring to trade in services; trade and services promotion; investment-related private sector development, and trade policy including: competition policy; IPR protection; SPS measures; trade and labour standards; consumer policy; activities in support of economic policy coordination; WTO representation; and preparation of an economic partnership agreement with the EU.
136. The major policy measures to be taken by the Region as a contribution to the implementation of the response strategy in this sector are:
- the ratification of PICTA by a minimum of six Forum signatory states. This will trigger the entry into force of PICTA. The number of Forum member states ratifying PICTA will have a direct bearing on the volume of resources required to help implement the agreement.

### **Human Resource Development**

137. The following specific objective are to be pursued:
- Providing enhanced basic education and TVET opportunities for the acquisition of life skills so that Pacific islanders can more easily enter the workforce and gain the confidence to be able to respond flexibly to new challenges and opportunities, while at the same time supporting good governance at all levels.
138. For indicative purposes, approximately € 8 million is to be reserved for this sector.
139. The main measures envisaged, subject to further analysis, are:
- Reinforcing regional institutions which support basic education and vocational work-related training, including the promotion of distance education through new technologies. EDF resources will use the existing USP telecommunication network (*USPNet*) infrastructure to target a qualitative improvement in courses, especially in-service and pre-service teacher training programmes.
  - Reviewing the curricula of national and regional training centres and non-formal education programmes and assessing whether skills taught match employment requirements, including those in the traditional subsistence economy, drawing *inter alia* on the findings of the 8<sup>th</sup> EDF RIP-supported *Employment & Labour studies unit* at the USP.
  - Developing formal and non-formal TVET training and work-based programmes, in cooperation with civil society and the private sector, and promoting the role of civil society in providing non-formal skills training.

- Establishing a regional qualifications framework for post-secondary and non-formal education.
- Developing and delivering teacher training programmes, both in-service and pre-service.
- Curriculum development in areas such as human rights, good governance and the environment.

140. The major policy measures to be taken by the Region as a contribution to the implementation of the response strategy in this sector are:

- approval by leaders of the *Forum Basic Education Action Plan*.
- acceptance by all Pacific ACP states of the principles expressed in the “*Education for All*” *Dakar Forum* in April 2000.

141. Other specific policy measures to be taken by the Region, in particular on TVET training and labour market, will be identified in the context of designing the concrete programme(s) in this area.

### **Fisheries Development**

142. The following specific objective is to be pursued: The conservation and optimum exploitation of fish stocks in the Western and Central Pacific by promoting regional cooperation and coordination of policies aimed at eradicating poverty and securing maximum benefits for the people of the Region.

143. For indicative purposes, approximately € 5 million are to be reserved for this sector.

144. The main measures envisaged are:

- promotion of regional networks and actions linking fisheries resource legislators, managers, food safety inspectors, fishermen’s organisations, researchers and members of national fisheries administrations.
- review of national fisheries policies (such as Management Plans) especially where based on a shared regional fishery resource.
- support for regional institutions to support and coordinate action to formulate and implement national/regional fishery strategies which promote economic development as a means of strengthening small and fragile economies.
- support for regional institutions in order to obtain accurate scientific data on coastal and oceanic marine resources.

145. The major policy measures to be taken by the Region as a contribution to the implementation of the response strategy in this sector are:

- Ratification of the *Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean*.

- Conclusion of negotiations for the establishment of a *Commission for the implementation of the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean*.
- Promotion of the principles enshrined in the *International Code of Conduct for Responsible Fisheries*.

146. Other specific policy measures to be taken by the Region, will be identified during preparation of the concrete programme(s) in this sector.

### **Non-focal Sector**

147. An indicative amount of € 7 million has been reserved for the participation of the six new Pacific ACP States in appropriate projects committed under the 8<sup>th</sup> EDF and for Technical Assistance support.

### **DULY MANDATED ORGANISATIONS**

148. For the purpose of implementation of this Indicative Programme, the duly mandated regional organisation is the Pacific Islands Forum Secretariat, which is also the duly mandated Regional Authorising Officer. The co-ordination mechanism for the implementation of the Indicative Programme will be through the CROP system.

149. In order to implement the activities set out in the present Indicative Programme, the duly mandated regional organisation can delegate all or some of the functions of the Regional Authorising Officer to other competent regional bodies or to any of the National Authorising Officers. The function of the Regional Authorising Officer is defined by analogy with the description of the function of National Authorising Officer in the Cotonou Agreement (Annex IV, Articles 14.3 and 35).

## ANNEX 1: INTERVENTIONS FRAMEWORK

**Table 1a: Regional Economic Integration**

	Performance Indicators	Sources of verification	Assumptions
<b>LONG-TERM REGIONAL SECTOR TARGETS (10-12 YEARS)</b>			
Integration into the global economy	Increased GDP Trade agreements	- National statistics - Agreements	
<b>INTERVENTION OBJECTIVE</b>			
To promote regional cooperation and integration	Strengthened regional integration organisations	Annual reports FOC papers	Continued political and financial support from member states
<b>RESULTS</b>			
Establishment of Forum Island Country (Pacific ACP) Free Trade Area, PICTA & PACER	- Agreements signed by leaders and ratified by national parliaments  - Implementation Framework established and functional	- Parliamentary records - Agreement - Forum records	Assumes continued national commitment to implement national and regional policy
New Trade Agreement(s) established with EU			
Rationalisation of resource allocation	- increased GDP	- national accounts	
Increased volume and expanded range of exports from Pacific Islands	Net overall increase in trade performance	- national, regional and international trade statistics - GDP figures	
Regional compatibility with WTO rules	Amended legislation and agreements	- National records	
Strengthened private sector	Increased turnover and employment	- National accounts	
Increased employment opportunities	Improved economic growth	- Employment statistics - Vacancy statistics	
Timely and accurate statistics available	Policy makers and planners get statistics they need	- planning documents/ administration surveys	

**Table 1b: Human Resources Development**

	Performance Indicators	Sources of Verification	Assumptions
<b>LONG TERM REGIONAL SECTOR TARGETS</b>			
Improve the regions' human resources	Improvement in the Human Development Index (HDI)	Published studies and reports (UNDP)	
<b>INTERVENTION LOGIC</b>			
To improve education at all levels with emphasis on basic education and TVET	<ul style="list-style-type: none"> <li>- Higher literacy and numeracy rates</li> <li>- Higher percentage of children completing schooling</li> <li>- Employment opportunities created by better matching skills and job requirements, which will also lead to accrued growth opportunities</li> <li>- Enhanced self-employment opportunities created by basic education and TVET more relevant to present market needs</li> </ul>	Ministries of education, Ministries of labour economic reports Special surveys	Development of the education / training sector remains a regional priority Regional and national resources are available to develop the education / training sector
<b>RESULTS</b>			
Improvement of distance education through new technologies	Increase of percentage of students (at all levels) with access to new technologies Improvement in the geographical coverage of ICT based education	National statistics Special surveys	Assumes continued national commitment to implement national and regional policy
Match skills taught with the requirements for employment and livelihood	Lower rate of remedial / preparatory work on tertiary institution enrolment	Special surveys National statistics	
Adopt a regional model curriculum and qualifications framework for primary, secondary, TVET and tertiary education	Higher rate of job uptake by school leavers		
Develop non-formal education and work-based programmes in cooperation with civil society and the private sector	Improved rates of adult participation in non-formal education Increased employment rates	National statistics Special surveys Ministries of education	
Promote the role of civil society in providing non-formal skills training	Increase in spending, income and number of courses /students covered by civil society	National statistics Special surveys	
In-service and pre-service teacher training	Increase in percentage of teachers: <ul style="list-style-type: none"> <li>- formal qualifications</li> <li>- attending in-service training courses regularly</li> </ul>	Ministries of education	
Equitable gender access to education institutions	Improvement in gender balance for <ul style="list-style-type: none"> <li>- enrolments</li> <li>- achievements</li> </ul>	National Statistics Ministries of education	
Equitable (rural/urban) access to education institutions	Comparison of rural/urban shows <ul style="list-style-type: none"> <li>- greater equivalence in participation rates</li> <li>- greater equivalence in achievement rates</li> </ul>	Ministries of education special surveys	
Improved national planning frameworks	<ul style="list-style-type: none"> <li>- Improvement in the quality of statistics on education and the labour force</li> <li>- Improvements in the effectiveness (outputs) of education spending</li> </ul>	Ministries of education Ministries of planning Special surveys	

Table 1c : Fisheries Development

	Performance Indicators	Sources of verification	Assumptions
<b>Long-term regional sector targets (10-12 Years)</b>			
Enhance the contribution of the Pacific fisheries sector to poverty eradication thanks to an equitable share of the added value created by sustainable exploitation of marine resources.	<ul style="list-style-type: none"> <li>- Higher added value produced by the fisheries sector.</li> <li>- Employment opportunities created in the sector</li> <li>- Contribution of fisheries to food security and to the livelihood of coastal communities maintained.</li> <li>- Maintenance of high fishery resource potential</li> </ul>	FAO Fishery Country Profiles.	Fisheries based development strategies remain a priority
<b>Intervention Objective</b>			
To improve and co-ordinate poverty-eradication-oriented national fisheries sector policies	<ul style="list-style-type: none"> <li>- The state of the resource is better known</li> <li>- The fishing capacities of the Pacific countries are developed.</li> <li>- The processing and marketing capacities of the Pacific Countries are developed.</li> <li>- The surplus of resource that the countries cannot harvest themselves is « sold » at a better price.</li> <li>-The added value created by the sector is properly shared among the main stakeholders.</li> </ul>	Ministries of fisheries  FAO Reports  SPC, FFA	Assumes continued national and regional commitment to implement national and regional policy
<b>Results</b>			
Fisheries policies formulated and co-ordinated at regional and national levels	Fishing policy framework clearly set out at regional and national levels.	Documents produced by ministries of fisheries , FFA, SPC	
Actions of mutual interest supported	Actions of mutual interest carried out: VMS, resource management, research, training, negotiations with third parties	Documents produced by FFA ,SPC	
Networks linking stakeholders (fisheries resource managers, fishermen's orgs, researchers and national fisheries administrations created).	Implementing training sessions, seminars, transfers of know-how.	Reporting documents produced by FFA, SPC	

**ANNEX 2: ACTIVITIES TIMELINE**

Title	2003				2004		2005	2006	2007	2008
	Q1	Q2	Q3	Q4	Q1-2	Q3-4				
Regional Economic Integration	Project identification and formulation				Financing decision	Tenders and mobilisation	Implementation			
Human Resource Development	Project identification and formulation				Financing decision	Tenders and mobilisation	Implementation			
Fisheries Development	Project identification and formulation				Financing decision	Tenders and mobilisation	Implementation			
Non-Focal Area	Financing decision/implementation				Implementation	Implementation	Implementation			

**ANNEX 3: INDICATIVE COMMITMENTS AND DISBURSEMENTS TIMETABLE**

Area of concentration:	Amount	2003	2004		2005	2006	2007	2008
	EUR Millions		Q1-2	Q3-4	S2	S2	S2	S2
Regional Economic Integration	Commitments		9.00					
	Disbursements			1.80	2.25	2.25	2.25	0.45
Human Resource Development	Commitments		8.00					
	Disbursements			1.6	2.00	2.00	2.00	0.40
Fisheries Development	Commitments		5.00					
	Disbursements			0.50	1.00	1.50	1.00	1.00
Non-Focal Area:	Commitments	7.00						
	Disbursements	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total Commitments		7.00	28.00					
Total Disbursements		1.00	1.00	4.90	6.25	6.75	6.25	2.85



**ANNEX 4: ONGOING PROJECTS AND PROGRAMMES**

<b>PROJECT</b>	<b>NO.</b>	<b>PRIMARY COMMITMENT (€)</b>	<b>STATUS</b>
Pacific Plant Protection Services - Phase 1	6-RPR-531	3,355,000	To be closed
Pacific Regional Civil Air Communications - Phase II	7-RPR.543 & 6-RPR-552	5,880,000	Ongoing
Pacific Regional Agricultural Programme (PRAP)	7-RPR-325	10,617,900	To be closed
Cyclone Warning System Upgrade Project	7-RPR.458	1,950,000	To be closed
Pacific Regional Tourism Development Programme Phase III (PRTDP III)	7-ACP -RPR.134 & 7-PTO-REG-006	11,530,000	To be closed
Pacific Regional Waste Awareness & Education Programme	7-RPR.584	690,000	To be closed
SPC Tuna Assessment/Monitoring Programme	7-RPR-271	5,230,000	To be closed
8 <sup>th</sup> Pacific Islands Arts Festival Noumea 2000	7-RPR-504	749,000	To be closed
Technical Assistance - Support to the Regional Authorising Officer (RAO)	7-RPR-648	1,100,000	Ongoing
Information Resource Centre and Pacific Environmental Information Network	8-RPR-001	560,000	Ongoing
Economic Partnership Project	8-RPA-005	750,000	Ongoing
Fiji School of Medicine Infrastructure Improvement Project	8-RPA-006	7,500,000	Ongoing
USP/HRD Programme	8-RPA-009	5,000,000	Ongoing
Pacific ACP and OCT Regional Oceanic and Coastal Fisheries development programme.(PROCFISH)	8-RPA-004	8,100,000	Ongoing
Pacific Plant Protection	8-RPA-003	3,200,000	Ongoing
Reducing Vulnerability of Pacific ACP States through Island Systems Management.	8-RPA-007	7,000,000	Ongoing
Sustainable Development of Agriculture	8-RPA-010	4,306,000	Ongoing
Transitional -Technical Assistance to EU-SPTO Programme	8-RPA-011	600,000	Ongoing

**ANNEX 5: DONOR ANALYSIS**

**Table 5(a) DONOR MATRIX**

		Economic & Private Sector			Other	HRD and Social Development											Natural Resource										
						Core CROP	Miscellaneous	Private Sector	Tourism	Industry & Trade	Energy	Transport & Communication	Economic Reform & Finance	Non-Formal Education	Tertiary Education	Secondary Education	Basic Education	Community Development	Culture	Health	Disaster Mitigation	Law & Justice	Governance	Environment	Marine	Agriculture & Forestry	
	Civil Society (including Churches and NGO)																										
	Private Sector																										
	Multilateral & Bilateral Institutions																										
	Percentage of Regional Budget																										

**Table 5(b): AVERAGE ANNUAL DEVELOPMENT PARTNER REGIONAL ASSISTANCE TO THE PACIFIC**

Average per Annum € Million	ADB	FAO	UNDP	Australia	Canada	France	Japan	NZ	UK	EDF	Totals	Excl EDF
1 Agriculture/Forestry		3.50		1.60						3.00	8.10	5.10
2 Marine Resources				1.50	1.00					1.00	3.50	2.50
3 Environment			0.17	1.03	1.00			0.95		0.20	3.35	3.15
4 Disaster Mitigation			0.53	0.30					0.16	0.38	1.37	0.99
5 Private Sector	0.38		1.32	1.65				0.57		0.10	4.02	3.92
6 Tourism										1.65	1.65	0.00
7 Industry & trade						0.07			0.16	0.33	0.56	0.23
8 Energy				1.20		0.30					1.50	1.50
9 Transport/Communications	0.38			0.30						1.00	1.68	0.68
10 Governance	0.33		0.97	0.23					1.04		2.57	2.57
11 Economic Reform/Finance	0.34		1.00	5.02							6.36	6.36
12 Law & Justice				0.62				0.31	0.16		1.09	1.09
13 Health			0.23	5.07		0.02	0.38	1.20		0.23	7.13	6.90
14 Culture										0.10	0.10	0.00
15 Community Development			0.48						0.16		0.64	0.64
16 Basic Education			1.10					1.20	0.80		3.10	3.10
17 Secondary Education				0.13				0.14			0.27	0.27
18 Tertiary Education				1.06		0.10		1.31		0.30	3.57	3.27
19 Non-Formal Education			0.30	0.05					0.16		0.51	0.51
20 Core CROP				8.70			0.40	4.33	0.56		13.99	13.99
21 Miscellaneous	0.44				0.05	0.13	1.00	0.74		0.22	2.58	3.16
<b>Total</b>	<b>1.87</b>	<b>3.50</b>	<b>6.10</b>	<b>28.46</b>	<b>2.05</b>	<b>0.61</b>	<b>1.78</b>	<b>10.75</b>	<b>3.20</b>	<b>8.51</b>	<b>66.83</b>	<b>58.32</b>

Source: annual reports, donor survey

**Table 5(c): AVERAGE ANNUAL DEVELOPMENT PARTNER REGIONAL ASSISTANCE TO THE PACIFIC**

Average per Annum		ADB	FAO	UNDP	Australia	Canada	France	Japan	NZ	UK	EDF	Totals	
Percent of Total													Excl EDF
1	Agriculture/Forestry		5.2%		2.4%						4.5%	12.1%	7.6%
2	Marine Resources				2.2%	1.5%					1.5%	5.2%	3.7%
3	Environment			0.3%	1.5%	1.5%			1.4%		0.3%	5.0%	4.7%
4	Disaster Mitigation			0.8%	0.4%					0.2%	0.6%	2.0%	1.5%
5	Private Sector	0.6%		2.0%	2.5%				0.9%		0.1%	6.0%	5.9%
6	Tourism										2.5%	2.5%	
7	Industry & trade						0.1%			0.2%	0.5%	0.8%	0.3%
8	Energy				1.8%		0.4%					2.2%	2.2%
9	Transport/Communications	0.6%			0.4%						1.5%	2.5%	1.0%
10	Governance	0.5%		1.5%	0.3%					1.6%		3.8%	3.8%
11	Economic Reform/Finance	0.5%		1.5%	7.5%							9.5%	9.5%
12	Law & Justice				0.9%				0.5%	0.2%		1.6%	1.6%
13	Health			0.3%	7.6%		0.0%	0.6%	1.8%		0.3%	10.7%	10.3%
14	Culture										0.1%	0.1%	
15	Community Development			0.7%						0.2%		1.0%	1.0%
16	Basic Education			1.6%					1.8%	1.2%		4.6%	4.6%
17	Secondary Education				0.2%				0.2%			0.4%	0.4%
18	Tertiary Education				1.6%		0.1%		2.0%		0.4%	4.1%	3.7%
19	Non-Formal Education			0.4%	0.1%					0.2%		0.8%	0.8%
20	Core CROP				13.0%			0.6%	6.5%	0.8%		20.9%	20.9%
21	Miscellaneous	0.7%				0.1%	0.2%	1.5%	1.1%		0.3%	3.9%	3.5%
<b>Total</b>		<b>2.8%</b>	<b>5.2%</b>	<b>9.1%</b>	<b>42.6%</b>	<b>3.1%</b>	<b>0.9%</b>	<b>2.7%</b>	<b>16.1%</b>	<b>4.8%</b>	<b>12.7%</b>	<b>100.0%</b>	<b>87.3%</b>

Source: annual reports, donor survey

## ANNEX 6: PACIFIC ACP GROUP PROFILES

Table 6a – GEOGRAPHIC AND DEMOGRAPHIC PROFILES

	GEOGRAPHIC			DEMOGRAPHIC							POLITICAL SYSTEM
	LAND AREA (Sq. Km.)	NUMBER OF ISLANDS	EEZ (Sq. Km.)	POPULATION	DENSITY (per Km)	GROWTH (% pa)	URBAN POPULATION (% of total)	AGE GROUP (% below 15)	LIFE EXPECTANCY (Years)		
COOK ISLANDS	240	15	1,830,000	19,449	81.0	0.6%	59%	35%	71	74	Westminster; unicameral
				2000 est		2000 est		1996			
FEDERATED STATES of MICRONESIA	700	607	2,978,000	117,644	168.1	2.1%	27%	43%	64	67	American; bicameral
				2000 est		2000 est		1994			
FIJI ISLANDS	18,272	332	1,260,000	799,265	43.7	1.6%	48.6%	33.7%	67.1	70.7	Westminster; bicameral
				2000 est		2000 est	1999	1999	1999	1999	
KIRIBATI	690	28	3,600,000	84,422	122.4	2.3%	37%	41%	58	65	Westminster; unicameral
				2000 est		2000 est		1995			
NAURU	24	1	320,000	12,514	521.4	2.5%	100%	42%	55	64	Westminster; unicameral
				2000 est		2000 est		1992			
NIUE	259	1	390,000	1,800	6.9	-1.7%	32%	37%	60	65	Westminster; unicameral
				2000 est		2000 est		1997			
PALAU	487	200	600,900	19,485	40.0	2.0%	71%	28%	64	74	American; bicameral
				2000 est		2000 est		1995			
PAPUA NEW GUINEA	462,840		3,120,000	5,099,200	11.0	2.4%	17.1%	40.4%	55.4	57.3	Westminster; unicameral
				2000 est		2000 est	1999	1999	1999	1999	
MARSHALL ISLANDS	170	34	2,131,000	51,665	303.9	2.0%	65%	51%	63	67	American; bicameral
				2000 est		2000 est		1988			
SAMOA	2,857	2	120,000	169,889	59.5	0.8%	21.5%	41.4%	65.9	72.5	Westminster; unicameral
				2000 est		2000 est	1999	1999	1999	1999	
SOLOMON ISLANDS	28,446	6	1,630,000	416,195	14.6	2.9%	13%	47%	66	71	Westminster; unicameral
		Main islands		2000 est		2000 est		1986			
TONGA	699	169	700,000	98,840	141.4	0.4%	32%	41%	70	74	Kingdom; unicameral
				2000 est		2000 est		1996			
TUVALU	26	9	757,000	9,900	380.8	1.7%	42%	43%	64	70	Westminster; unicameral
				2000 est		2000 est		1991			
VANUATU	12,189	80	680,000	189,712	15.6	-0.5%	18%	44%	62	64	Westminster; unicameral
				2000 est		2001 est		1989			

Sources: Secretariat of the Pacific Community  
UNDP Pacific Human Development Report (1999)

Table 6b – EDUCATION AND HUMAN RESOURCE DEVELOPMENT PROFILES

	ADULT LITERACY		GROSS SCHOOL ENROLLMENT		ACCESS TO SAFE WATER % Population	ECONOMICALLY ACTIVE (% population > 15)			HUMAN DEVELOPMENT INDEX	HUMAN POVERTY INDEX
	M	F	M	F		M	F	Subsistence Agriculture		
COOK ISLANDS	93%	94%	84%	86%	95%	70%	48%	48%	0.822	6.1
FEDERATED STATES of MICRONESIA	77%	66%	71%	71%	44%	59%	32%	10%	0.569	26.7
FIJI ISLANDS	94.7%	90.5%	84%	83%	77%	89%	33%	--	0.667	8.5
	1999	1999	1999	1999						
KIRIBATI	94%	91%	67%	69%	76%	91%	78%	74%	0.515	12.7
NAURU	95%	95%	79%	80%	100%	65%	46%	2%	0.663	12.1
NIUE	98%	97%	81%	87%	100%	83%	66%	22%	0.774	4.8
PALAU	97%	88%	83%	84%	86%	81%	65%	--	0.861	10.8
PAPUA NEW GUINEA	71.4%	56.0%	42%	35%	24%	87%	67%	--	0.314	52.2
	1999	1999	1999	1999						
MARSHALL ISLANDS	79%	69%	72%	72%	82%	80%	31%	15%	0.563	18.7
SAMOA	81.4%	78.8%	63%	67%	90%	77%	40%	--	0.590	8.6
	1999	1999	1999	1999						
SOLOMON ISLANDS	39%	20%	<b>38%</b>	31%	64%	87%	85%	--	0.371	49.1
TONGA	99%	99%	<b>82%</b>	84%	95%	73%	41%	28%	0.647	5.9
TUVALU	95%	95%	74%	75%	85%	85%	86%	13%	0.583	7.3
VANUATU	37%	30%	60%	55%	87%	89%	79%	--	0.425	46.4

Sources: UNDP, Human Development Report 2001  
UNDP, Pacific Human Development Report (1999)

-- = not available

Table 6c - ECONOMIC PROFILES

	CURRENCY	GDP		MAJOR SECTORS					TRADE TO GDP (1996)		VISITORS (Number)	DEBT SERVICE (% of Exports)	GOV'T EXPEN (% of GDP)
		Total	Per Capita						Import	Export			
COOK ISLANDS	NZ \$	78,000,000	4,727	tourism	financial centre	pearls	fishing	agriculture	42%	3%	47,899	--	32.3%
		USD (1999)	USD (1999)								1995		2000
FEDERATED STATES of MICRONESIA	US \$	212,935,600	1,810	copra	fishing				60%	5%	--	49.0%	66.0%
		USD (1999)	USD (1999)									2000	2000
FIJI ISLANDS	Fiji \$	1,766,375,700	2,210	sugar	garments	tourism			48%	37%	318,495	2.6%	32.4%
		USD (1999)	USD (1999)								1995	2000	2000
KIRIBATI	Australian \$	55,000,000	910	copra	fish	remittances	trust fund interest		67%	14%	2,653	1.2%	117.5%
		USD (1999)	USD (1999)								1995	2000	2000
NAURU	Australian \$	80,000,000	7,292	phosphate	trust fund interest				74%	17%	--	--	--
		USD (1999)	USD (1999)										
NIUE	NZ \$	7,000,000	4,375	financial centre	tele-codes	remittances	agriculture	stamps	50%	--	2,161	--	--
		USD (1999)	USD (1999)								1995		
PALAU	US \$	121,269,000	7,613	fishing	tourism				88%	10%	53,229	--	--
		(\$ Aust)	1992								1995		
PAPUA NEW GUINEA	Kina	4,329,000,000	800	minerals & oil	agriculture	forestry	fishing		57%	10%	--	16.9%	32.7%
		USD (1999)	USD (1999)									2000	2000
MARSHALL ISLANDS	US \$	80,597,400	1,560	coconut oil	fishing	trochus shell			27%	39%	--	47.5%	59.5%
		USD (1999)	USD (1999)									1998	2000
SAMOA	Tala	170,000,000	1,060	remittances	agriculture	manufacturing			57%	6%	--	7.0%	34.6%
		USD (1999)	USD (1999)									2000	2000
SOLOMON ISLANDS	Solomon \$	344,000,000	750	forestry	fishing	agriculture			54%	59%	2,072	10.4%	34.0%
		USD (1999)	USD (1999)								1995	2000	2000
TONGA	Pa'anga	125,000,000	1,720	remittances	tourism	agriculture			52%	8%	24,219	12.0%	28.4%
		USD (1998)	USD (1998)								1995	2000	2000
TUVALU	Australian \$	6,000,000	571	tele-codes	agriculture	remittances			82%	9%	922	--	94.8%
		USD (1998)	USD (1998)								1995		2000
VANUATU	Vatu	247,000,000	1,170	agriculture	fishing	tourism	financial centre		41%	13%	43,721	1.3%	33.0%
		USD (1998)	USD (1998)								1995	2000	2000

Sources: Asian Development Bank  
Pacific Islands Business

-- = not available

Table 6d - ECONOMIC PERFORMANCE

	REAL GDP GROWTH (%)					CONSUMER PRICE INFLATION (%)					MERCHANDISE EXPORTS (% chnge)					BALANCE OF PAYMENTS (% GDP)				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
COOK ISLANDS	-2.3	2.7	3.2	3.2	3.3	0.7	1.4	2.0	1.0	1.0	13.8	10.7	--	--	--	--	-7.0	5.9	6.3	6.6
FED STATES MICRONESIA	-1.7	1.3	2.5	1.4	2.8	-2.6	1.9	2.8	--	--	-46.8	-16.4	106.3	--	--	5.8	4.2	2.7	--	--
FIJI ISLANDS	1.4	9.6	-9.3	4.8	4.8	5.7	2.0	1.1	3.5	3.5	-24.1	26.4	-20.1	-4.4	9.4	-0.4	1.8	1.6	0.4	1.6
KIRIBATI	7.3	2.3	-4.0	2.0	2.0	4.7	0.4	2.0	1.3	--	-4.9	31.8	-10.1	--	--	34.0	18.8	-5.0	--	--
NAURU	--	--	--	--	--	4.0	6.7	7.5	4.0	--	--	--	--	--	--	--	--	--	--	--
NIUE	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
PALAU	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
PAPUA NEW GUINEA	-3.8	3.2	0.8	3.1	5.7	13.5	14.9	17.9	11.6	6.2	-16.1	12.2	7.9	-2.3	-0.4	1.6	4.0	11.7	-3.5	-3.4
MARSHALL ISLANDS	-16.0	0.8	-2.3	--	--	2.9	2.0	-1.9	2.0	2.3	-47.2	-4.0	9.7	5.1	--	-1.5	-5.5	7.6	14.5	--
SAMOA	3.4	5.3	7.0	4.0	4.0	2.2	0.6	0.5	3.0	3.0	30.0	-3.6	--	--	6.7	2.0	--	--	--	
SOLOMON ISLANDS	1.1	-1.3	-14.0	3.4	3.0	12.4	8.0	6.6	5.8	5.0	-19.0	6.2	-29.2	12.0	10.0	4.5	9.9	2.5	7.4	--
TONGA	2.5	3.5	5.3	2.0	2.0	3.0	3.9	5.3	5.0	3.5	-9.8	1.7	-9.9	--	--	-12.2	-0.1	-6.7	--	--
TUVALU	14.9	3.0	3.0	5.0	5.0	0.8	1.0	5.0	1.5	1.5	-84.8	--	--	--	--	--	--	--	--	--
VANUATU	-0.1	-3.0	2.8	3.5	3.0	3.3	2.0	2.7	2.0	2.0	-3.9	-26.3	30.6	0.8	8.6	7.0	-1.4	1.2	-0.3	1.5

Source: Asian Development Bank

-- = not available

Table 6e – TRADE PROFILES

PERCENT SHARE OF EXPORTS	Other Asia-Pacific DC		JAPAN		USA		EUROPEAN UNION		AUSTRALIA / NZ		OTHER	
	1985	1999	1985	1999	1985	1999	1985	1999	1985	1999	1985	1999
COOK ISLANDS	--	--	--	--	--	--	--	--	--	--	--	--
FED STATES MICRONESIA	--	--	--	--	--	--	--	--	--	--	--	--
FIJI ISLANDS	22.5%	10.9%	3.0%	4.5%	4.9%	14.8%	31.0%	--	18.2%	37.5%	20.4%	32.3%
KIRIBATI	7.1%	13.4%	4.3%	40.0%	--	15.0%	--	--	0.4%	2.3%	88.2%	29.3%
NAURU	--	--	--	--	--	--	--	--	--	--	--	--
NIUE	--	--	--	--	--	--	--	--	--	--	--	--
PALAU	--	--	--	--	--	--	--	--	--	--	--	--
PAPUA NEW GUINEA	9.9%	15.0%	22.1%	11.7%	4.0%	4.6%	46.5%	--	12.0%	26.5%	5.6%	42.2%
MARSHALL ISLANDS	--	--	--	--	--	--	--	--	--	--	--	--
SAMOA	0.3%	2.2%	0.9%	0.9%	59.4%	12.0%	5.8%	--	29.7%	69.4%	3.9%	15.5%
SOLOMON ISLANDS	11.1%	43.4%	52.1%	35.4%	2.4%	0.8%	26.3%	--	3.2%	2.0%	5.0%	18.4%
TONGA	5.9%	2.0%	0.2%	59.0%	3.2%	19.0%	0.5%	--	83.1%	11.5%	7.1%	8.5%
TUVALU	63.7%	5.9%	--	--	--	--	--	--	8.1%	2.0%	28.21%	92.1%
VANUATU	1.4%	5.5%	6.7%	11.2%	0.0%	25.3%	25.4%	--	1.6%	1.2%	65.0%	56.8%

Source: Asian Development Bank

-- = not available



Table 6f – REGIONAL TRADE PROFILES

1998	Merchandise Imports from Other Pacific ACP	Total Merchandise Imports	Imports from Pacific ACP as Proportion of Total
	Own Currency Value		
COOK ISLANDS	8,891,000	73,274,000	12.10%
FED STATES MICRONESIA	16,000	99,728,000	0.02%
FIJI ISLANDS	5,489,000	1,366,634,000	0.40%
KIRIBATI	12,226,000	61,025,000	20.03%
NAURU	885,000	87,885,000	1.01%
NIUE	837,000	23,530,000	3.56%
PALAU	1,095,000	12,164,000	9.00%
PAPUA NEW GUINEA	165,000,000	8,3263,000,000	0.20%
MARSHALL ISLANDS	6,000	1,529,000	0.39%
SAMOA	42,187,000	296,425,000	14.23%
SOLOMON ISLANDS	20,552,000	590,868,000	3.48%
TONGA	7,758,000	107,956,000	7.19%
TUVALU	1,426,000	6,770,000	21.06%
VANUATU	1,267,000,000	13,758,000,000	9.21%
Average	Simple		7.28%
	Weighted		2.18%

## **ANNEX 7: REGIONAL INTEGRATION - HISTORY AND STRUCTURE**

Regional cooperation began during the colonial era, when the South Pacific Commission was established in 1947 by Australia, Britain, France, New Zealand and the United States. Fiji was the first of the newly independent states to join the Commission, in 1971, though in time all independent states and dependent territories became members.

2. However, the extent to which issues could be dealt with at the political level in the Commission was heavily circumscribed. Consequently an initiative to set up an intergovernmental forum was adopted at an inaugural meeting in 1971 by Fiji, Samoa, the Cook Islands, Nauru, Tonga, Australia and New Zealand. All became founding members of the South Pacific Forum, with other island states joining on becoming self-governing. Membership of the Forum, which became the Pacific Islands Forum in 2001 in recognition of members to the north, now includes all the Pacific ACP states.

3. The Forum subsequently has not only dealt with issues of common concern at the political level, but has instigated or supported the establishment of other regional organisations to handle technical assistance to the region. These include the Forum Fisheries Agency (FFA), the Pacific Forum Line, the South Pacific Regional Environmental Programme (SPREP), and the South Pacific Applied Geosciences Commission (SOPAC).

4. The Forum has a Secretary General, who is responsible for the administration for the Forum through the Forum Officials Committee, which is the governing body of the Forum Secretariat. The Secretary General has also been, and is, mandated as the Regional Authorising Officer for the Pacific ACP. The Secretariat originated in 1973 as the South Pacific Bureau for Economic Cooperation (SPEC), changing to the Forum Secretariat in 1988. By the mid-1990s its structure comprised the ACP/EC and Petroleum Units and the Civil Aviation, Economic Development, Energy, Finance, Legal and Political, Maritime, Telecommunications, Trade and Investment and Administrative Divisions.

5. In 1995, following an evaluation of regional activities and its own needs, the Forum refocused the Secretariat as its advisory body for policy formulation and implementation. The resulting new structure comprised four divisions – Political and International Affairs, Development and Economic Policy, Trade and Investment and Corporate Services. The technical advisory activities embedded in the previous structure were devolved to other regional or relevant international IGOs or market-sector associations.

6. Also at this time the Secretary General was designated the permanent Chair of the South Pacific Organisations Coordinating Committee (SPOCC), now known as the Council of Regional Organisation in the Pacific (CROP). This was established in 1988 to create coherence between regional organisations by harmonising, their activities and reducing duplication. CROP, meeting on an annual basis, exercises an advisory function on policy and operational issues of regional importance, and reports annually to the Forum.

7. CROP has institutionalised its mandate through working groups which address coordination issues in specific sectors, namely Energy, Health & Population, Human Resource Development, Information Technology, Land Resources, Marine Sector, Tourism, Trade & Private Sector and on Development Approaches to Peace, Stability & Security. Membership of working groups includes representatives of the CROP and of appropriate international IGOs and multilateral implementing agencies.

8. These decisions of the 1995 Forum (and the Vision it adopted - see Annex 9) were made in the context of, and prefaced a renewed focus on, regional cooperation and mutual support as a means of enhancing development. This was a reaction to international criticism that the region as a whole was performing poorly despite high levels of per capita aid, and was given effect through a direction by Forum that its finance ministers meet to consider appropriate policy responses. While finance ministers agreed on public sector reform strategies, it quickly became apparent that a wider perspective was necessary if growth and development were to follow from narrowly based reform programmes.

9. Consequently Forum directed that Forum Economic Ministers convene, first in 1997 and annually since then, to consider wider development issues. This annual meeting of Forum Economic Ministers (FEMM) initiated a number of regional action plans, developed by respective ministerial meetings, on trade (culminating in PACER and PICTA), aviation, information technology, and basic education, all of which take, *inter alia*, a regional perspective on development issues.

10. Forum achievements, and initiatives in progress, since its inception in 1971 include:

• Pacific Forum Line	established 1977
• Forum Fisheries Agency	established 1979
• South Pacific Regional Environmental Programme	launched by Forum in 1980
• Post Forum Dialogue [originally Canada, China, France, Japan, United Kingdom, United States), now eleven partners including the EU]	inaugurated 1989
• South Pacific Tourism Organisation (formerly Tourism Council of the South Pacific)	established 1983
• South Pacific Regional Trade & Economic Cooperation Agreement (SPARTECA)	adopted 1980
• South Pacific Nuclear Free Zone Treaty (Rarotonga Treaty)	adopted 1985
• Marine Resources Driftnet Fishing Convention	adopted 1989
• Niue Treaty on Fisheries Surveillance and Law Enforcement	entered in to force 1993
• Pacific Area Closer Economic Relations (Pacer) agreement	adopted 2001
• Pacific Island Countries Trade Agreement (PICTA)	adopted 2001
<b>Current Initiatives</b>	
• Trade facilitation measure	
• Widening PICTA to encompass trade in services	
• Pacific Islands Air Services Agreement proposal	
• Proposal for a Pacific Aviation Safety Office	
• Ministerial initiatives for a regional qualifications framework covering all levels of education	

11. The Pacific Islands Forum Secretariat has set itself the vision of:

*a sustainably prosperous and secure Pacific*

and its mission is:

*to provide policy options to the Pacific Islands Forum, and to promote Forum decisions, and regional and international cooperation*

with corporate goals comprising:

- enhanced political stability and regional security ;
- enhanced management of economies and the development process;
- improved trade and investment performance; and
- efficient management of the human, financial and physical resources of the Secretariat.

12. The Secretariat, with 43 professional staff and 41 support staff in Suva and trade offices elsewhere, has four operational divisions, each of which takes one of the four corporate goals as a divisional goal, describing the core aim of its programmes. A set of divisional strategy statements describe how it will achieve this goal. The divisions, and their goals and strategies (which also reflect divisional internal structures) are:

### ***Political, International and Legal Affairs Division***

- Goal Enhanced Political Stability and Regional Security.
- Strategies
1. Provide policy advice and technical assistance for capacity building in political and international affairs.
  2. Facilitate cooperative efforts to enhance regional security involving multiple law enforcement agencies.
  3. Facilitate the provision of advice and technical assistance in areas of international law, international treaties or agreements, legal drafting, law enforcement, and in-house legal matters.

### ***Development and Economic Policy Division***

- Goal Enhanced Management of Economies and the Development Process.
- Strategies
1. Provide policy advice and technical assistance for capacity building in economic management.
  2. Facilitate the coordination of sustainable development issues involving regional cooperation of members and multiple agencies across key sectors.
  3. Facilitate effective use of development assistance within the Secretariat and the region.

### ***Trade and Investment Division***

- Goal Improved Trade and Investment Performance.
- Strategies
1. Provide policy advice and technical assistance for capacity building in multilateral trade, regional integration, and trade facilitation.
  2. Provide policy advice and technical assistance for capacity building in business development, export and investment promotion and import management.
  3. Facilitate and coordinate the work of the Forum's Trade Offices (Auckland, Beijing, Sydney & Tokyo) in support of the Secretariat's goals.

### ***Corporate Services Division***

- Goal Efficient Management of the Human, Financial and Physical Resources of the Secretariat.
- Strategies Ensure that the Secretariat's human resources, property, conference and protocol, finance and information support systems meet best practice standards for quality, cost-effectiveness, responsiveness and accountability.

13. As Regional Authorising Officer the Secretary General is supported through an EU-funded project, *Technical Support to the RAO* (7.RPR.648), which is treated as an integral component of the Secretariat. This project focuses on supporting the RAO in the administration of the Pacific Regional Indicative Programmes through the entire project cycle. From time to time it will also assist members on ACP matters.

14. A recent evaluation by the European Commission of technical assistance projects to NAOs also included this project. It found that the RAO Project Management Unit is sound and sustainable and its efficiency good. In particular the evaluation noted:

“Streamlining all the RAO functions .... at PIFS level has now been achieved after an unsatisfactory experience with an ACP Decentralised Bureau intermediating.

The actual formula bears many advantages compared with the preceding one and should be maintained.

The TA to the RAO project has resulted in a more fluid relation between EU and implementing CROP agencies. ....”

## ANNEX 8: PACIFIC REGIONAL ORGANISATIONS

ORGANISATION	MANDATE/MISSION/MAIN ACTIVITIES	MEMBERSHIP (Notes: names in <b>bold</b> are Pacific ACP members; names in <i>italics</i> are Pacific OCTs.)	WORK PROGRAMMES & BUDGET
Pacific Islands Forum Secretariat (PIFS)	To service the annual Forum meeting of the heads of Government of the independent and self-governing countries of the Pacific, and to foster regional cooperation and integration, particularly on economic and trade matters, as directed by the Forum.	<b>Cook Islands; Federated States of Micronesia; Fiji Islands; Kiribati; Nauru; Niue; Palau; Papua New Guinea; Republic of Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu;</b> Australia; New Zealand	<b>2001 FJD(mill)</b> Senior management, administration and capital 2.976 Economic Policy 0.811 Regional Policy Coordination 1.361 Donor Coordination 0.817 International & Political Issues 1.183 Legal and Law Enforcement 1.520 Trade Policy Support 3.424 Export Development & Marketing 0.999 Miscellaneous 0.427 <b>TOTAL 13.658</b>
Forum Fisheries Agency (FFA)	To collect and disseminate to its members countries information and advice on the living marine resources of the region, including the management, exploitation and development of these resources, and to coordinate and provide technical assistance to its members on request.	<b>Cook Islands; Federated States of Micronesia; Fiji Islands; Kiribati; Nauru; Niue; Palau; Papua New Guinea; Republic of Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu;</b> Australia; New Zealand	<b>2001 USD (mill)</b> Executive Management 0.517 Economics & Marketing 1.290 Legal Services 0.609 Monitoring & Surveillance 0.596 Information Technology 0.497 Corporate & Treaty Services 1.050 <b>TOTAL 4.543</b>
Pacific Islands Development Programme (PIDP)	To contribute to the processes of sustainable development through research, education and dialogue and advance cooperation and understanding between Pacific islands and Pacific rim nations.	<b>Cook Islands; Federated States of Micronesia; Fiji Islands; Kiribati; Nauru; Niue; Palau; Papua New Guinea; Republic of Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu;</b> America Samoa; <i>French Polynesia</i> ; Guam; Hawaii; <i>New Caledonia</i> ; Northern Mariana Islands; Tokelau; <i>Wallis and Futuna</i>	
South Pacific Applied Geo-science Commission (SOPAC)	To assist its member countries in identifying, assessing and developing the mineral and non-living resource potential of the extensive marine resource jurisdiction as declared under the United Nations Convention on the Law of the Sea (UNCLOS).	<b>Cook Islands; Federated States of Micronesia; Fiji Islands; Kiribati; Niue; Papua New Guinea; Republic of Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu;</b> Australia; <i>French Polynesia</i> ; Guam; <i>New Caledonia</i> ; New Zealand	<b>2001 FJD Millions</b> Resource Development Programme 1.74 Environmental Science Programme 1.18 National Capacity Development Program 1.81 Work Programme Management 0.47 <b>TOTAL 5.00</b>
Secretariat of the Pacific Community (SPC)	To provide service to its members countries and cooperation with other regional and international organisations with the aim of improving economic, social and environmental qualities of the region, with an emphasis on activities conducted in rural areas and at the grass roots level.	<b>Cook Islands; Federated States of Micronesia; Fiji Islands; Kiribati; Nauru; Niue; Palau; Papua New Guinea; Republic of Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu;</b> America Samoa; Australia; France; <i>French Polynesia</i> ; Guam; <i>New Caledonia</i> ; New Zealand; Northern Mariana Islands; <i>Pitcairn Island</i> ; Tokelau; United Kingdom; United States; <i>Wallis and Futuna</i>	<b>2001 CFP (mill)</b> Administration 2.64 Land Resources 5.01 Marine Resources 4.53 Social Resources 11.65 Programme Management 1.57 <b>TOTAL 25.00</b>
South Pacific	To promote cooperation in the South Pacific region and to	American Samoa; Australia; Commonwealth of Northern	<b>2001 USD(mill)</b>

Regional Environment Programme (SPREP)	provide assistance in order to protect and improve its environment and to ensure sustainable development for present and future generations.	Marianas; <b>Cook Islands; Fiji Islands; Federated States of Micronesia;</b> France; <i>French Polynesia</i> ; Guam; <b>Kiribati; Nauru; New Caledonia;</b> New Zealand; <b>Niue; Palau; Papua New Guinea; Pitcairn; Republic of Marshall Islands; Samoa; Solomon Islands;</b> Tokelau; <b>Tonga; Tuvalu;</b> United States of America; <b>Vanuatu; Wallis and Futuna</b>	Corporate function and services Conservation of nature Pollution prevention & waste management Climate change and variability Sustainable development Policy, planning and institutional strengthening Human resource development Communications and information Miscellaneous <b>TOTAL</b>	1.073 1.677 0.814 1.322 1.753 0.499 0.474 0.379 0.002 <b>7.993</b>
South Pacific Tourism Organisation (SPTO)	To provide service to its members countries and promote cooperation among regional organisations in the promotion and marketing of tourism in the South Pacific region.	<b>Cook Islands; Fiji Islands; Kiribati; Niue; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu;</b> America Samoa; <i>French Polynesia; New Caledonia</i>	<b>2000</b> Human Resources Marketing & Communications Research & Development Finance & Administration <b>TOTAL</b>	<b>FJD (mill)</b> 0.352 0.517 0.200 0.031 <b>1.100</b>
University of the South Pacific (USP)	To provide for the Pacific region's need for cost effective and internationally recognised higher education and training at all levels; and To ensure that such education and training is sensitive and relevant to the diverse island cultures and environment; and to promote social and economic advancement and good governance among Pacific communities.	<b>Cook Islands; Fiji Islands; Kiribati; Nauru; Niue; Republic of Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu;</b> Tokelau	<b>2001</b> Academic Teaching USP Centres Teaching Institutes Subvention Academic Support Services Administration Support Utilities, Grounds, Maintenance Community Services General Education Programme Research, USP Council, University Visitors Medium Capital Works Programme Contingencies <b>TOTAL</b>	<b>FJD(mill)</b> 18.399 3.483 1.743 9.392 7.370 3.513 1.158 1.992 2.551 0.683 0.171 <b>50.455</b>

## **ANNEX 9: THE FORUM VISION STATEMENT**

The Leaders who have participated in the Twenty Sixth meeting of the South Pacific Forum, the paramount regional inter-governmental organisation in the South Pacific, have a vision for enhancing regional cooperation for the next twenty five years in which:-

**F**orum members cooperate on the basis of equality, friendship and mutual respect - with due regard for what each can afford - in efforts to maintain security, improve living standards and ensure sustainable development throughout the region;

**O**pportunities for cooperation with other governments, non-government organisations and international organisations, including other bodies in the Asia-Pacific, are actively pursued and developed;

**R**esources, including fisheries, forestry, minerals, water and land, are developed with proper regard for conservation, the legacy of past generations and the future;

**U**nity in securing shared interests contributes to the national, regional and global good;

**M**aterial progress is matched by improvement in the quality of people's lives, including human development, equality between women and men, and protection of children.

**V**ulnerability to the effects of natural disasters, environmental damage and other threats will be overcome;

**I**ndigenous and other values, traditions and customs of the region are respected and promoted through cultural, sporting and other exchanges;

**S**elf-determination will be exercised in the remaining dependant territories, and unwelcome activities by external powers, including nuclear testing, will cease;

**I**nternational economic cooperation through trade, investment and other exchanges, strengthens subsistence and commercial agriculture, industrial development and competition, leading to growth - with equity, broadly-based participation and capacity-building for self-reliance;

**O**penness, accountability and other principles of good government are embodied in the practices, policies and plans of regional institutions; and

National, sub-regional and regional efforts to achieve the Forum's vision receive the support they require from the Forum Secretariat and other regional organisations.

Issued at Madang, Papua New Guinea. 14<sup>th</sup> September 1995

## ANNEX 10: BIKETAWA DECLARATION

Forum Leaders recalled their 1995 Vision Statement, the Forum Economic Action Plan *Eight Principles of Good Governance* and the 1997 Aitutaki Declaration. With the aim of elaborating upon these earlier statements and in the interests of regional cooperation, Forum Leaders while respecting the principle of non-interference in the domestic affairs of another member state committed themselves and their countries to a number of guiding principles and courses of actions:

- (i) Commitment to good governance which is the exercise of authority (leadership) and interactions in a manner that is open, transparent, accountable, participatory, consultative and decisive but fair and equitable.
- (ii) Belief in the liberty of the individual under the law, in equal rights for all citizens regardless of gender, race, colour, creed or political belief and in the individual's inalienable right to participate by means of free and democratic political process in framing the society in which he or she lives.
- (iii) Upholding democratic processes and institutions which reflect national and local circumstances, including the peaceful transfer of power, the rule of law and the independence of the judiciary, just and honest government.
- (iv) Recognising the importance and urgency of equitable economic, social and cultural development to satisfy the basic needs and aspirations of the peoples of the Forum.
- (v) Recognising the importance of respecting and protecting indigenous rights and cultural values, traditions and customs.
- (vi) Recognising the vulnerability of member countries to threats to their security, broadly defined, and the importance of cooperation among members in dealing with such threats when they arise.
- (vii) Recognising the importance of averting the causes of conflict and of reducing, containing and resolving all conflicts by peaceful means including by customary practices.

2. Forum Leaders recognised the need in time of crisis or in response to members' request for assistance, for action to be taken on the basis of all members of the Forum being part of the Pacific Islands extended family. The Forum must constructively address difficult and sensitive issues including underlying causes of tensions and conflict (ethnic tension, socio-economic disparities, and lack of good governance, land disputes and erosion of cultural values). To this end, the Secretary General in the future after consulting the Forum Chairman should urgently initiate the following process:

- (i) Assess the situation, make a judgment as to the significance of the developments and consult the Forum Chair and such other Forum Leaders as may be feasible to secure approval to initiate further action;
- (ii) Consult the national authorities concerned regarding assistance available from the Forum; and
- (iii) Advise and consult with the Forum Foreign Ministers, and based on these consultations, undertake one or a combination of the following actions to assist in the resolution of the crisis:
  - (a) A statement representing the view of members on the situation;



- (b) Creation of a Ministerial Action Group;
  - (c) A fact finding or similar mission;
  - (d) Convening an eminent persons group;
  - (e) Third party mediation;
  - (f) Support for appropriate institutions or mechanisms that would assist a resolution;  
and
  - (g) The convening of a special high level meeting of the Forum Regional Security Committee or an ad hoc meeting of Forum Ministers.
- (iv) If after actions taken under (iii) the crisis persists, convene a special meeting of Forum Leaders to consider other options including if necessary targeted measures.

3. Any regional response to a crisis should take account of the guidelines set out in Annex A

Biketawa, Kiribati  
28 October 2000

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## Annex A

- (i) Actions are discussed with the authorities in the country concerned;
- (ii) The Forum and persons involved on behalf of the Forum should have credibility i.e. must be seen as honest and impartial brokers who are genuinely interested in bringing about a fair resolution;
- (iii) There must be coherence and consistency in the strategy followed;
- (iv) There must be continuity and conclusion of the process i.e. staying the course;
- (v) There must be cooperation with other key international and regional organisations and national actors and coordination of all these efforts;
- (vi) There must be a sufficient degree of consensus on the resolutions by those who have to implement them i.e. local players and supporters and those that support them (i.e. outside organisations and governments); and
- (vii) The intervention must be cost-effective.

## **ANNEX 11: FORUM TRADE POLICIES**

The Forum Trade Ministers met in Apia, Samoa from 27 – 28 June 2001. This second meeting of Trade Ministers was chaired by the Hon Hans Joachim Keil, Minister for Trade, Commerce and Industry, Samoa.

2. The Trade Ministers discussed and considered the Forum’s initiative on regional free trade and other regional and multilateral trade issues of interest to the region, under the following agenda items:

- Pacific Agreement on Closer economic relations (PACER) – a trade and economic cooperation agreement including all sixteen members of the Forum;
- Pacific Island Countries Trade Agreement (PICTA) – a free trade agreement amongst the fourteen Forum island countries;
- the outcomes of studies relating to deepening and widening the free trade agreement, especially trade facilitation;
- WTO issues;
- Intellectual Property Rights Issues.

3. At the Forum in Nauru on 16 – 18 August 2001 Leaders considered, accepted and signed both PACER and PICTA (described below) and endorsed the other decisions of Trade Ministers. These agreements became effective, subject to ratification on 1<sup>st</sup> January 2002.

### **TRADE AND ECONOMIC AGREEMENTS**

#### **Decisions on the Umbrella Agreement**

4. Forum Trade Ministers:
- a) Endorsed [a] final draft Umbrella Agreement legal text negotiated by Forum Trade Officials, as the basis for trade and economic cooperation amongst Forum members;
  - b) Endorsed “Pacific Agreement on Closer Economic Relations” (PACER) as the name of the Umbrella Agreement;
  - c) Recommended the Pacific Agreement on Closer Economic Relations (PACER) to Forum Leaders at the 2001 Forum for final approval and signature.
  - d) Noted the following features of the draft PACER:
    - (i) Provides for the future economic cooperation of the Forum region as a whole;
    - (ii) Allows for the establishment of subsidiary agreements for free trade areas, which includes the Pacific Island Countries Trade Agreement (PICTA);
    - (iii) Allows for the commencement of negotiations of Forum-wide Free Trade Arrangements no later than 8 years after the FIC-FTA enters into force;
    - (iv) Provides for the opportunity to negotiate free trade arrangements between FICs and Australia and New Zealand if FICs enter into negotiations for free trade arrangements with developed, and certain other non-Forum countries, and for consultations with Australia and New Zealand at the conclusion of free trade agreement negotiations in the case of developing countries;
    - (v) Provides for consultations towards improving market access for the FICs if Australia and New Zealand commence negotiations on free trade arrangements with non-Forum Countries;
    - (vi) Provides an annex on cooperation in Trade Facilitation including the development of detailed work programmes;

- (vii) Provides for financial and technical assistance on trade facilitation and promotion, capacity building and structural adjustment including fiscal reform measures;
- (viii) Enters into force after seven countries have ratified.

## Decisions on the FIC FTA

5. Forum Trade Ministers:
  - a) Endorsed [a] final draft FIC-FTA legal text negotiated by Forum Island Countries' Trade Officials as the basis for establishing the free trade area amongst the Forum Island Countries;
  - b) Endorsed "Pacific Island Countries Trade Agreement" (PICTA), as the name of the draft FIC FTA;
  - c) Noted that members' Negative Lists, which form Schedule III to the proposed Agreement, will be finalised by Trade Officials before the Forum Meeting in Nauru;
  - d) Recommended the Pacific Island Countries Trade Agreement to Forum Leaders at the 2001 Forum for final approval and signature.
  - e) Noted that the draft PICTA has the following main features:
    - (i) Developing Forum Island Countries will liberalise towards other FICs within 8 years up to 2010 and the Small Island States and LDCs will do so within 10 years until 2012. The precise schedule of this liberalisation is set out in Annex II.
    - (ii) It provides for the protection of sensitive industries through a negative list that will be maintained over a longer time period, and eliminated by 2016. The negative lists for individual FICs will be finalised before the Forum meeting in August and will form part of Annex III of the legal text.
    - (iii) Alcohol and tobacco will be exempted from liberalisation for the first two years until the outcome of the study on the Integration of Alcohol and Tobacco into the PICTA. At that point a decision will be made on how and when to include these products.
    - (iv) For fixed and specific tariffs, members have the option of converting them to ad valorem tariffs or reducing them according to an alternative schedule set out in Annex II.
    - (v) The Rules of Origin will be based on 40% value added criteria but also provides for cumulation and derogation. A Rules of Origin Committee as provided for in Article 5 will administer the application of the Rules.
    - (vi) The Pacific Island Countries Trade Agreement (PICTA) enters into force after six countries have ratified.
    - (vii) Provides that the Compact Countries (Federated States of Micronesia, Palau, Republic of Marshall Islands) in light of the circumstances of their relationship with the USA, will be given an additional period of 3 years to sign the Agreement.

## FTA RELATED AND TRADE FACILITATION STUDIES

### 6. Forum Trade Ministers:

#### (i) *Social Impact Study*

Noted the findings of the Social Impact Study; and

- a) Tasked the Secretariat to co-ordinate work, as appropriate with Non-Governmental Organisations and others, on implementation and to convene a regional workshop on training and preparations for establishing a monitoring framework.
- b) Encouraged each member country to begin work, as appropriate with Non-Governmental Organisations and others, on establishing a monitoring framework within their country.

#### (ii) *Extension of the FTA to the Services Sector*

- a) Noted the findings of the study on the possible extension of the FTA to cover services, and
- b) Endorsed in principle the introduction of services into the PICTA based on:
  - i) A gradual, flexible approach, with transition periods where appropriate.
  - ii) Liberalisation among 7 sectors initially, with countries making commitments in a minimum of 4 sectors. The 7 sectors would be: Air Services, Shipping services, Financial Services, Telecommunication Services, Health Services, Education Services and Tourism Services.
- c) Tasked the Forum Secretariat to organise a workshop for trade officials, and others as appropriate, on trade in services, to enable Forum Island Countries to prepare both nationally and regionally for negotiations on expanding PICTA to include trade in services.
- d) Tasked officials to further develop the concept, and implementation procedures (i.e. the underlying principles of the substantive provisions of the Agreement, including the format, and content), and to begin preparing for negotiations by working on an “inventory” of existing regulations, and identifying potential areas for liberalisation.
- e) Acknowledged that officials might have to consider the appropriate application of a services agreement to Australia and New Zealand.
- f) Tasked officials to report back to FTMM once the implementation procedures and other preparations have been finalised, and negotiation of a legal text and specific country commitments can begin.

#### (iii) *Trade Facilitation*

Noted the findings of the studies on Trade facilitation, (Standards and Conformance, and Customs and Quarantine) and the outcomes of the Regional Trade Facilitation Conference, and

- i) Recognised the crucial function Standards and Conformance, Customs and Quarantine play in ensuring exports achieve market access, and in ensuring the safety of imported goods.
- ii) Recognised that in order to improve trade facilitation, improvements need to be made to these services, which will take political will and adequate resources.
- iii) Encouraged each member to establish a National Trade Facilitation Committee by the end of the year, to encourage co-ordination at national level.

- iv) Tasked the Secretariat to convene a Regional Trade Facilitation Forum to develop suitable work programs for the implementation of the findings, in conjunction with the NTFCs, as part of the trade facilitation work envisaged under the PACER Agreement.
- v) Endorsed the work of the regional expert bodies in the area of trade facilitation, and support the widest use of measures to facilitate trade such as: Automation in Customs through ASYCUDA; Quarantine Risk Management/Risk Analysis; Kyoto Convention on Simplification and Harmonisation of Customs Procedures; WTO Valuation Agreement; Harmonised System (HS) of Tariffs (post 1996 version).

*(iv) Further work*

Noted that the Secretariat will undertake further work in the following areas under existing mandates:

- i) Integration of Alcohol and Tobacco into the PICTA.
- ii) Implementation aspects of Rules of Origin – Documentation, procedures, Committee.
- iii) Effects of extending the free trade area to French and US Pacific Island territories.
- iv) Market access issues between Forum island countries and the USA and Japan.

## ANNEX 12: THE FORUM BASIC EDUCATION ACTION PLAN

The first meeting of Forum Education Ministers was held on 14 - 15 May 2001 in Auckland, New Zealand. It was chaired by the Hon Young Vivian, Minister of Education, Niue. The outcome – the *Forum Basic Education Action Plan* – were considered by Leaders at the Forum held in Nauru on 16 – 18 August 2001 and fully endorsed.

2. This meeting was convened by Forum on the advice of the Forum Economic Ministers, which had considered evidence that basic education systems were failing the greater bulk of young people in the region and leaving them ill-equipped for dealing with their futures in either formal or informal labour markets. The Secretariat worked closely with the USP, UNESCO and UNICEF in preparing for the meeting of education Ministers.

3. Ministers deliberated on issues concerning the delivery of basic education to the people of the Pacific. In the context they developed a Pacific Vision for Education, considered ways in turning the region's priority for basic education into effective action ("Where to Now?"), the "Delivery and Resourcing of Basic Education", "Developing Partnerships" with non-government providers, and issues related to gender and governance.

### Outcomes

4. Ministers recognised that basic education is the fundamental building block for society and that if this foundation is weak then livelihoods will be more difficult to pursue, and that a basic education can impact on social cohesion and personal security. Ministers agreed to a vision statement and goal (see below), and to a number of national and regional actions, as well as closer cooperation with civil society in education, under a "*Forum Basic Education Action Plan 2001*".

### *Vision*

Basic education as the fundamental building block for society should engender the broader life skills that lead to social cohesion and provide the foundations for vocational callings, higher education and life long learning. These when combined with enhanced employment opportunities create a higher level of personal and societal security and development.

Forum members recognised that development of basic education takes place in the context of commitments to the world community and meeting the new demands of the global economy, which should be balanced with the enhancement of their own distinctive Pacific values, morals, social, political, economic and cultural heritages, and reflect the Pacific's unique geographical context.

### *Goal*

To achieve universal and equitable educational participation and achievement. To ensure access and equity and improve quality and outcomes.

5. In adopting this Vision Ministers reaffirmed their commitment to the Dakar 2000 Education for All Framework for Action goals and noted the actions being taken at the national level for the

development of strategic plans. In addition Ministers committed themselves to the following specific strategies:

- To promote different forms of secondary and vocational education.
- To review the curricula of training centres and non-formal education programmes to match skills taught (outcomes) with the requirements for employment and livelihood in the traditional subsistence economy.
- To develop non-formal education and work-based programmes in cooperation with civil society and the private sector.
- To promote the role of civil society in providing non-formal skills training.

6. Ministers noted that while basic education has been a priority in the region, this has not been turned fully into effective action. While recognising that some countries have made progress, and that the severity of problems with basic education varies significantly between countries, it appears that significant gains could be made through Forum members sharing their experiences - both successes and failures - in basic education. Ministers also noted the potential for sharing resources - particularly for inputs into basic education system - across the region.

#### National and Regional Development Context

7. Ministers recognised that basic education has, by its nature, very broad and strong impacts on the potential for private sector development and for the success of students pursuing higher education. But it should also be acknowledged that it is a very intensive user of manpower and financial resources. The goals set for basic education and the strategies to be followed therefore need to be well integrated with national planning policies and planning frameworks.

8. Ministers therefore agreed that there is an urgent need for each country, in line with national development goals and commitments, to improve basic educational planning, through clearly identifying desired basic educational outcomes and the learning needs of individuals and groups in that society. To this end it was further agreed that:

- (a) national planning for universal and equitable educational participation must take into account:
  - (i) the cultural, moral social, political and economic contexts of education;
  - (ii) the inter-relationships of the various levels of educational provisions and institutions.
- (b) in order to develop sound policy and planning frameworks it is essential to improve:
  - (i) data and information collection and retrieval systems to provide accurate, timely, and relevant data for informed policy decisions;
  - (ii) the capacity of national systems to develop coherent national educational plans through high level training of key personnel and strengthening of the human and material resources of planning units.
- (c) Ministers of Education should consider setting a regional qualifications framework, covering basic, primary, secondary, TVET and tertiary education, benchmarked against appropriate international standards and qualifications.

9. The *Forum Basic Education Action Plan* contains a number of commitments for national action, though regional and international organisations such as the PIFS, SPC, USP, UNESCO and UNICEF can assist in the implementation of these.

10. The *Action Plan* also set out key regional initiatives, including:
- considering the setting up of a regional qualifications framework covering basic, primary, secondary, TVET and tertiary education, benchmarked against appropriate international standards and qualifications;
  - requesting that Governments urgently implement the measures recommended by Forum Economic and Communications Ministers to address the high cost of accessing information technology infrastructure;
  - that UNESCO organise a Pacific Conference on the delivery of TVET skills development programmes and the provision of new programmes;
  - that the PIFS, with development partners, provide a synthesis of existing studies of financing education and analysis of other financing situations, to further examine issues in regard to recurrent cost funding and to analyse the implications of funding capabilities and needs in education;
  - that the Secretariat, working with other agencies, develop quantitative and qualitative indicators and data categories to monitor equality in education, including the incorporation of these in statistical surveys across the region;
  - that in respect of the teaching of governance regional and international organisations collect and provide basic resource material and prepare a directory of expertise on basic education for good governance.



**Addendum  
to the  
Regional Strategy Paper and Regional Indicative Programme  
2002-2007  
European Community and Pacific ACP Region**

A mid-term review (MTR) of the Regional Strategy Paper (RSP) and Regional Indicative Programme (RIP) for the Pacific ACP Region was carried in 2005 in accordance with Article 11 of Annex IV to the ACP-EC Partnership Agreement.

1. Following the completion of the mid-term review (MTR), in the light of an assessment of the region's current needs and performance, within the limits of available resources, the Community confirms the allocation of resources to Pacific ACP Region as follows:

Initial 9 <sup>th</sup> EDF allocation	Initial 9 <sup>th</sup> EDF allocation + transfers previous EDFs (end 2005)	New allocation after MTR (also including transfers from previous EDFs)
€ 29 million	€ 29.64 mio	€ 39.64 mio

2. In the context of the mid-term review, it has been agreed to maintain the regional strategy as set out in the RSP and RIP signed on 5<sup>th</sup> October 2002. An additional amount of € 10 million is made available in support of this RSP and RIP programming for the period 2002-2007.

3. The new breakdown of the indicative allocation is set out below:

	Initial indicative allocation		Actual allocation December 2005		Indicative allocation after the MTR	
	€ mio	%	€ mio	%	€ mio	%
Regional economic Integration and Trade	€ 9 mio	31%	€ 9.2 mio	32%	€ 15.2 mio	38%
Human Resources Development	€ 8. mio	28%	€ 8 mio	28%	€ 8 mio	20%
Fisheries	€ 5. mio	17 %	€ 5 mio	17%	€ 9 mio	23%
Non-focal sector	€ 7. mio	24%	€ 6.8 mio	23%	€ 7.44 mio	19%

#### 4. Focal sectors

Programming of the allocations for the 3 focal sectors is modified as follows:

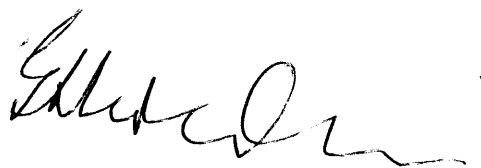
- **Regional Economic Integration:** addition of € 6 million broken down as follows:
  1. € 2 million top up to component 2 of the Pacific Regional Economic Integration Programme (Capacity Building for EPA Negotiations)
  2. € 4 million for an Agricultural Export Commodity Development programme to consolidate the results and build on the 8-9<sup>th</sup> EDF Plant Protection Programme
- **Fisheries:** addition of € 4 million to the oceanic component of the Programme for Regional Oceanic and Coastal Fisheries (PROCFISH)
- **Human Resources Development:** no change

#### 5. Non Focal sector

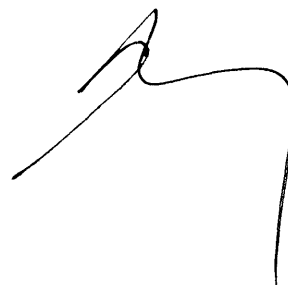
The remaining balance of € 0.64 million may be used for non -focal sector activities.

Date: 27 -03- 2006

Signatures



For the Pacific ACP region



For the Commission



**Addendum 2  
to the EDF 9  
Regional Strategy Paper and Regional Indicative Programme  
2002-2007**

**European Community and Pacific ACP Region**

An end-of-term review (ETR) of the Regional Strategy Paper (RSP) and Regional Indicative Programme (RIP) for the Pacific ACP Region was carried out during 2006 in accordance with Article 11 of Annex IV to the ACP-EC Partnership Agreement.

**1. Financial allocations after the ETR**

The present addendum adjusts the indicative allocation referred to in paragraph 2 of the general provisions, accompanying the RSP and RIP as reviewed by Commission Decision n° C (2006) 790 of 16 March 2006, as well as all other references to these amounts in the different chapters and annexes to the RSP and RIP.

Following the completion of the ETR, in the light of an assessment of the region's current needs and performance, the Community revises the resource allocation for the Pacific ACP Region as follows:

Initial 9 <sup>th</sup> EDF allocation	Allocation after MTR also including transfers of previous EDFs	Allocation on 30/09/2006 also including transfers of previous EDFs	New allocation after ETR also including transfers of previous EDFs until 30/09/2006)
29.000.000	39.640.000	41.009.066	40.585.996

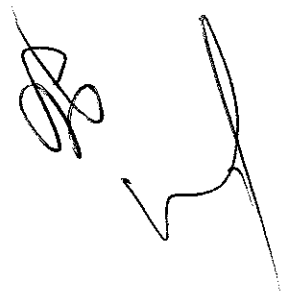
*Amounts expressed in EUR*

Taking into account the agreed pipeline of programmes still to be financed under the 9<sup>th</sup> EDF, the allocation shall be reduced by an amount of € 423.070 and that amount shall be transferred to the regional cooperation and intra ACP reserve. All de-commitments from previous EDFs starting from 1 October 2006 shall be transferred to the regional cooperation and intra ACP reserve.

Notwithstanding the preceding paragraphs, all de-commitments from the 9<sup>th</sup> and previous EDFs as from 1 April 2007 and all remaining funds which will not have passed the management procedures of the EDF Committee before 1 August 2007 shall be transferred to the regional cooperation and intra ACP reserve.

**2. Cooperation strategy after the ETR**

It has furthermore been agreed to maintain the regional strategy as contained in the RSP and RIP and modified with addendum 2.




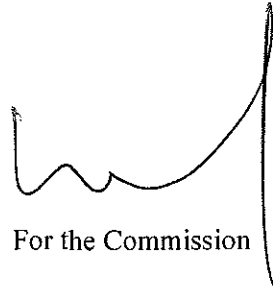
The agreed programme pipeline is presented as follows:

- € 2 million to component 2 of the *PACREIP (Capacity Building for EPA Negotiations)*.
- € 4 million to for a Facilitating Agricultural Commodity Trade (FACT) programme.
- € 4 million to SCIFISH (complement to the oceanic component of PROCFISH).

Date: 08 -06- 2007

Signatures

  
For the Pacific ACP Region

  
For the Commission

