



PACIFIC ISLANDS FORUM SECRETARIAT



EUROPEAN UNION

ANNUAL REPORT

PACIFIC INTEGRATION TECHNICAL ASSISTANCE PROGRAMME

2011

Table of Contents

Acronyms

4

Section 1- Executive Summary

Section 2 Activities undertaken in 2011

Activity 1-Pacific Island Countries Trade Agreement (PICTA) 4

Activity 2-Economic Partnership Agreement (EPA) 5

Activity 3-World Trade Organisation (WTO) 7

Activity 4-Trade Policy Frameworks 8

Activity 5-Support to Pacific Island Private Sector Organisation (PIPSO) 8

Activity 6-Support to Pacific Trade &Investment (PT&I) 8

Activity 7-TA to RAO Support 9

Section 3 Overall Budget & Expenditure Report for 2011 10

Acronyms

CA	Contribution Agreement
EC	European Commission
EDF	European Development Fund
EIA	Environmental Impact Assessment
EPA	Economic Partnership Agreement
EU	European Union
FA	Financing Agreement
FEMM	Forum Economic Ministers Meeting
FIC	Forum Island Countries
FTA	Free Trade Agreement
OCO	Oceania Customs Organisation
PACER	Pacific Agreement on Closer Economic Relations
PACP	Pacific -Africa Caribbean Pacific
PACREIP	Pacific Regional Economic Integration Programme
PFTAC	Pacific Financial Technical Assistance Centre
PICTA	Pacific Islands Countries Trade Agreement
PIFS	Pacific Islands Forum Secretariat
PITAP	Pacific Integration Technical Assistance Project
PIPSO	Pacific Islands Private Sector Organisation
PMU	Project Management Unit
PRIP	Pacific Regional Indicative Programme
REI	Regional Economic Integration
RIP	Regional Indicative Programme
RSP	Regional Strategy Paper
SPC	Secretariat of the Pacific Community
SPEITT	Strengthening Pacific Economic Integration Through Trade
SPREP	South Pacific Regional Education Programme
SPTO	South Pacific Tourism Organisation
TIS	Trade In Services
TMNP	Temporary Movement of Natural Persons
TWG	Technical Working Group
WTO	World Trade Organisation

Section 1: Executive Summary

The Pacific Integration Technical Assistance Programme (PITAP) is implemented by the Pacific Islands Forum Secretariat and is financed by the European Commission under EDF-10 with an overall budget of €8 million over four years (2011 – 2015) and forms part of the Strengthening Pacific Economic Integration through Trade (SPEITT) project. The log frame and details of finances are provided in the Contribution Agreement (CA) and which can be found at Attachment A.

2. The overall objective of SPEITT is to *increase regional economic integration and cooperation in Pacific-ACP countries*. The project purpose of SPEITT is to *improve economic integration through strengthened national systems and institutional frameworks to develop trade capacity, increase private sector competitiveness and increase international market access*.

3. PITAP will contribute to the overall objective of SPEITT *by improving economic integration through strengthened national systems and institutional frameworks to develop trade capacity, increase private sector competitiveness and increase international market access*. The project purpose of PITAP is to *improve trade policy outcomes by building technical capabilities, increasing private sector engagement in trade policy processes, and increasing exports and investment in the region*.

4. PITAP includes €2 million to provide Technical Assistance to the Regional Authorising Officer which aims to support the Pacific Island Forum Secretariat's work to improve coordination and harmonisation of development partners and regional stakeholders, particularly (but not exclusively) in the area of Aid for Trade (AfT). Stakeholders in trade and development coordination are broad, and include development partners, implementing agencies, the private sector and civil society, both regionally and nationally as appropriate. As such, coordination is vital and strong coordination mechanisms underpin the success of development partner-funded programs. The TA to the RAO will continue to coordinate current projects remaining under the EDF 9, until such a time when they are completed, and any new EDF 10 funded projects approved under a Grant Contract arrangements.

5. This Annual Report provides an assessment of performance against the 2011 Work plan and highlights variances and changes.

Section 2: Activities Undertaken in 2011

Activity 1: Pacific Island Countries Trade Agreement (PICTA)

6. Activity 1 supports the engagement in the Pacific Island Countries Trade Agreement (PICTA), including trade in services negotiations. At the start of 2011, 4 PICTA Trade in Services negotiations had taken place, with a fifth held prior to the start of PITAP. Four countries were still yet to finalise offers for consideration by parties, and Leaders instructed Officials to work toward a conclusion of PICTA Trade in Services negotiations by the end of 2011. Work had commenced on a draft Temporary Movement of Natural Persons Scheme, but substantial additional work was required to take this forward. Consideration was also

being given to the development of a comprehensive PICTA, with Trade Ministers directing the Secretariat to commence work to support the drafting of the Comprehensive PICTA.

7. The total budget for Activity 1 in 2011 was €180,000. No long-term technical assistance is funded under Activity 1.

8. The 6th Round of PICTA Trade in Services Negotiations was held alongside a Workshop on the PICTA Temporary Movement of Natural Persons Scheme in Nadi from 22 September to 6th August 2011.

9. The sixth round of PICTA trade in services negotiations was undertaken with a focus on advancing discussions on the PICTA trade in services negotiations and the proposed PICTA Temporary Movement of Natural Persons scheme. Countries focused on bilateral negotiations and revision of draft legal text for the PICTA trade in services and Temporary Movement of Natural Persons arrangements.

10. The objective of the PICTA Temporary Movement of Natural Persons (TMNP) workshop was to provide participants with detailed information on the PICTA TMNP scheme including the implications for the implementing agencies, and to facilitate consultations among the Countries involved in negotiating the PICTA TMNP scheme for its effective implementation. The Countries agreed that in order to facilitate the conclusion of the PICTA TIS negotiations, it will be necessary to carve-out the negotiations of the PICTA TMNP scheme, which will be pursued separately from the PICTA TIS.

11. A key action required to progress the conclusion of PICTA Trade in Services negotiations is the completion of a social impact assessment of the arrangement. A Request for Tender was issued to engage a consultant to undertake a social impact assessment. Due to the late commencement of this tender, costs expected to be incurred for this item in 2011 have been deferred to 2012. The Social Impact Assessment (SIA) study on the liberalising of trade in services, and temporary labour mobility arrangements among the FICs commenced in November 2011. The purpose of the SIA study is to sufficiently capture all relevant information pertaining to the likely social impact of liberalising TIS amongst FICs. This is necessary in order to fulfil its objective of providing Members with enough information to effectively manage the liberalisation of trade in services, and to cushion any adverse impacts and accentuate the positive outcomes.

12. Pacific ACP Leaders at their meeting in Auckland in September 2011, agreed that FICs organise necessary consultations, followed by domestic approvals of PICTA trade in services text and associated schedules of commitments with the objective of concluding the PICTA trade in services negotiations and finalising the arrangements for Leaders' consideration at their meeting in 2012. Following the conclusion of the PICTA TIS arrangements, work on the comprehensive PICTA could be pursued taking into account the developments relating to other aspects of PICTA.

Activity 2: Economic Partnership Agreement (EPA)

13. Activity 2 supports the negotiation of the EPA. At the start of 2011, a PACP Trade Ministers' Meeting was held which directed the Secretariat to undertake an ambitious programme of work in 2011 to bring EPA negotiations to a successful conclusion. This would include the completion of market access offers, review and negotiation of legal text in key areas including fisheries and development cooperation, and negotiations between PACPS and the EU with a view to finalising the Pacific EPA by the end of 2011.

14. Two long-term positions were recruited in 2011. Ms Joann Young was appointed to the position of Trade Policy Advisor (ACP/EU), while Mr Zarak Khan was appointed Trade Policy Officer (ACP/EU). Staff commenced work in these positions in the second half of 2011. Consideration is being given to the exact nature of the third position, previously nominated as a Research Assistant (ACP/EU) as it is felt that an Administrative Assistant may be a higher priority position for the Activity. This position will be recruited in early 2012.

15. Substantial progress was made toward concluding the EPA in 2011. After a hiatus in the negotiations in 2010 which was similarly experienced in other African regions, the PACP focus was to complete negotiations on a comprehensive EPA as a single region, and in this regard, Ministers adopted the PACP EPA strategy document which outlined a number of actions and a roadmap to conclude negotiations. The Tongan Minister for Labour, Commerce and Industries, Honourable 'Isileli Pulu, was appointed the new PACP Lead Spokesperson for EPA negotiations, replacing the Honourable Minister Hans Joachim Keil of Samoa who was Lead Spokesperson for nearly three years. Ministers from Nauru and Vanuatu were appointed alternative spokespersons. There were 12 EPA-related meetings held in 2011, and the PACPS' priorities were to submit revised offers and a revised legal draft text to the EC, as well as agree to PACP regional strategy on fisheries in the EPA negotiations.

16. The Secretariat also commissioned a study on global sourcing rules of origin for fresh, chilled and frozen fish to assist PACPS develop a regional strategy to secure this concession from the EC.¹ The Secretariat assisted the Federated States of Micronesia, Fiji, Niue, Palau, the Republic of Marshall Islands, Nauru and Vanuatu in their national consultations on the market access offers and on the contentious issues. Seven PACPS submitted their draft market access offers to the EC in July 2011. The region also submitted a revised draft legal text to the EC in July 2011. This included a new development chapter proposed by the region.

17. The following meetings were convened in 2011:

- (i) Pacific ACP Trade Officials' Meeting, 31 January – 2 February, 2011, Apia, Samoa;
- (ii) Pacific ACP Trade Ministers' Meeting, 3-4 February 2011, Apia, Samoa;
- (iii) Development Cooperation Workshop, 29 April, 2011, Nadi, Fiji;
- (iv) Regional market access workshop, 20-24 June in Nadi, Fiji;
- (v) Joint Pacific ACP Fisheries and Trade Officials' meeting, 27-28 June in Nadi, Fiji;
- (vi) TWG-LICB held on 29 June – 1 July, Nadi, Fiji;
- (vii) Joint Pacific ACP Fisheries' and Trade Officials' Meeting, 4 August, 2011;
- (viii) Pacific ACP Trade Officials' Meeting, 5 August, 2011; Port Moresby, PNG
- (ix) Joint Pacific ACP Fisheries and Trade Ministers' Meeting, 8 August, 2011, Port Moresby, PNG
- (x) Pacific ACP Trade Ministers' Meeting, 9 August, 2011; Port Moresby, PNG
- (xi) Trade Expert Advisory Group Meeting, 19-20 September 2011, Guam; and
- (xii) PACP-EC Informal Meeting, 22-24 November 2011, Brussels

18. The objectives of the above meetings were to (i) formulate/finalise a regional position on the draft PACP-EU EPA text; (ii) revise and finalise the market access offers; and (iii) complete negotiations on the draft PACP-EU EPA text and market access offers by 2012 as directed by PACP Trade Ministers.

¹Study on Feasibility Assessment of Exporting Products of HS Headings 0304/0305 to the European Union.

19. After their submission of market access offers and a draft negotiating text in July, PACPS approached the European Commission several times requesting a formal negotiating session in 2011, including through the Lead Spokesman. At each approach, the European Commission indicated that it was unable to meet formally with the Pacific region until further internal work to examine the impact of Rules of Origin concessions for Fisheries was completed, and that the next negotiating meeting was unlikely to be possible before the second quarter of 2012. As a result, no formal meeting with the European Commission took place. However, a group of PACP Officials met with representatives of the European Commission in Brussels in November to discuss aspects of the negotiating text. This meeting was very productive and has significantly advanced the region's preparations to conclude the negotiations.

Activity 3: World Trade Organisation (WTO)

20. Activity 3 supports PACP engagement with the WTO and the work of the Office of the Permanent Representative of the Pacific Islands Forum Secretariat in Geneva (the Geneva Office). At the start of 2011, four countries were WTO Members (Fiji, PNG, Solomon Islands and Tonga) and two were nearing the end of their accession processes (Samoa, Vanuatu). PACPS were actively involved in fisheries negotiations and in work programs around trade facilitation and relating to small, vulnerable economies. PACPS were also increasingly involved in Aid for Trade through such activities as the Third Global Review of Aid for Trade.

21. One long-term staff position is funded by PITAP. Mr Alex Kerangpuna was appointed the Trade Policy Officer (WTO) and is based in the Geneva Office. Mr Kerangpuna relocated and commenced work in the Geneva Office in December 2011.

22. During 2011, both Vanuatu and Samoa were approved for succession to the WTO, pending national ratification. Support for Officials and Ministers engaged in the accession process was provided by the Geneva Office.

23. In April 2011, the Geneva Office relocated to the Commonwealth Secretariat Small States Office and commenced a process of strengthened office and budget management. This work has involved a significant revision of management practices and an increased focus on service to Forum Island Country Members.

24. As the European Commission will be aware, the Doha Round of negotiations has not progressed well. Fisheries negotiations have stalled, and as a result little work was undertaken on Fisheries matters in 2011.

25. A significant work programme on Aid for Trade continued through the Third Global Review of Aid for Trade. The Pacific Islands Forum and Member countries were represented at this meeting. A special session on the Pacific was held during the review, with speakers from Tonga (Minister Lisiate 'Akolo), Vanuatu (Ambassador Roy Mickey Joy) and the Pacific Islands Forum Secretariat (Dr Chakriya Bowman). In addition, Dr Bowman presented at the launch of the World Trade Review and attended an Informal Discussion with Secretary General Lamy and other representatives of regional organisations to discuss WTO engagement.

26. The Geneva Office has employed, with funding provided by the Australian Government, an Aid for Trade Officer to better coordinate engagement on Aid for Trade

matters. The Aid for Trade Officer is also providing regular updates to Forum Island Country Members and assisting them to seek Aid for Trade funding.

27. WTO Internships have recommenced in 2011. A Fijian Officer, Ms Radika Kumar, commenced an Internship in 2011 and has assisted in a number of key activities.

Activity 4: Trade Policy Frameworks (TPF)

28. Activity 4 supports the development of national trade policy frameworks. This work focuses on support for Small Island States to refine and implement policy frameworks, and works closely with the Commonwealth Secretariat-funded Hub and Spokes team. At the start of 2011, a number of countries had requested additional support to finalise and implement trade policy frameworks, and one (Federated States of Micronesia) had passed their legislation through parliamentary processes. Countries including Palau, Marshall Islands, Kiribati and Nauru were seeking additional support to complete and introduce trade policy frameworks and strengthen national capacity in trade policy.

29. Mr. Nicky Anaturin was appointed to this position of Trade Policy Officer (Small Island States) and commenced work in 2011. Based on the outcomes of recruitment exercises undertaken for Trade Policy staff, it was decided that a Section Leader would be difficult to identify and recruit, and that the position should be instead at the same level as other Advisors. A Trade Policy Advisor (Small Island States) will be recruited in early 2012.

30. PITAP and the Hub and Spokes Project have also been assisting the Federated States of Micronesia, the Republic of Marshall Islands and Palau to strengthen the Micronesian Trade Committee (MTC) in order to promote sub-regional trade among the freely associated states and to develop common trade policies. The MTC also plays a vital role in the consultation with the US on the Compact most favoured nation as this has a significant impact on the position that will be taken by the freely associated states on EPA negotiations.

Activity 5: Support for PIPSO

31. Activity 5 supports the development of capacity at the Pacific Islands Private Sector Organisation (PIPSO) to strengthen its work representing the needs of the private sector

32. As the activities undertaken here were to support a party external to the Secretariat, this activity was deferred to 2012 for commencement while the Secretariat awaited the results of its Institutional Audit by the European Union. Assistance was provided in the form of rent payments.

Activity 6: Support for Pacific Islands Trade and Invest (PT&I)

33. Activity 6 will increase the ability of PACPS to trade with key markets in Australia, New Zealand, China and Europe through trade development and promotion. Pacific Islands Trade and Invest (formerly Pacific Islands Trade and Investment Commissions) is an agency of the Pacific Islands Forum Secretariat tasked by Leaders to promote and develop exports in goods, services and tourism, and to increase investment in PACPS. At the start of 2011, Pacific Islands Trade and Invest (PT&I) was completing the development of a 10-year Strategy to guide its work programme. Included in this Strategy were proposals for an initiative to promote Pacific trade to European markets to support the negotiation of the EPA, and an initiative to build trade promotion capacity in PACPS through the placement of staff in long-term positions in trade offices in Auckland and Beijing.

34. Three positions were recruited in 2011. Ms Robyn Ekstrom was appointed to the position of Trade Representative (Geneva) and commenced work with the Geneva Office in late 2011. Ms Louisa Sifakula was appointed Deputy Representative and Export Manager (Beijing) and will commence work in January 2012, initially from Auckland while we await visa approval from the Government of China. Mr Mona Mato was appointed Export Promotion Officer (Auckland) and will commence work in early 2012. Both Ms Ekstrom and Ms Sifakula have extensive experience in Pacific Islands Trade and Invest Offices and will be able to quickly establish networks within the Pacific and with counterparts in country.

35. Ms Ekstrom is currently developing a work programme for 2012.

Activity 7: Technical Assistance (TA) Support to the RAO

36. Activity 7 will reinforce the Secretariat's internal capacity to undertake its mandates and provide service to Pacific ACP States, and will support improved development partner harmonisation and coordination, particularly, but not exclusively, in the sector of Aid for Trade (AfT). Activity 7 will particularly support two key areas of regional engagement that have been identified as requiring strengthening: the management of policy issues relating to climate change adaptation, mitigation and financing, including in the context of the Joint European Union – Pacific Initiative on Climate Change; and deepening Forum engagement and liaison with Non-State Actors.

37. A Trade Policy Adviser (Aid for Trade) was recruited in 2011 but after protracted contract negotiations the appointee declined to take up the position. A new recruitment exercise commenced in early 2012. Mr Jerry Huekwahin was appointed Trade Policy Officer (Aid for Trade) and commenced work in early 2012.

38. A Project Accountant, who will report to the Team Leader, Finance, could not be mobilised soon in 2011, due to unforeseen circumstances. Mr. Rama Va'a was appointed Project Accountant and will commenced work in mid March 2012

39. Long-term technical assistance to the Forum Secretariat also includes positions in the Strategic Partnerships and Coordination Programme, namely a Development Partner Support Officer, reporting to the Development Cooperation Adviser, a Climate Change Policy Officer, reporting to the Regional and International Issues Adviser. Mr David Hesaie was appointed Non-State Actor Liaison Officer and commenced work in October 2011. Mr. Exsley Taloiburi was appointed in February 2012 as Climate Change Officer. Given the need for overall monitoring and evaluation of Pacific Plan activities, a Monitoring and Evaluation (M&E) Advisor position is preferred over Development Partner Support Officer; hence the recruitment could not proceed further due to budgetary constraints.

40. Oceania Customs Organisation (OCO) Secretariat and South Pacific Tourism Organisation (SPTO) signed their respective Grant Contracts on the 20th December 2012. The Grant Contracts are called (i) Trade Facilitation in Customs Cooperation (TFCC), project amount was Euro 7,572,880 and (ii) Pacific Regional Tourism Capacity Building Project (PRTCBP), project amount was Euro 4,733,981 for a total estimated value of value of Euro 10.5 million.

41. The Secretary General of the Pacific Islands Forum Secretariat (Mr. Tuiloma Neroni Slade), Acting Head of EU Delegation for the Pacific (Ms. Annick Villarosa), Head of the Secretariat of the Oceania Customs Organisation (Mr. Kulu Bloomfield) and Chief Executive Officer of the South Pacific Tourism Organisation (Mr. Illisoni Vuidreketi) signed the two respective grant contracts. Implementation of the projects will commence in January 2012.

42. The Third Aid for Trade Roundtable Meeting was held on 28 April 2011 in Nadi, Fiji. The meeting provided direction to finalise key work programs including the regional status analysis of trade facilitation programs, the refresh and renew of the Pacific Aid for Trade Strategy, and the identification and mobilisation of AfT funds. Participants shared information about a number of new and existing projects undertaking work to support trade. As a result of this meeting, a way forward for the completion of the Memorandum of Understanding for the Pacific Trade and Development Facility was agreed.

43. Coordination of the financial management and, where appropriate, closure of any outstanding 8th and 9th EDF Programmes and Projects are continuing; All 8th EDF projects have been closed. Two projects under the 9th EDF (Scifish and Fact) are currently being implemented. Apart from that, RAO also administers three other regional projects worth €22.84 million funded from the National Indicative Programme, B-Envelop and Intra-ACP funds. These include (i) Disaster Risk Reduction in 8 Pacific ACP states (ii) Capacity Support for Sustainable Management of Energy Resources in Pacific. Implementation of these projects will cease at the end of December 2012 and 2013 respectively. Implementation of PACREIP and TCF has closed, pending final audits expected in 1st quarter of 2012.

44. Development of a funding mechanism to coordinate the disbursement of funds to Non-State Actors under EDF-10; Preparation of Identification Fiche (IF) for the NSA programme is being prepared by the NSA Liaison Officer, in close consultation with EU Delegation. The final draft is aimed to be submitted to Brussels before June 2012.

45. Commencement of consultations and other activities to support the development and implementation of the EU Plan for Action under the Joint Initiative on Climate Change is continuing. Discussions have been on-going between International Issues Advisor and EU Delegation since 2011 to develop the framework/methodology for climate change funding under the ACP funding. Professional staffs (Natural Resources Advisor and Climate Change Officer) have been recruited to undertake work on joint climate change initiative.

Section 3: Overall Budget and Expenditure Report for 2011 (Budget in Euro)

	Activity 1	Activity 2	Activity 3	Activity 4	Activity 5	Activity 6	Activity 7	TOTAL	2011 Audit Expenditure	Balance (over/under spends)
Short and Medium Term Technical Assistance	85,000	125,000	25,000	20,000	30,000			285,000	157,114	127,886
Long-Term Technical Assistance		255,000	125,000	150,000		130,000	248,000	908,000	180,158	727,842
Travel	85,000	1,100,000	-	25,000	8,000	10,000	80,000	1,308,000	917,827	390,173
Equipment, Training & Operations	7,000	17,000	50,000	7,000	2,000	7,000	15,000	105,000	75,369	29,631
Visibility	3,000	3,000	-	3,000	-	3,000	5,000	17,000	502	16498
Total Direct Costs	180,000	1,500,000	200,000	205,000	40,000	150,000	337,000	2,623,000	1,330,970	1292030
Indirect Costs 7 %	12,600	105,000	14,000	14,350	2,800	10,500	23,600	183,610	93167	90,443
TOTAL	192,600	1,605,000	214,000	219,350	42,800	160,500	371,600	2,806,610	1,424,137	1,382,473

The table above shows the budget versus expenditure based on the audited financial statements of the 2011 Work Plan and Budget. The under spends in all budget lines is the result of the late start of the project. However, we are anticipating most of the budgets to be spend in the early part of 2012. Late recruitment with the project staff is attributed to low utilisation of Long Tern Technical Assistance budget.