

2014

**ANNUAL REPORT
RAPPORT ANNUEL**



**MELANESIAN SPEARHEAD GROUP
SECRÉTARIAT**

GROUPE DU FER DE LANCE MÉLANÉSIEN



An MSG community
that is
democratic,
strong,
integrated,
enlightened,
happy,
prosperous,
secure and
caring.

Une Communauté GFLM
qui est
démocratique,
forte,
intégrée,
éclairée,
heureuse,
prospère,
sûre et
charitable.

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FOREWORD BY THE CHAIRMAN



MR. VICTOR TUTUGORO
FLNKS Spokesperson &
Chair of the MSG

Two years ago, when I assumed leadership of our Organisation, I stated the five (5) pillars of my term as follows: (i) to consolidate the MSG as an organization (ii) to ensure Melanesia becomes a region of stability and economic prosperity (iii) for the MSG to play a leading role on regional issues (iv) to give shape to the invaluable work of the EPG and (v) for Kanaky-New Caledonia to integrate its regional environment.

In 2014, much progress was made to advance new initiatives and mandates endorsed during the FLNKS term as Chair of our Organisation but more needs to be done to take these issues to the next level.

In terms of consolidating the MSG, further corporate soft reforms were pursued at the Secretariat to capitalize on existing human and technical resources without much impact on the Organization's financial resources.

These include the reassignment of professional staff within the newly adopted structure and other initiatives in operations and administrative matters including the upgrading of IT equipment, management of budget and finances through an internal audit committee; effective translation services, asset management and review of the Host Agreement with the Government of Vanuatu. In 2014, the MSG Secretariat staffing capacity was in total of 29 professional staff not included seconded officers.

The visibility of our Organisation was further enhanced by the successful hosting of the 5th Melanesian Arts and Cultures Festival by Papua New Guinea in July and a number of cooperation agreements signed with regional organizations and partners including the University of the South Pacific, the Secretariat of the Pacific Community (SPC), Griffith University in Australia and the International Union for Conservation of Nature (IUCN) to help reinforce cooperation in the areas of academic training, research and environmental sustainability for the long term preservation of our natural resources in Melanesia.

In 2014, our efforts to promote economic prosperity in Melanesia saw the successful first MSG Trade Mission to New Caledonia in August, the hosting of Heads of Investment & Promotion Agency and Industries Officials Meeting (HIPA+IOM), Trade and Economic Officials Meetings (TEOM) and continued workshops and consultations on the MSGTA3 and SMS Implementation that led to the highly successful Trade Ministers Meeting (TMM) and the MSG Investment Roadshow and Trade Fair in PNG in November.

Further meetings were convened to discuss other initiatives including the Aviation and Tourism Sectoral Dialogue and the CEOs of Provident and Pension Fund Forum; the Intra-MSG Shipping Service Project; the draft MSG Roadmap for the Protection of Inshore Fisheries, the Finance Ministers and Governors of Central



Bank High Level Consultation and several scoping studies conducted on MSG Investment and Development and the MSG Stabilization Fund. The highlight of these activities culminated in the endorsement and signing of the Port Moresby Declaration on Economic Prosperity.

To further attract foreign investments and enhance economic progress, it is important for the MSG to work towards a politically safe and stable environment. In 2014, New Caledonia, Fiji and the Solomon Islands successfully held their elections and paved the way for new reforms and political stability in our region. On these three occasions, the MSG played a leading role in providing an MSG Observer Mission to the elections in Fiji elections on 17 September, monitoring assistance to the UN Mission to New Caledonia prior to the provincial elections in May and financial and technical assistance to the Government of the Solomon Islands in preparations for their elections in November. Meanwhile, ongoing discussions were held on new application for membership to the MSG by West Papua groups.

To give shape to the MSG 2038 Prosperity for All Plan, a Draft Implementation Framework was developed and submitted to members for further national consultations. These national consultations are vital in order to provide strengthened synergies between the MSG 2038 Prosperity Plan for All and the respective national sustainable development plans. In addition to the MSG Secretariat developing a way forward for the EPG report the MSG Secretariat has also developed a Communication Strategy for the Implementation of the MSG 2038 Prosperity for All Plan.

As the FLNKS is about to hand over the Chair to the Solomon Islands, I am pleased to report that all these activities undertaken in 2014 have greatly helped Kanaky-New Caledonia, through the FLNKS, play a major role in MSG affairs. The successful meetings and events held in Noumea and the growing interest from the people and government of New Caledonia in MSG affairs is testimony to future greater regional integration.

While this Report is a reflection of another successful year for our Organisation, and while we aim for higher targets in the next 25 years under the MSG 2038 Prosperity for All Plan, I can only reiterate here the call for members to honour their timely contributions to allow the MSG Secretariat to implement its Work Programs as mandated by our Leaders.

Finally, before I conclude I wish to thank all my colleague Leaders, Ministers and Officials of our respective member countries for their invaluable support during my term in Office. Let me also extend my deep appreciation and gratitude to the Director General and his most professional staff of the MSG Secretariat for their commitment to uphold our Organization's missions and our Melanesian values. Last but not least, let me also thank our regional and international partners for their ongoing support to make Melanesia a stable and prosperous region. Long live the MSG!

Victor Tutugoro
Chair of the MSG and FLNKS Spokesperson





INTRODUCTION



MR. PETER FORAU
Director General

What a year it has been! We launched into 2014 fairly confident that the year will be one of our best in terms of achievement and deepening of Melanesian cooperation. The approval of the Prosperity for all Plan by Leaders at their Summit in Noumea the previous year has urged the Group to keep working together in 2014 to advance our collective aspirations especially in terms of promoting trade integration, intra-MSG connectivity and enhanced economic and political cooperation.

We were fortunate to have EU funding finally secured under PITAP which ensured our work on trade cooperation will be progressed more steadily and meaningfully going forward. With this funding the Secretariat was able to recruit more staff to support this work. Also building on previous events, the Secretariat was able to organize a major Trade Fair in Port Moresby towards end of the year that was supported by the PITAP project. This event brought together many businesses in Melanesia to showcase their

products and services. The event was an amazing success and another Trade Fair is being planned for Noumea in September 2015. I wish to express my profound gratitude to the EU for the funding and to all PITAP staff for their hard work.

One of the exciting things that happened in the year was the appointment of a Deputy Director General which was outstanding for a long time. I wish to thank our members for recognizing the need for us to appoint a Deputy and I'm pleased to congratulate Mr Molean Kilepak who has joined us from the Government of Papua New Guinea where he served as the Director – Legal Policy & Governance and now with us as our Deputy Director General. Mr Kilepak took up the position early in the year.

The year also saw the introduction of our new structure which had to be modified from the original approved by members at the Governing Body meeting at Port Moresby in 2013. Instead of two, we had to work with three Directors and in the year we employed a Director for Governance and Sustainable Development in Ms Barbara Age, a Director Operations in Mr Jean-Pierre Nirua and Director Trade, Investment and Economic Development in Mr Peni Sikivou. The rest of the staff were deployed to each of these divisions which worked out very well for us as we delivered on our respective mandates for the year. The fact we were able to record good results for the year is reflective of the concerted efforts that were harnessed through this new structure. At this juncture, I'm very proud to acknowledge the excellent work of all my staff and the leadership of the programs. We did our best and were able to achieve delivery of a close to 100 percent of our approved work program.



It is also worth mentioning that three general elections were held in three of our members in the year. The FLNKS had participated successfully in elections in New Caledonia while Fiji had their first democratic elections since 2006 which returned a democratic Government under the Prime Ministership of Commodore Bainimarama. Solomon Islands had theirs towards end of the year which returned a seasoned Prime Minister in Honorable Manasseh Sogavare. We congratulate all members for conducting successful elections hence assuring democracy for their citizens.

As a young organization, we have our own challenges and in the year our biggest challenge was ensuring our members continued to pay their assessed contributions on time. Overall we are happy with the commitments of our members and I'm quite pleased with that especially with regards to clearing of outstanding arrears which for the first time in a long time all members have paid up all their assessed contributions and we have zero arrears in our books. The sad part though is that the Governing body had to approve a write-off of some of the outstanding contributions. The result is of course we have had to provide for these write-offs which added to the deficit recorded for 2014. In fact the entire deficit is wholly a result of provisions that have to be made which were not budgeted for in the 2014 annual budget. None of it was due to a blow-out of our costs during the year which we have been able to contain below budget hence despite the budget deficit, the 2014 operating results are quite pleasing in the main because costs were contained below or within budget.

Peter Forau

Director General





ABOUT US

MELANESIAN SPEARHEAD GROUP

■ The MSG came into being as a result of an informal meeting of Heads of Government of Papua New Guinea, Solomon Islands, Vanuatu and a representative of the Kanak Socialist National Liberation Front (*FLNKS) held in Goroka on 17 July 1986.



■ The Leaders agreed at their inaugural meeting that it was important to *have common positions and solidarity in spearheading regional issues of common interest, including the FLNKS cause for political independence in New Caledonia*. On 14 March 1998, the Prime Ministers of PNG, Hon Paias Wingti; Prime Minister of Vanuatu, Hon. Walter Lini; and the Minister of Foreign Affairs of Solomon Islands, Hon. Ezekiel Alebua signed the six (6) point "Agreed Principles of Cooperation among the Independent States in Melanesia" in Port Vila, Vanuatu.



■ The FLNKS formally joined in 1989 and Fiji joined in 1996. The MSG has developed into a regional block with its own Trade Agreement (Revised in 2005), Agreement Establishing the MSG (signed on 23 March 2007) and its own headquarter building opened at the 17th Leaders' Summit on 30 May, 2008.



■ Since the inaugural meeting of July 1986, nineteen (19) biennial MSG Summits have been held with the last one being held in Nouméa, Kanaky-New Caledonia from 19 to 20 June 2013. Papua New Guinea, Solomon Islands, Vanuatu and the FLNKS of New Caledonia have been attending all Summits as members. Fiji initially attended as an observer until its admission as a member in 1996.

■ In 2011, the MSG admitted the Democratic Republic of Timor-Leste (DRTL) and the Republic of Indonesia as Observers to the MSG.

■ In 2013, the members celebrated their 25th Anniversary and as result of an Imminent Persons Group (EPG) work, the Leaders' adopted a new Vision for the organization;





MSG SECRETARIAT

■ The MSG Secretariat is the administrative arm of the MSG headed by a Director General (DG). The DG is supported by a Deputy Director General (DDG) and staff of 29 personnel representing the membership. A major regional EU-funded project (PITAP) has recently seen the international recruitment of professionals from outside the MSG region.

■ In 2014, the Secretariat has completed the development of the new MSG 2038 Prosperity for All Plan ready to be tabled to the Leaders for endorsement. Also in 2014, the Secretariat successfully registered within the Vanuatu Financial Services Commission the establishment of a commercial arm of the Secretariat with Melanesian Solutions as the business name. The prime function of this new entity is to identify and engage in viable income-generating activities that will help increase the visibility of the organisation, but also contribute to financing the operations and part of the programme activities of the

OUR SERVICES

■ **PROVIDE** policy advice to Leaders, through Foreign (and other) Ministers, Senior Officials, Technical and Sub-Committees

■ **SERVICE** technical meetings and those of Constituent Bodies; ie: Technical and Economic Officers Meeting (TEOM), Senior Officials Meeting (SOM), Foreign Ministers Meeting (FMM) and the Leaders' Summit

■ **INITIATE** policy proposals and initiatives based on directives by the Leaders

■ **DEVELOP** and implement annual work program with budget

■ **IMPLEMENT** priority areas identified in the Corporate Plan

■ **DEVELOP** MSG Cooperation










OUR STAFF PROFILE

As of the end of 2014, the Secretariat employed 29 people, of whom 48% were from Vanuatu and the remaining from MSG member countries. Of the total number of staff, 75% were professional staff and the remaining locally engaged support staff.

- *Appointments in 2014*

In March 2014, Mr. Molean Kilepak of Papua New Guinea was recruited as the new Deputy Director General. With the finalisation of the PITAP, the Private Sector Private Sector Development Advisor, Mr. Henry Sanday and the Capacity Development Advisor Ms Eleni-Tevi both from Fiji were recruited in October and December 2014 respectively. The additional appointments made included the recruitment of the Receptionist, Ms Serah Toro and the Translation and Interpretation Officer, Ms. Cheyenne Bouchet.

			
Molean Kilepak	Henry Sanday	Eleni-Tevi	Serah Toro
			
Cheyenne Bouchet	Chief Superintendent Hodges Ette	Senior Superintendent Erami Raibe	

In 2014, the Secretariat accepted the secondment of Chief Superintendent Hodges Ette of the Royal PNG Constabulary (RPNGC) as Police Liaison Officer (PLO) and Superintendent of Police Erami Raibe to as Department of Peace Keeping Operations Officer (DPKOO) to further develop the DPKO concept and establish the institutional guidelines for the Department. PLO was seconded from May to November 2014 whilst DPKOO was seconded for the period September to December 2014.



MSG SECRETARIAT'S OUTREACH ACTIVITIES

The Secretariat continues to work on programs to support the MSG vision through outreach and community activities.

❖ *MSG Day*

On 14 March 2014, the Secretariat, in partnership with the Government of the Republic of Vanuatu, celebrated the MSG Day. The official program was in two parts:

Official ceremony in the morning to remember the founding fathers, leaders and senior officials who together were able to realize the Agreement of the Principles of Cooperation between Independent States of Melanesia that was historically signed in Vanuatu on 14 March, 1988. The Guest of Honor for the official ceremony was the then Prime Minister of the Republic of Vanuatu, Hon. Moana Carcasses Katokai Kalosil.



The second program was hosted by the Secretariat at the MSG headquarters and the program included an open day at which nearly 400 secondary students participated and learned about the history, programs and activities of our organization and the work the Secretariat undertakes for our members. Another highlight of the MSG Day was a debate by the students of the Law Program of University of the South Pacific (USP) on the topic: "MSG is the benchmark to achieve effective regional integration for a healthy and wealthy Pacific of tomorrow."

The positive feedback by the USP and secondary schools and the public in attending the open day activities has provided a good platform and lesson for more outreach programs for the Secretariat.





Students from schools around Port Vila visited the MSG Secretariat on MSG Day



Director Peni talking to students about the History of MSG

The Secretariat also contributed to the following events and activities:



The Secretariat Social Club in support for the flood victims in Honiara organised a fundraising and raised 452,000VUV which was officially forwarded to the Ministry of Foreign Affairs and External Trade in Honiara, Solomon Islands to forward to the National Disaster Management Office.

The on-going interface with the Churches of Vanuatu through their pastors and priests for official MSG ceremonies and office quarterly Thanksgiving services.



The Secretariat donated second hand PCs to the Vanuatu Correctional Services and to a rural school Notre Dame de Walarano, Malekula, Malampa province.



MSG Day 2014 IN PICTURES



KEY ACHIEVEMENTS FOR 2014

HIGHLIGHTS IN 2014

As provided to Members through our Progress Reports for 2014 at the respective Governing Body Meetings, the following is a summary on achievements by the Secretariat in the implementation of the 2014 Work Programme.

The highlights of 2014 include: assistance to the Chair on his capital visit to Papua New Guinea (PNG), finalisation of the MSG 2038 Prosperity for All Implementation Framework and completion of national consultations in member countries and the convening of the Special Leaders' Summit, Special FMM and the Special SOM.



13 June 2014 – Delegates of the Special SOM, Port Vila



13 June 2014 - Special SOM, Boardroom, MSG Secretariat

On Trade and Investment, highlights include: convening of the Investment workshop for MSGTA3 as per the MSGTA3 roadmap, the MSG Trade Mission to New Caledonia, the first Trade and Economic Officials Meeting (TEOM) for the year, undertaking consultations on the MSGTA3 and SMS Implementation preparations in PNG and New Caledonia; convening of the Heads of Investment & Promotion Agency and Industries Officials Meeting (HIPA+IOM), 2nd TEOM, Technical Working Groups (TWGs) Negotiations on MSGTA3, Workshop on marketing products at Trade Fair, Trade Ministers Meeting (TMM) and the MSG Investment Roadshow and Trade Fair in PNG in November



18 Aug 2014 – MSG Trade Mission to New Caledonia



18 Nov 2014 – MSG Trade Ministers Meeting, Port Moresby

On Economic Development, highlights include: convening of the Aviation and Tourism Sectoral Dialogue and the CEOs of Provident and Pension Fund Forum; undertaking consultations in Fiji, PNG and Solomon Islands on the Intra-MSG Shipping Service Project; finalisation of the draft MSG Roadmap for the Protection of Inshore Fisheries, convening of the Fisheries Technical Advisory Committee (FTAC) Meeting, Finance Ministers and Governors of Central Bank High Level Consultation in early November 2014; several scoping studies have been conducted on MSG Investment and Development and the MSG Stabilization Fund; the Piloting of Alternative of Indicators for Wellbeing (AIWBM) Project in Fiji, PNG, Solomon Islands and FLNKS is ongoing; and Vanuatu will soon be formalizing the incorporation of the AIWBM into their NSDP.



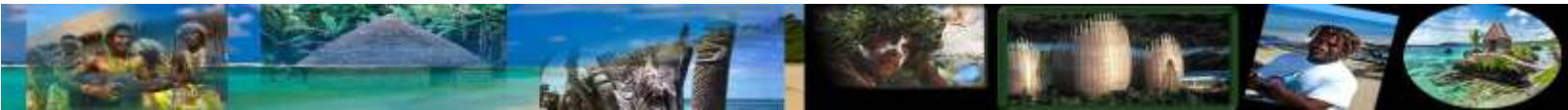
Alternative Indicators of Well-being for Melanesia (AIWMB)



AIWBM – Chapter 6 : Community Well-being Survey

On Governance and Sustainable Development, highlights include: Observation of the Fiji elections on 17 September; development of the draft MSG Framework for Action on Environment and Climate Change; convening of Sports Committee meeting, 2nd Council of Arts and Culture meeting, Environment and Climate Change Technical Advisory Committee meeting, Ministers of Culture and Arts Meeting, convening of the 5th Melanesian Arts and Culture Festival in PNG, consultations with members on environment and climate change issues including the Green Growth Knowledge Management (GGKM) initiative; ongoing discussions and engagements to progress the Women in Leadership, Transshipment of Nuclear Waste and Youth Development initiatives including the convening of the Women in Leadership Roundtable and Stakeholders Meeting in late November 2014, the Department of Peacekeeping Operations (DPKO) and Humanitarian and Emergency Response Coordination Centre (HERCC) initiatives as well as the MSG Police Cooperation activities including the MSG Police Games for 2015 and the proposed MSG Police Womens' Network:

On Operations and administrative matters, the initiatives to upgrade the server and IT equipment, the drafting of the Information Technology Policy, the completion of cataloging the MSG online library; management of budget and finances, establishment of internal audit committee; establishment of internal HR committee; effective coordination of major events and high level visits to the Secretariat; effective translation services on all major policies and meeting documents; efficient drafting of MOUs and clearance of legal documents; successful registration of the business name for Melanesian Solutions; production of Annual Report and Audit Report for 2013; asset management and completion of the remuneration review.



GOVERNANCE & SUSTAINABLE DEVELOPMENT

The activities of the Governance and Sustainable Development Division fall into two (2) categories subdivided into ten (10) focal areas shown in Figure 1

Governance

- Decolonization process in New Caledonia
- Strengthening Good Governance
- Parliamentary elections/systems
- Women in Leadership
- Security and Policing arrangements in the region

Sustainable Development

- Environment & Climate Change (ECC)
- Fisheries/Marine Conservation and Management
- Social and Cultural issues
 - Arts & Culture
 - Sports
 - Empowerment of Youth

Following the 2013 19th Leaders' Summit endorsement of the Report of the Eminent Persons Group (EPG) Report and subsequent decisions of the Ministers of Foreign Affairs Meeting (FMM) and Senior Officials Meetings (SOM) of December 2013; and the Special Leaders' Summit of June 2014, the Division continued to monitor and evaluate political developments in the region including the implementation of the Noumea Accord and the Noumea Declaration in New Caledonia; provide policy advice on Good Governance systems and initiatives to strengthen institutions; monitor and develop policies to strengthen security and police cooperation arrangements amongst members; Monitor the Implementation of the MSG Declaration on Environment and Climate Change; develop, promote and enhance social and cultural cooperation arrangements amongst the members through the Framework Treaty on Traditional Knowledge and Expressions of Culture and MOU on Cultural Cooperation; promote sports cooperation amongst members; and embarked on the newly approved Gender and Youth programs. Not much progress was made on the new program on Trans-shipment of Nuclear Waste which is subject to the Leaders Endorsement of the revised Lakatoro Declaration.



Green Growth in Melanesia



In the area of **Governance**, the Division undertook the following key activities: i) supported the MSG Ministers of Foreign Affairs during their January Ministerial Mission to Indonesia; ii) monitored the May New Caledonia Elections; iii) supported the MSG Observer Team to the September Fiji National Elections; iv) facilitated Vanuatu's participation in the November Solomon Islands National Elections; and v) in liaison with the United Nations (UN) Women Offices in Fiji and Vanuatu, developed a set of draft Guiding Principles for Women in Leadership which will be considered during the 20th MSG Leaders' Summit in 2015. The Division also serviced the June Special MSG Leaders' Summit in Papua New Guinea (PNG) during which the Leaders also witnessed the signing of the "Memorandum of Understanding (MOU) between the Government of Papua New Guinea (PNG) and the MSG Secretariat Concerning Assistance to the Front de Liberation Nationale Kanak et Socialiste (FLNKS) Unit".



The Signage of the FLNKS Unit



DG Forau and Head of FLNKS Unit, Jimmy Naouna

On the **Security and Policing initiatives**, the Secretariat continued liaising with members on the Humanitarian and Emergency Response Coordination Centre (HERCC) and the Department of Peacekeeping Operations (DPKO) concepts. The Governments of Fiji and PNG also seconded two senior Police Officers for three (3) and six (6) months, respectfully. The Officers are: Senior Superintendent (SSP) Erami Raibe from the Fiji Police Force as DPKO Officer; and Chief Superintendent (CP) Hodges Ette from the Royal Papua New Guinea Constabulary (RPNGC) as Police Liaison Officer (PLO).

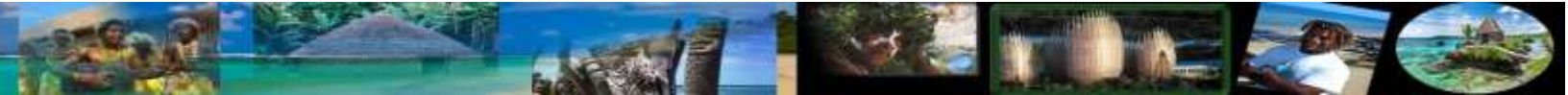


23 April 2014 – Delegates of the 11th MSG SCS



23 April 2014 – 11th MSG SCS Meeting in the Secretariat Conference Room

In the area of **Sustainable Development**, the Division facilitated the signing of two MOUs with two key ECC partners namely: i) Griffith University based in Queensland, Australia in January; and International Union of Conservation for Nature (IUCN) in August. The Division also did some work with Griffith University in drafting the Environment and Climate Change Framework for Action which will be considered by the



Ministers of Environment and Climate Change in 2015; and also with Griffith University, funding assistance was also secured for Members and Secretariat staff to participate in May 2015 in the MSG-Griffith University Australian Award Fellowship (AAF) on Valuing Culture and Nature for Sustainable Natural Resource Management (Melanesia). The Fellowship will focus on the critical role of culture and traditional knowledge in sustainable livelihoods for local communities and the linkages with ecosystem-based approaches in the Melanesian context. The Division also continued to receive support from the Technical Centre for Agricultural and Rural Co-operation ACP-EU (CTA) on the Green Growth e-platform.



19 January 2014 – Signing of MOU between MSG and Griffith University



19 January 2014 – Mr. Forau, Director General of the MSG at the Signing of MOU between MSG and Griffith University

The Division also supported: i) the organization of the 5th Melanesian Festival of Arts and Culture in PNG in June/July; ii) serviced the 5th Ministers of Culture and Arts Meeting (MCAM); and also iii) provided logistical support to the Trade, Investment & Economic Development Division during their Trade Meetings and 2nd Investment Roadshow and Trade Fair in PNG in November during which the MSG Roadmap on Inshore Fisheries was also endorsed by the MSG Trade Ministers Meeting (TMM). The Roadmap which will be presented to the 20th MSG Leaders' Summit in 2015 for final approval is intended to provide a strategic direction on the way forward that is relevant to the Members' inshore fisheries sectors, policies and legislation and provide a detailed structure for its implementation within the inshore fisheries sector.



With respect to Sports and Youth matters, the Division i) serviced the 3rd Sports Committee Meeting (SCM) in PNG which enabled members to also visit venues for the Pacific Games to be hosted by PNG in July 2015; and ii) drafted a Project Proposal to seek funding for the establishment of the Youth Desk.



- *Observer to the 2014 Fiji General Elections*

At the 19th MSG Leaders' Summit held on 20-21 June 2013 in Noumea, New Caledonia, Leaders welcomed the invitation by Fiji for an MSG Observer Mission to the Fiji election in 2014. This was the first time in the history of the MSG that members participated as Observers in a member country's election. The MSG Observer Mission comprised of:

- 1) Mr. Jean Creugnet - Member of the Political Bureau of the FLNKS;
- 2) Mrs Jane Tozaka- Member of Provincial Government, Solomon Islands; and
- 3) Mr Joe Johnson Iati- Director of Civil Status Department and also the Vice Chairman of the Vanuatu Biometric Voter Registration Republic of Vanuatu

The Secretariat Staff led by the Director, Governance and Sustainable Development Division (GSDD) and Program Manager Governance and Sustainable Development, assisted the Observers.


The MSG Observer Group after being granted accreditation on Saturday, 13 September, 2014 was included in the Multinational Observer Group (MOG) under the MOG's approved Terms of Reference (TOR) to observe the elections. The general observation of the MSG Observer Group is that the outcome of the 2014 Fijian Election was on track "to broadly represent the will of the Fijian voters" and that the conditions were in place for Fijians to exercise their right to vote freely. Financial and logistical support provided by the Government of Fiji allowed the members of the MSG Observer Group to carry out its mandate in a satisfactory manner.

❖ *Assistance to Vanuatu Government for Observer at the General Election*

The Secretariat provided financial assistance to a representative of the Vanuatu Government to participate as an observer to the Solomon Islands 2014 Elections. One of the focus of the observation was to study the Solomon Islands Biometric Registration and Voting System which Vanuatu hopes to implement before the 2016 General Elections.

❖ *Roadmap for Inshore Fisheries*





On 2-3 April 2014, the Fisheries Technical Advisory Committee (FTAC) endorsed the “MSG Roadmap for inshore fisheries management and sustainable development” (Roadmap). The formulation of the Roadmap was a by the MSG Secretariat and the Secretariat of the Pacific Community (SPC) that provided the technical and financial support. The salient features of the Roadmap include:

- a) A Vision “*Sustainable inshore fisheries, well managed using community based approaches that provide long-term economic, social, ecological and food security benefits to our communities*”
- b) Timeline and Priority Actions – the roadmap is to be implemented over a 10 year period from 2014 to 2023. The timeline is divided into the short medium and long term implementation periods.
- c) The implementation process at the National Level in which Individual Members have committed to their own national implementation plans which will give effect to the Regional Roadmap at the national level.

The MSG Roadmap provides overarching guidance for MSG members and the actions they have agreed to take to address the management of inshore fisheries in Melanesia. The MSG Roadmap will be submitted to Leaders through SOM and FMM in their meeting in 2015.

TRADE, INVESTMENT & ECONOMIC DEVELOPMENT

TRADE & INVESTMENT

❖ *MSG Trade Agreement*



An excerpt image of page 1 of the Original Document – The MSG Trade Agreement 2005

The MSG concentrated its efforts in 2014 in the implementation of the current MSG Trade Agreement (MSGTA) and negotiation for newly revised legal text of the draft MSG Trade Agreement referred to as the MSGTA3

Following the MSG Leaders endorsement in March 2011 for the MSG Secretariat to commence work on strengthening the existing MSG Trade Agreement, a review of the MSGTA was undertaken in January 2012. The review report identified areas and provisions in the existing texts that required clarity and new provisions were identified that required inclusion. The Leaders’ summit of March 2012 considered the recommendations from the FMM and amongst other issues endorsed the redrafting of the MSGTA by the Secretariat taking into account the recommendations for strengthening and improvement of the provisions of the legal text and the

proposed the architecture of the redrafted goods agreement to provide the protocols on other trade issues (services, labour mobility, investment etc.) to be added overtime.

In line with the Leaders' decision of March 2012, the Secretariat commissioned the re-drafting of the MSGTA legal text with the first revised draft MSGTA3 in December 2012 which was circulated to Members prior to trade negotiating meetings as the core negotiating text for the trade agreement.

Throughout 2014, the Secretariat held several regional consultations in the form of Technical Working Group Negotiations and Subcommittee Meetings to facilitate the refinement of textual proposals in the several protocols. The proposed MSGTA3 legal text provides a basis for an improved economic co-operation framework amongst MSG countries which is in line with the vision of MSG Leaders in 2011 for future deepening of the MSG integration towards economic relations including other core issues beyond the original goods only agreement.

❖ *MSG Skills Movement Scheme*

The MSG Skills Movement Scheme launched in March 2012 came into force in September the same year. There are specific list of occupations that each member has agreed to open up based on the 4 digit International Standards Classifications of Occupations (ISCO).

The Secretariat in 2014 continued to receive queries and interests from MSG nationals on the SMS however no formal notification on the use of the scheme has been received yet. Full information including the approved application form on the SMS is available on the MSG Secretariat's website located at: <http://www.msgsec.info/>.



Fijian Pilots



Solomon Islands Doctors recently graduated from Cuba



Vanuatu's Top Academic in Cyber Security – Jeff Garae



Professional staff at the MSG Secretariat from FLNKS -NC



❖ *Trade and Investment Promotion*

The Trade and Investment Promotion arm of the Secretariat also rests with the Trade & Investment Division. In 2014, members convened two related trade and investment activities as part of promotion and marketing to access intra-MSG markets. The first one was the inaugural Trade and Investment Mission to New Caledonia in August by all member countries trade and investment officials including representatives from the private sector following the Leaders' mandate of 2013.

This was later followed by the 2nd MSG Investment Roadshow and Trade Fair which was held from 27-29 November in Port Moresby, Papua New Guinea. Both missions underwent a lot of preparations from the members, the Secretariat and the host member countries being New Caledonia/Kanaky for the inaugural trade mission and Papua New Guinea for the 2nd IR&TF. A key outcome of these events is the result of follow-ups by MSG businesses following interests on exports, imports and exploring joint-venture arrangements.

❖ *MSG Private Sector Development*

The Secretariat's work on private sector development was first transpired and initially endorsed at the inaugural Heads of Investment Promotion Agencies and Industrial Officials Meeting (HIPA+IOM) held on 10-12 September 2012 in Port Vila. An added impetus to the concept was given by the *MSG 2038: Prosperity for All Plan* which identified "Creating an environment for increased investment and trade" as "a fundamental pre-requisite for achieving sustained economic growth". Among the strategies mapped out under the Plan to address economic challenges and achieve economic prosperity are: "Widening and diversifying the narrow economic and export bases", "Creating an enabling environment to attract increased private sector investment" and "Increasing availability and access of suitable capital for rural entrepreneurship and growth of SMEs".

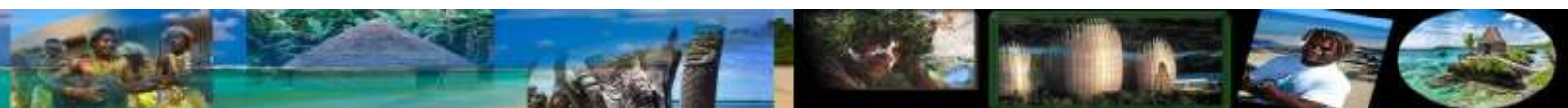
In November 2014, the Secretariat recruited a Private Sector Development Adviser (PSDA), Mr. Henry Sanday to join under the MSG PITAP program. The PSDA's work focusses on private sector development and investment for which the main areas of work include investment policy, reforms, facilitation, promotion, private sector development and small and micro-enterprise development.

❖ *EDF10 Pacific Integration Technical Assistance Programme (PITAP) Management*

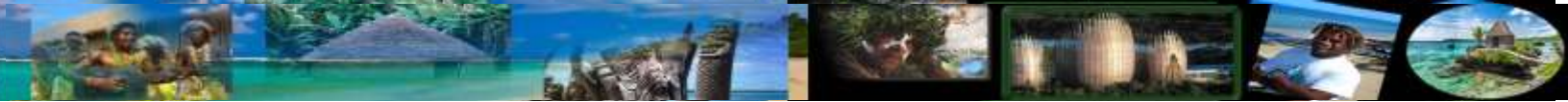
The MSG-PITAP was initially planned for period November 2013 – Dec 2015. However the processes involved between EU and PIFS as the administrator of the PITAP funds went through some delays which resulted in the funds becoming available only in May 2014. The MSG-PITAP OVIs has two key focal areas:

MSG Trade Agreement (Tier 3) negotiation finalised and submitted to MSG Members for their endorsement by end of 2015

Build capacity of Members on the implementation of the MSG Trade Agreement (Tier 3). By end of 2015, build capacity on the understanding of the Tier 3. By end of 2016 build capacity of awareness and technical implementation of the final MSG Trade Agreement



Focal Area	2014 Achievements
<p>Promoted regional trade integration by contributing to the strengthening of the MSG Trade Agreement</p>	<ul style="list-style-type: none"> ➤ A Study was commissioned to assess different Investment Treaties which Members have with other partners ➤ A workshop was convened to “Exploring an Investment Chapter for the MSGTA” to discuss options for investment ➤ Members were able to thoroughly assess the different Investment treaties and made sound decisions on the Investment Chapter of the MSGTA Tier 3. ➤ MSG held a workshop on “Enhancing Participation at International Trade Fairs where participants were able to learn how to effectively participate in international trade fairs ➤ MSG Exhibitors participated in the 2nd MSG Trade Fair held from 27-28 November 2014 enabling market access for MSG products
<p>Promoted regional trade integration by contributing to the strengthening of the MSG Trade Agreement</p>	<ul style="list-style-type: none"> ➤ Roundtable meeting on implementation of the Skills Movement Scheme (SMS) was convened in Port Vila, Vanuatu in March 2014. The workshop built the capacity of the members to better understand the MSG SMS and the procedure required for recruiting MSG professionals under the SMS; ➤ The Customs and Quarantine Subcommittee Meeting (C&QSCM) was held back to back with the Technical Working Group Negotiations on Trade in Goods (TWG-TIG) in April 2014 in Port Vila; and ➤ The Technical Working Group on Trade in Goods in the Draft MSGTA3 (MSGTA3-TWG-TIG) and the Technical Working Group on Trade in Services in the MSGTA3 (MSGTA3-TWG-TIS) also met in April 2014 in Port Vila, Vanuatu. The purpose of both meetings was for further negotiations on the draft legal text of the MSGTA3
<p>Enhanced Private sector opportunities in MSG countries development of trade opportunities from sub-regional and regional trade agreements</p>	<ul style="list-style-type: none"> ➤ A Long Term TA was successfully recruited as the new Private Sector Development Advisor (PSDA) to lead the work on private sector development and investment providing appropriate policy advice on private sector development and investment issues affecting MSG member countries.
<p>Strengthened sub regional and regional integration of the MSG countries</p>	<ul style="list-style-type: none"> ➤ Successfully recruited a Long Term TA for the position of Trade/Economist Legal to provide analytical support on trade issues and sound legal support to assist with the progress of the draft legal texts of the new MSGTA to strengthen the MSGTA Tier 3 negotiations. ➤ Successfully recruited a Long Term TA for the position of TRA to focus on quantitative impact analysis for the MSGTA 3 negotiations, tariff analysis involving high volume trade data, and verifying statistical suitability, validity and accuracy of trade data. ➤ MSG held a workshop on “Enhancing Participation at International Trade Fairs where participants were able to learn how to effectively participate in international trade fairs. ➤ MSG Exhibitors participated in the Trade Fair November 2014 enabling market access for MSG products. New business deals were secured



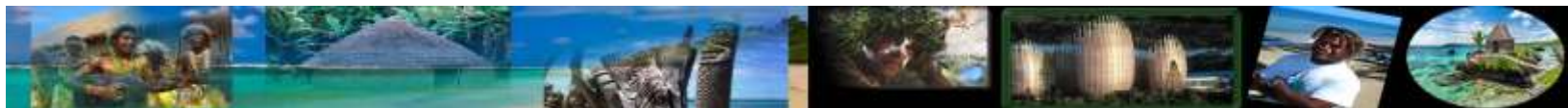
Focal Area	2014 Achievements
Improved coordination & engagement between PIFS, national & regional stakeholders & development partners to increase Aid for Trade (AfT) and improve institutional capacity.	<ul style="list-style-type: none"> ➤ Long Term TA was successfully recruited as the Capacity Development Adviser (CDA) whose role and duties focus on ensuring the eligible implementation of PITAP in line with PIFS and EU requirements; ➤ CDA enables the MSG Secretariat Administration to take an active and effective role in the mobilisation, management and coordination of projects and programmes financed by the EU; ➤ MSG have a better coordination support of all international development assistance to MSG, ensuring their effectiveness and alignment with members' national strategies and development plans; ➤ The MSG Secretariat attended the SPEITT Programme Steering Committee meeting of 2014 held on 14 May 2014 in Nadi, Fiji where they reported how the Secretariat improvised by co-funding some of the meetings initially earmarked for funding under the MSG-PITAP ➤ In December 2014, a 2 day workshop was conducted by PIFS AfT staff in Port Vila for capacity building of MSG staff on procurement policies and templates that will be applied to the implementation of all activities funded under PITAP.

ECONOMIC DEVELOPMENT

Fiscal Management

It is crucial to have a strong Public Expenditure Management (PEM) system for effective government (Macro stability, Service delivery/poverty reduction, accountability) which covers planning, collection, spending, accounting, reporting and auditing across the whole of government. Without an effective and capable human resource and proper reform programs in place in the civil service, it will be difficult to implement and sustain fiscal reforms. Vanuatu faced fiscal challenges in the social sector particularly with healthcare services and emphasized the need for fiscal policy reform, although highlighted that there is a lack of political will to make the necessary reforms. The government has engaged the Asian Development Bank to look into how the country can reform its State Owned Enterprises. The new Government Business Enterprise (GBE) Policy aims at improving discipline, accountability and financial viability of GBEs. The Vanuatu's Public Finance Management reform strategy has been reviewed to be able to accommodate planned reforms. Papua New Guinea continued to experience developments in its minerals sector, infrastructure investments, and other issues that may change the economic outlook for PNG. PNG experienced a 6% inflation rate and an increasing debt at 10% of GDP. PNG's National Statistics Office (NSO) has developed a new basket for looking at price indexing. The government has established a Sovereign Wealth Fund to insulate the economy against massive foreign exchange inflows. In 2014, PNG had very high liquidity status in the banking system. It expects to record a growth of 20% in 2015 as a result of LNG production coming on stream and export earnings. However, with the revised growth figures as a result of anticipated





slowdown in the non-mineral sector which resulted in increased headwinds for job-creating growth, overall growth prospects remain generally positive. Fiji forecasted growth in the economy with a positive outlook to the business friendly strategy they have pursued with tax breaks and other conducive conditions encouraging commerce and business. The Government reported that they have achieved a 25% investment to GDP ratio. Solomon Islands' economy faced the brunt of the flood early in the year. The government implemented contractionary fiscal policy as a consequence of revenue shortfalls. Other reforms being pursued include the restructuring of budgetary framework from an annual to tri-annual framework in order to enhance predictability and transparency.

MSG Common Currency

The study report for a MSG common currency that was presented to the Finance Ministers and Governors of Central Banks High Level Consultation highlighted that before moving into the common currency direction, the implementation of several structural and macroeconomic reforms is required at the beginning to focus on the following areas:

- Deepen MSG intra-regional trade and enhance the MSG free trade area that is already in place and implement the recent Leaders decision on forming a full customs union.
- Pursuing financial sector reforms aimed at harmonising the banking regulation within the MSG economies.
- Focus reforms on freer movement of labour and capital in the region. The existing agreement on the movement of skilled labour should be broadened and barriers on capital mobility should be addressed.
- Encourage further complementary economic reforms by each member states to focus on removing various structural barriers to trade and strengthening institutional infrastructures and capacity to enhance trade.

It was recommend that in the short term that a monetary council to be established to address barriers to intra-MSG investments and establish a Customs Union. The long-term transitional strategies would require new institutional arrangements for a new Central Bank to be established, and convergence criteria would need to be met for that to occur and that political would be necessary for a successful and sustainable Common Currency in the long term.

MSG Stock Exchange

The study on the proposed establishment of a Melanesian Regional Stock Exchange (MRSE) noted that legislative and procedural harmonization would be one of the critical and essential processes that members would need to undertake initially. It proposed developing a road map to harmonize laws and regulations and their applications and an action plan to harmonize listing rules and procedures.

MSG Emergency Stabilization Fund

A paper was presented by the Secretariat to the Finance Ministers and Governors of Central Banks High Level Consultation on a proposed mechanism for establishing a Stabilization Fund. The primary purpose of



setting up of the proposed MSG Stabilisation Fund would be to assist member countries that encounter Balance of Payment problems, particularly those facing deficits with foreign reserves, to address their problems at an earlier stage.

A Consultant was hired in July last year to undertake the study to look into the operational requirements, organizational & governance structures, financing options and the overall viability of the Fund. The findings and recommendations of the study report will be presented to the Finance Ministers and the Governors of Central Banks High Level Consultation.

Economic Infrastructure

Economic Infrastructure plays a key role in poverty alleviation and sustainable economic development in the MSG region. It plays a vital role since it provides linkages to markets, improves governance, assists with social and economic development and is critical for basic health and education.

The MSG 2038: Prosperity for All Plan¹ identifies infrastructure as one of its priority strategy. In particular, the Plan calls for building suitable rural infrastructures and reliable public utilities. The envisages a Melanesian Cable Network (MCN) which will provide in linking Fiji, Vanuatu, New Caledonia, Solomon Islands and PNG to be implemented. Priority is also given to establish shipping connectivity between MSG ports to facilitate intra MSG trade. The strengthening of MSG Multi-Destination Tourism, that is the marketing of Tourism Melanesia as a package through the collaborative efforts between MSG Airlines, Hotels/Report, Tourist operators and National Tourism Bureaus was supported in the Leaders' Summit in Noumea, New Caledonia in June 2013.

Shipping

Leaders have advocated for the strengthening of sub-regional cooperation, the provision of sub-regional services and furthering integration. Therefore, the role of enhancing connectivity in MSG as a sub-region is vital in promoting sub-regionalism as a means of achieving the Leaders' Vision of Enhanced MSG Sub-Regionalism (EMSGSR) and building on MSG's cooperation through trade, labour mobility and investment on infrastructure and transportation and priority projects that addresses physical connectivity, institutional connectivity, and people-to-people connectivity.

The second Trade Ministers Meeting (TMM) in November 2014 in PNG noted a paper by the Secretariat on the Shipping initiative and requested TMM to support the conduct of a feasibility study on a MSG Shipping Service to consider other similar shipping service arrangements in similar regions, assessment of shipping

routes and ports such as the frequency of service, condition of ships, and capacity, analysis of stevedoring services, port facilities, review of the legislations and regulations governing international shipping services

within and between MSG member ports. The TMM tasked the Secretariat to develop a Terms of Reference for the shipping study and circulate to members for comments and endorsed that extra budget funding be secured on the financing of the intra-MSG Shipping service study. TMM agreed to 'Fund and conclude a

¹The Plan's Implementation Framework is still in its draft form and is undergoing national consultations in member countries.



MSG Shipping study by end of 2015' and acknowledged the offer by to the Government of the Independent State of Papua New Guinea to fully fund the study.

Aviation

The Inaugural Aviation and Tourism Sectoral Dialogue (ATSD) was held on 15 July 2014 in Port Vila, Vanuatu. The Dialogue allowed CEOs of MSG Airlines, Civil Aviation Authorities, and Heads of MSG Tourism Bureaus to discuss important priority issues in the aviation and tourism sector, and agree on the way forward for further collaboration. The Dialogue also considered and encouraged the development of a MSG Multi-Destination Tourism Program in relation to the marketing of Tourism Melanesia as a package through the collaborative efforts between MSG Airlines, Hotels/Resort, Tourist operators and National Tourism Bureaus. Amongst others, the ATSD discussed key issues such as: (i) Air Services Agreements between MSG Member States, (ii) Enhancing MSG Airline Connectivity; (iii) Tourism as an Engine for Sustaining Economic Growth in Melanesia; and (iv) Upper Air Space Management.



26 June 2014 – Aviation & Tourism Sectoral Dialogue



26 June 2014 – Delegates of the Aviation & Tourism Sectoral Dialogue



MSG Aviation



OPERATIONS DIVISION

The Secretariat's programmes and projects continued to be supported generally by the Operations Division. In this regards, modernization of the office, maintenance programs for the buildings, and grounds of the Secretariat's office and official residence continued to be implemented. The procurement of consultations and studies for the Secretariat's programme and execution of contracts were also provided during the year.

For 2014, the services of Operations Division were concentrated around the following areas:

Internal	<p>Assisting Director General and Executive division in the implementation of Leaders and Governing Body's decisions.</p> <p>Participating in Executive Management and other Committee Meetings as directed by Director General and Deputy Director General.</p> <p>Managing Legal Services & Corporate Services of the Secretariat, including finances, assets and personnel.</p> <p>Providing support services to Executive and Program Divisions.</p> <p>Implement the Secretariat's Corporate Plan [2013-2015]</p> <p>Managing Staffing needs for efficient delivery of Secretariat services.</p>
External	<p>Continuous interface with Members and stakeholders.</p> <p>Increased interaction with Members and stakeholders, following expansion of scope of program activities.</p> <p>Wider engagement with stakeholders on programmes such as trade and development, governance and security, legal cooperation, environment & climate change and sustainable development.</p> <p>Accommodating wider interest from stakeholders on pertinent issues of common interest.</p>

With respect to the delivery of information technology services for improving the operations of the Secretariat, the following activities were completed in 2014:

- Completed first phase of the upgrading of the sound and PR system in the Conference room. We have taken delivery of the French translation equipment which will be installed to effectively respond to addressing the MSG's dual language policy (English and French).
- Upgrading of our Server hardware and software and internal network and setting up of permanent wireless network to provide internet access for our visitors.



Legal Services

In 2014, the Unit continued to provide legal support to the Secretariat and advisory services to the MSG members and facilitated the conclusion of the following;

- Finalization of the Legislative Framework Agreement for the Formed Police Unit.
- MOU between Griffith University and the MSG Secretariat.
- Review of the MOU between Secretariat of the Pacific Community (SPC) and MSG Secretariat.
- MOU between Pacific Island Development Forum (PIDF) and MSG Secretariat.
- Implementation of MSG Memorandum of Agreement (MOA) on Police Cooperation between MSG members (The MOA was signed by Leaders during the 19th Leaders' Summit).
- MSG Secretariat Consultancy and Services Agreements.
- Country consultations conducted in Fiji on the MSG Framework Treaty on the Protection of Traditional Knowledge & Expressions of Culture.
- Assist members with the ratification of MSG Treaty on Custody and Maintenance of Children and Treaty on Reciprocal Enforcement of Foreign Judgments (These treaties were signed by Leaders in June 2013).

Library

In the Secretariat's bid, to effectively archive key documents pertaining to the MSG, 2014 saw the opening of the MSG Library by the MSG Chair, Mr Victor Tutugoro. The library now hosts a number of books which can be accessed by Staff, Members and the visiting public.

Translation & Interpretation Service

In 2014, the Translation and Interpretation Service was implemented to provide language service to the MSG programs and member countries in particular the members of the FLNKS.

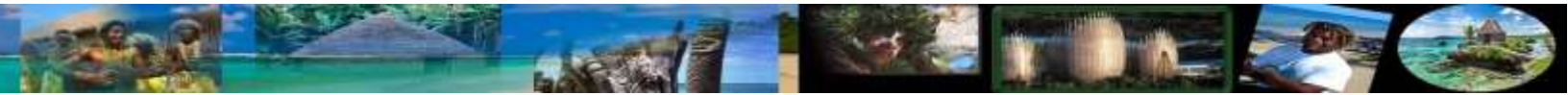
Implementation of the MSG 2038 Prosperity for All Plan

The Secretariat in 2014 developed the Implementation Framework for the MSG 2038 Prosperity for All Plan (i.e. the EPG Report). During the MSG Special Leaders' Summit in June 2014 in PNG, members were urged to complete national consultations on the Draft Plan. The mainstreaming of the Plan's strategies into National Sustainable Development Plans towards strengthening synergies, and the leadership of Planning Ministries will be critical.

Communication Strategy

In 2014 in collaboration between PACMAS and the MSG Secretariat, Mr. Jean Gabriel Manguy led a three day workshop the Secretariat professional staff with the objectives of reviewing proposed communication plan objectives and strategies; discussing organisational and capacity requirements; and developing strategies for launch of MSG 2038 Prosperity for All Plan in June, 2015

"I am confident that once we finalize our new communication strategy we can look forward to ensuring a much wider relationship with our people and members through improved communication methods that will reach out to our big populations in the rural areas of Melanesia," said Mr Forau....
MSG Secretariat Press Release:
05 Dec 2014



PARTNERING FOR SUCCESS

ENGAGEMENT WITH MEMBERS

The Secretariat through the respective Divisions undertook a number of national consultations and in a nutshell, these included:

Consultations, assistance and Briefings with the MSG Chair and the FLNKS Political Bureau - provision of assistance to the Chair during the UN Special Committee on Decolonisation Mission to New Caledonia, preparatory meetings with the FLNKS Political Bureau with relevant stakeholders on the Investment Workshop and TEOM.

Consultations in Papua New Guinea (PNG) –participated in the launching of PNG’s “Responsible Sustainable Development Strategy” and the Secretariat also undertook meetings with the different Government Agencies dealing with environment and climate change, arts and culture, trade and investment.

Consultations in Fiji – undertook consultations in Fiji with relevant Government Agencies, development partners and regional organizations to discuss key issues concerning the organization and upcoming meetings and events and including trade, policing and art and culture issues

Consultations in Vanuatu –held discussion with relevant Agencies to discuss ways to support micro, small and medium enterprise (MSMEs) and cooperative development, including rural-based and indigenous-owned enterprises/co-operatives through public-private sector policy dialogue and appropriate capacity building initiatives for MSMEs/Co-ops

Consultations in Solomon Islands – held consultation with the Solomon Islands Trade officials to discuss strategies for strengthening collaboration on investment promotion and facilitations, information sharing and institutional capacity building as well as preliminary discussion in the lead up to wards the MSG HIPA + IOM and Investment Symposium in PNG.

As part of the ongoing work on the Shipping Project, the Secretariat visited Port Moresby and Honiara for consultations on shipping with Government Departments and agencies and private shipping operators.

The Secretariat also conducted consultation on the Implementation Framework for the MSG 2038 Prosperity for All Plan to all member countries

STRENGTHENING COLLABORATIONS WITH PARTNERS

With the growing number and complexity of our mandates and with the limited resources, the Secretariat in 2014, continued to strengthen its partnerships and engagements with partner organisations for the implementation of MSG priorities.

Whilst the Secretariat operations are predominantly supported by members, a number of our activities and projects are funded by donors and these include

- ❖ Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the German Society for International Cooperation - Project Strengthening Environment and Climate Change Policy Advisory Capacity.
- ❖ Democratic Republic of Timor Leste – Project on Strengthening Economic Policy Advice and Technical Assistance Support to MSG members.
- ❖ Technical Centre for Agricultural and Rural Co-operation ACP-EU (CTA) - MSG Green Growth Knowledge Management (GGKM) e-Platform Project

In the Secretariat's continued efforts for collaborations with other regional organizations, a number of MOUs were completed during the year and these included:

- ❖ MOU with Griffith University for further collaboration and strengthening capacity in the area of climate change and environment.



MSG Director General, Mr Peter Forau and Vice Chancellor and President Professor Ian O'Connor shake hands to recognize and formally seal the signing of the Memorandum of Understanding between Griffith University and the Melanesian Spearhead Group Secretariat at Griffith University, Brisbane, Australia 30 January 2014



- ❖ MOU with the University of the South Pacific (USP) aimed to cater for joint collaboration in the implementation of the priorities, and in particular exchange of information; participation in seminars, meetings and short term academic programs; internship and research.



14 February 2014 - Director General, Peter Forau and the USP Administrator of the Law Students Internship Program (LSIP), Mr. Arthur Faerua shake hands after the signing of the MOU

- ❖ MOU with USP Law Students Internship Program to enable law students from the University of the South Pacific School of Law to undertake internships at the Secretariat.



14 February 2014 - Peter Forau, Director General of the MSG Secretariat and USP Vice-Chancellor and President, Professor Rajesh Chandra following the Signing of the MOU at the MSG Headquarters in Vanuatu.



- ❖ MOU with the International Union for Conservation of Nature (IUCN) to reinforce cooperation between the two organizations pertaining to environmental sustainability such as marine and terrestrial biodiversity conservation and ecosystems management and the formulation and advancement of a Green Growth Development Framework for MSG member countries.



20 June 2014 - MSG Director General, Mr Peter Forau (right) and IUCN Oceania Regional Director, Taholo Kami in Nadi during the Pacific Islands Development Forum Second Summit

- ❖ In June 2014, during the margins of the Special Leaders' Summit, the Government of PNG and the Secretariat also signed the MOU concerning assistance to the FLNKS Unit.
- ❖ On 7 November, 2014 the MSG Secretariat renewed its MOU with the Secretariat of the Pacific Community (SPC) to strengthen its partnership to maximize the development outcomes and enhance the effectiveness of both institutions' work in the region.



7 November 2014 - SPC Director-General, Dr Colin Tukuitonga & Director-General of the MSG, Peter Forau sign Memorandum of Understanding which commits both regional bodies to collaborate to deliver much-needed services and technical assistance to the people of Fiji, Papua New Guinea, the Solomon Islands, Vanuatu and New Caledonia



ENGAGEMENT WITH OBSERVERS TO THE MSG

As endorsed by the Leaders, the MSG Ministerial Mission visited Indonesia in January 2014 to establish dialogue and consultation with Indonesia in order to progress the assessment on the application for Membership by the West Papua National Council for Liberation (WPNCL) during the 19th MSG Leaders' Summit in New Caledonia in June 2013. All members except Vanuatu participated in the Mission. The Report by the Ministerial Mission was submitted to the Leaders at the Special Summit in June, 2014 for their consideration.

In April, the Secretariat received a team from the Ministry of Foreign Affairs of the Government of Indonesia to discuss programs for the MSG members under Indonesia's Technical Cooperation Program for the period 2014-2018. Discussions are ongoing.

LOOKING AHEAD

Looking back in the last 25 years as an organisation, we have come a long way in achieving a lot of positive results. Our organisation has grown and so has the mandates given by our Leaders. The review of our organisation after 25 years of existence in 2013 resulted in a new pathway for the sub-region – the development of a plan for the next 25 years - the 2038 Prosperity For All Plan (the 2038 Plan). Our priority then in 2014 was to get the 2038 Plan endorsed by the Leaders and to ensure we are able to implement this very important Blue Print for the sub-region. Thus, 2014 was focused on developing the 2038 Prosperity For All Plan Implementation Framework (the Framework).

Consultations have been conducted with Member countries on the Framework and in hindsight, there are a number of significant strategies and indicators identified under the Framework that will now drive the organisation forward. In implementing the Framework, we will now need to assess and re-assess our capabilities and resources to be able to identify and implement our short term, medium term and long term goals. It had to start in 2014.

Thus, 2014 was the beginning of a new era.

In developing the Framework, we were also mandated to carry out other equally important tasks, which were all embedded in the Framework and discussed in this Report. Among those we need to consider moving forward in 2015 are the Intra-MSG Shipping Service Project; the MSG Investment and Development and the MSG Stabilization Fund and the review of the MSG Agreement. There are others such as the Melanesian Parliament, a common MSG currency, and establishment of a humanitarian and emergency response coordinating unit that needs further consideration. But perhaps the most important aspect looking forward in 2015 onwards, is the review of our organisation's Secretariat, the application of the 6 year rule and the establishment of the business arm, Melanesian Solutions.

We have being able to successfully exist as an organisation by embracing the Melanesian principles and concepts of dialogue through consensus in building our solidarity and advancing our shared interests. What is quite remarkable is our human resources and capabilities - from a mere 6 staff strength in our humble beginning in 2008-2009 to a 29 staff strength in 2014! We have grown and will continue to grow given our

added responsibilities but we are now also faced with an added obstacle – most of our staff will now be nearing their sixth year of tenure working for the Secretariat. And as we prepare to implement the Framework, we also need to review our capacity and constraints within the Secretariat to be able to deliver with minimum distractions. This is a far greater challenge to the Secretariat when looking from 2015 onwards!

The Secretariat will also need to review her own internal policies and regulations in keeping up with the need to implement the Framework and a new change and direction is foreshadowed to ensure we learn from the past and move forward to the future. The current Corporate Plan will need to be reviewed and relevant checks and balances improved to ensure we are accountable to our Members.



It is also anticipated that the MSG Agreement, currently being reviewed is completed and submitted for endorsement in 2015, taking note of the staff strength and capacity and the constraints in delivering the outcomes under the Framework.

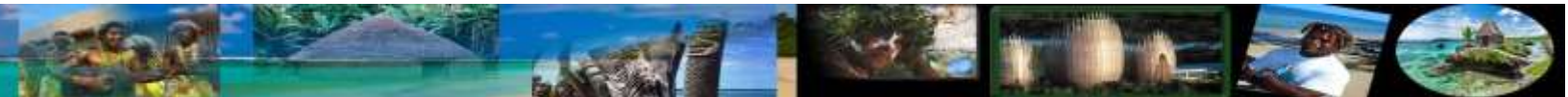
Equally important in relation to our capacity and resources is the need to ensure that the proposed business arm of the Secretariat, the Melanesian Solutions is established as a matter of priority in 2015 and allowed to carry out operations on a transitional arrangement until formally established. The need to abide with the laws of the host country, the Republic of Vanuatu, is a key essential element in the transitional phase. It is our dream that we are able to establish this entity in 2015 and allow further discussions on its operational aspects as a matter of priority. We look forward to having Melanesian Solutions established formally, taking note of the many benefits it will provide not just to the Secretariat but to all members as well. It is an initiative that will allow the Secretariat to be able to implement the Framework without too much reliance on Members assessed contributions. That is the future we look ahead to!



MEETINGS HELD IN 2014

During the year, the Secretariat facilitated and managed the following meetings/workshops:

Date	Venue	Meeting
19 - 20 Feb 2014	Honiara, Solomon Islands	9 th Sub-Committee of Legal and Institutional Issues (SCLII).
17 - 18 Mar 2014	Nadi, Fiji	4 th Police Commissioner's Conference (PCC).
24 Mar 2014	Port Vila, Vanuatu	Roundtable on SMS Implementation
26 - 27 Mar 2014	Port Vila, Vanuatu	Workshop on MSG Trade Agreement and Other Trade & Economic Integration Initiatives
3 - 4 Apr 2014	Port Vila, Vanuatu	5 th Fisheries Technical Advisory Committee (FTAC) Meeting
10 - 11 Apr 2014	Port Vila, Vanuatu	5 th Council of Arts & Culture Meeting (CACM).
14 Apr 2014	Port Vila, Vanuatu	Customs & Quarantine Subcommittee Meeting (CQSCM)
13 - 20 Jul 2014	Noumea, New Caledonia	Technical Working Group Negotiations on MSGTA3 Trade in Goods
16 Apr 2014	Port Vila, Vanuatu	Trade In Services Subcommittee Meeting (TISSCM).
23 - 25 Apr 2014	Port Vila, Vanuatu	Sub-Committee on Security (SCS) & Formed Police Unit (FPU) Working Group Meeting.
13 Jun 2014	Port Vila, Vanuatu	Special Senior Officials Meeting (SOM).
20 - 21 Jun 2014	Port Moresby, PNG	Sports Committee Meeting (SCM).
25 Jun 2014	Port Moresby, PNG	Ministers of Culture and Arts Meeting (MCAM).
24 Jun 2014	Port Moresby, PNG	Special Foreign Ministers Meeting (FMM).
26 Jun 2014	Port Moresby, PNG	Special Leaders' Summit
20 - 21 Jun 2014	Port Moresby, PNG	3 rd Sports Committee Meeting (SCM)
25 Jun 2014	Port Moresby, PNG	4 th Ministers of Culture and Arts Meeting (MCAM)
28 Jun - 11 Jul 2014	Port Moresby, PNG	5 th Melanesian Festival of Arts and Culture
15 Jul 2014	Port Vila, Vanuatu	MSG Inaugural Aviation and Tourism Sectorial Dialogue
11-12 Aug 2014	Port Vila, Vanuatu	Environment and Climate Change Technical Advisory Committee (ECCTAC) Meeting in Port Vila
18 Aug 2014	Noumea, New Caledonia	Investment Workshop in Noumea
19 - 20 Aug 2014	Noumea, New Caledonia	Trade & Economic Officials Meeting (TEOM) in Noumea
21- 22 Aug 2014	Noumea, New Caledonia	MSG Trade Mission to New Caledonia
25 Aug 2014	Noumea, New Caledonia	Inaugural MSG National Provident Fund CEOs Forum in Noumea
15 Nov 2014	Port Moresby, PNG	Heads of Investment Promotion Agencies +Industries Officials Meeting
20 - 21 Nov 2014	Port Moresby, PNG	TWGs Negotiations on MSGTA3
24 Nov 2014	Port Moresby, PNG	TEOM
25 Nov 2014	Port Moresby, PNG	Workshop on marketing products at Trade Fair
26 Nov 2014	Port Moresby, PNG	Trade Ministers Meeting (TMM)
28 - 30 Nov 2014	Port Moresby, PNG	Investment Roadshow and Trade Fair



MEETINGS HELD IN 2014 IN PICTURES



March 2014 – Police Commissioners Conference



April 2014 – Trade In-Services Sub-Committee Meeting



April 2014 – Sub-Committee on Security



April 2014 – Fisheries Technical Advisory Committee Meeting



July 2014 – Inaugural Aviation and Tourism Sectorial Dialogue



June 2014 – Special Senior Officials Meeting



August 2014 – Environment & Climate Change Technical Advisory Committee Meeting



November 2014 – Trade Ministers Meeting



FEATURE

5TH MELANESIAN FESTIVAL OF ARTS & CULTURE

On 28 June-11 July 2014, Papua New Guinea hosted the 5th Melanesian Festival of Arts and Culture (MFAC) with the theme “*Celebrating Cultural Diversity*”.



The event began with the Ministers of Arts and Culture Meeting (MACM) held in Port Moresby, Papua New Guinea on 25 June 2014 and was attended by Hon. Boka Kondra, the Minister of Tourism, Arts & Culture of PNG, Hon. Samuel Manetoali, the Minister of Culture and Tourism of Solomon Islands, His Excellency, Mr Romanu Tikotikoca, High Commissioner of the Republic of Fiji to PNG, Solomon Islands, Vanuatu and Timor-Leste, Mr Charles Wea, Chair of the Council of Arts & Culture Meeting (CACM) and representative of the FLNKS, Senior Officials and Secretariat Staff. Some of the key decisions from the MACM included the approval in principle of the proposal for the establishment of the “*MSG Cultural Foundation*”, the proposal for the establishment of the Melanesia Pageant and noting that Solomon Islands will host the 6th Melanesian Arts and Culture Festival in 2018.



All of the members of the MSG, Fiji (101), Kanaky New Caledonia (265), Solomon Islands (176) and Vanuatu (100) were represented at the Festival and including the Observers of the MSG which include the Republic

of Indonesia (237) and including about 800 participants from the different provinces of PNG. The delegations included traditional dance performers, traditional musicians, contemporary dance performer and musicians and demonstrators and exhibitors.



The Program

The opening of the festival was done by the Governor General of PNG, Sir Michael Ogio, at the Sir John Guise Stadium in Port Moresby, on the 28th of June 2013. Present in the audience at this occasion was the Prime Minister of Papua New Guinea, Hon Peter O'Neill, a number of Cabinet Ministers, Members of the Diplomatic Corps and other dignitaries.



The main activity center for the program was the MSG village and the PNG village at the Festival Village at Constitutional Park. The Programs were divided into 3 segments; (i) the morning segments were mainly for



dance and music performances; oscillating traditional and contemporary on a daily basis, (ii) afternoon segment was allocated for contemporary music and dance and also some traditional dance performances. The string bands and contemporary dance performance made appearances in this segment; and (iii) evening segment of the program was mainly for contemporary music and some dances.



There were four satellite venues, Mount Hagen, Alotau, Kokopo and Momase. All of the member countries travelled to the satellite venue and allowed the people to see the performances of other MSG members.



In the margins of the Festival, the Melanesian Symposium organised by the University of Goroka was

convened with the theme 'Cultural Diversity & Nationalism' with focus on Culture Capital/Economy and Culture Development, Cultural Education & Sacred Spaces and Climate Change and its effects on Arts & Culture. Following from this, Melanesian Forum organised by University of PNG was also convened and also included exhibitions that highlighted that Melanesian and Pacific Centres commitment to exploration of visual expression in PNG.



The Government of PNG is commended for the successful hosting of the 5th Melanesian Festival of Arts & Culture which brought together the MSG members to not only showcase but promote and safeguard our traditions and culture. The financial support also provided by PNG to allow Vanuatu to participate in the Festival was a demonstration of solidarity among MSG Members and reinforced cultural cooperation as one of the cornerstones and foundation for the development of culture in the MSG region.

The 6th MFAC will be hosted by Solomon Islands in 2018.



2ND INVESTMENT TRADE FAIR AND ROADSHOW

The 2nd MSG Trade Fair held at Port Moresby's Murray Barracks on 27-29 November registered overwhelming success as exhibitors from Member countries recorded strong sales and secured new orders, not only through their exhibition booths but also from their visits for on-site consultations with major PNG importers and distributors. The MSG Trade Fair was opened by the Prime Minister, Hon. Peter O'Neill

Preceding the MSG Trade fair, a number of trade and investment related meetings and events were convened. A capacity building workshop held on 25 November in collaboration with the PIFS' PT&I Beijing Office equipped participants, including women and youth entrepreneurs, with skills for more effective participation in trade exhibitions.

An Investment Symposium on 27 November allowed officials to promote investment opportunities and incentives, and enabled representatives from PIFS' WTO Geneva & PT&I Beijing Offices, the University of Fiji and PNG Indigenous Business Council to discuss key policy issues affecting intra-MSG and international trade and investment. Contributors to the policy discussions included private sector representatives who were also able to establish networks and negotiate deals.

The Trade Ministers signed the Port Moresby Declaration on 26 November under the chairmanship of PNG Trade Minister, Hon. Richard Maru. With "*Securing MSG Prosperity through Trade and Economic Integration*" as its theme, the Declaration is aimed at deepening MSG trade relations and economic integration.

In the declaration, the Ministers declare to renew their commitment on the following key outcomes:

- ❖ Achieving a Free Trade Area by 2017.
- ❖ Ending MSGTA3 negotiations on Goods and Services by 2015.
- ❖ Concluding Double Tax Treaties and Investment Promotion and Protection Agreements (IPPAs) by December 2017.
- ❖ Enhancing the mechanism for implementing the skills Movements Scheme (SMS).
- ❖ Strengthening MSG's customs and biosecurity cooperation in the context of the MSGTA3.
- ❖ Mapping out a clear private sector development strategy by 2015.
- ❖ Enhancing MSG connectivity through the MSG Travel Card by 2015
- ❖ Fund and end a MSG shipping study by the end of 2015.
- ❖ Promoting investments in the MSG Roadmap on Inshore Fisheries and Management and Sustainable development.
- ❖ Fostering Investment Road shows as a means to enhancing business to business linkages and
- ❖ Supporting the work of the Finance Ministers and Central Bank Governors and CEOs of a Development and Investment Fund and Emergency Stabilisation Fund.

The Secretariat's Work Program for 2015 will focus largely on these commitments.

Funding for the events in Port Moresby and Secretariat and members participation was provided by the PNG Government



PORT MORESBY: 2ND INVESTMENT TRADE FAIR AND ROADSHOW IN PICTURES







2014 CONSOLIDATED FINANCIAL STATEMENTS

MELANESIAN SPEARHEAD GROUP SECRETARIAT

STATEMENT BY THE DIRECTOR GENERAL FOR THE YEAR ENDED 31 DECEMBER 2014

The Director General of the Melanesian Spearhead Group Secretariat has prepared these financial statements at the request of the members of the Melanesian Spearhead Group. This special purpose financial report has been prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of the Director General the financial report as set out on pages 3 to 11:

- 1 - Presents a true and fair view of the financial position as at 31 December 2014 and its performance for the year ended on that date.
- 2 - As at the date of this statement, there are reasonable grounds to believe that it will be able to pay its debts as and when they fall due.



Director General

Melanesian Spearhead Group Secretariat



Barrett & Partners
Chartered Accountants & Business Advisers

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Melanesian Spearhead Group Secretariat
INDEPENDENT AUDITORS' REPORT
To the Member States of the Melanesian Spearhead Group

Scope

We have audited the financial statements of the Melanesian Spearhead Group Secretariat for the 12 months ended 31st December 2014 as set out on pages 3 to 10 comprising the Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows and notes to the Financial Statements. The Melanesian Spearhead Group Secretariat is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Member States.

Our audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with applicable accounting concepts and standards and statutory requirements so as to present a view which is consistent with our understanding of the secretariat's financial position and results of its operations.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:-

- (a) the financial statements of the Melanesian Spearhead Group Secretariat have been properly drawn up:
 - (i) so as to give a true and fair view of the Melanesian Spearhead Group Secretariat state of affairs as at 31st December 2014 and of its result for the year ended on that date

PORT VILA,

28/9/2015

Barrett and Partners
Chartered Accountants

Qualified auditors under
Section 130 of the
Companies Act No 25 of 2012

Partners: Lindsay D. Barrett Adrian Sinclair Mark Stafford



MELANESIAN SPEARHEAD GROUP SECRETARIAT

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		VT	VT
INCOME			
Contributions	207,248,158	259,324,507	
Pledges	53,429,690	10,895,680	
Donor Funds	71,443,208	37,195,170	
Interest Income	1,116,181	1,338,441	
Merchandise Income	469,879	4,962,534	
Other Income	-	4,146,573	
	333,707,116	317,862,905	
EXPENSES			
25th Anniversary Celebrations	1,448,006	23,311,340	
Advertising	589,198	776,449	
Audit Fees	451,056	315,000	
Bank Charges	1,657,940	647,304	
Business Entertainment	1,120,536	1,391,730	
Capacity Building	1,428,407	-	
Contributions written off	60,660,157	-	
Depreciation	13,844,532	15,366,666	
Eminent Persons Group Expenses	-	17,813,017	
Equipment Rental	589,247	320,800	
Foreign Exchange Loss/(Profit)	-	62,539	
General Expenses	7,831,184	4,020,493	
Insurance	7,755,831	7,500,699	
Interest	4,112,048	4,079,279	
Legal and Consultancy Fees	4,930,450	5,736,074	
Motor Vehicle Expenses	852,708	1,488,805	
Postage	118,876	82,523	
Power & Water	3,968,062	4,567,682	
Printing & Stationery	1,788,856	3,043,308	
Provision VAT	3,092,187	5,406,860	
Repairs & Maintenance	1,482,158	1,420,851	
Salaries and Wages	172,592,942	158,632,247	
Security Costs	1,614,097	1,662,635	
Severance and Annual Leave	11,109,730	7,125,812	
Staff Expenses	48,994,887	35,999,084	
Telephone	4,024,780	2,437,104	
Travel and Meeting Expenses	70,302,882	37,854,860	
TOTAL EXPENSES	426,360,757	341,063,161	
NET SURPLUS (DEFICIT)	(92,653,641)	(23,200,256)	

The accompanying notes form part of these financial statements.

Barrett & Partners
Chartered Accountants



MELANESIAN SPEARHEAD GROUP SECRETARIAT

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		VT	VT
EQUITY AT START OF PERIOD		344,901,190	368,101,446
Net Surplus (Deficit) for the Year		(92,653,641)	(23,200,256)
		<u>252,247,549</u>	<u>344,901,190</u>

The accompanying notes form part of these financial statements.

Barrett & Partners
Chartered Accountants





MSG Secretariat Secretariat du GFLM

Melanesian Spearhead Group | Le Groupe Fer de Lance Mélanésien



MELANESIAN SPEARHEAD GROUP 25 YEAR VISION



**“An MSG community
that is
Democratic,
Strong,
Integrated,
Enlightened,
Happy,
Prosperous,
Secure and Caring.”**

Political Stability Economic Prosperity Sustainable Development Social Equality and Inclusivity

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2014

**ANNUAL REPORT
RAPPORT ANNUEL**



MSG Secretariat
Secretariat du GFLM

Melanesian Spearhead Group | Le Groupe Fer de Lance Mélanésien