

# Melanesian Spearhead Group Secretariat

## Annual Report 2016



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Photos on the cover page, from top, left to right:

1. Fiji and New Zealand Defence personnel at a school ravaged by Cyclone Winston in Lomaloma, Vanuabalavu, Lau Province (Photo supplied)
2. Food sales during a fundraising drive jointly organized by the Secretariat's Staff Social Club and other Port Vila-based clubs in support of rehabilitation in Fiji following Cyclone Winston.
3. A gathering of MSG officials and guests at the Tjibaou Cultural Centre in Noumea, New Caledonia.
4. Suva-based businesswoman, Mrs Repeka Uluilakeba and her team of youth staff, operate Highland Natural, a healthy vegan food shop and cafe premised on the notion of "letting food be thy medicine".
5. Papua New Guinea's Minister for Trade, Commerce & Industry, Hon. Richard Maru, presents a farewell gift to the outgoing Managing Director for Investment Promotion Authority, Mr Ivan Pomaleu (centre), and Mrs Pomaleu following Mr Pomaleu's appointment as the country's Ambassador to the Asia Pacific Economic Cooperation or APEC (Photo supplied).
6. The fluttering of Fiji's "noble banner blue" in downtown Port Vila by the family members and friends of Fijian Secretariat Staff to celebrate the country's rugby 7s gold medal win at the Rio Olympics.
7. Participants of the 2016 SPC-MSG Emerging Youth Leaders Program Workshop in Port Vila.
8. Senior MSG Officials network and exchange views in Honiara, L-R: Ms Natalia Patternot and Ms Lynette Dawheya of Solomon Islands, with Mr Philippe Ajapuhnya of FLNKS.

Flags from left: Fiji, FLNKS, Papua New Guinea, Solomon Islands and Vanuatu

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## BACKGROUND

### Melanesian Spearhead Group

The Melanesian Spearhead Group (MSG) was established on 17 July 1986 to facilitate the shared political aspiration of its founding Members – Papua New Guinea, Solomon Islands and Vanuatu – for the entire decolonization and freedom of Melanesian countries and territories which were still under colonial rule in the South Pacific. Their drive in this regard helped develop a stronger cultural, political, social and economic identity and link between the people and communities of Melanesia. The membership of the Group expanded when the *Front de Liberation Nationale Kanak et Socialiste* (FLNKS) of New Caledonia joined in 1989, followed by Fiji in 1996. Timor Leste and the Republic of Indonesia joined as Observers in 2011. In 2015, the Republic of Indonesia was accorded Associate Membership representing the five Melanesian Provinces of Indonesia, while the United Liberation Movement for West Papua was admitted as an Observer. The two-year Chairmanship of MSG rotates among Members with the current Chair, Solomon Islands, scheduled to hand over the Chairmanship to Papua New Guinea in 2017.

In addition to their pursuit of political cooperation, MSG Members have also bolstered their alliance through economic cooperation. The cornerstone in this regard is the MSG Trade Agreement (MSGTA) which was signed in 1993 and has since been reviewed twice, first in 2005 and then in 2015. Following its latest revision last year, the revised MSGTA to be known as the Melanesian Free Trade Agreement is scheduled to enter into force in 2017. Further collaboration is also being realised as Members advance their own national and sub-regional security, inclusivity and sustainable development agendas in line with key instruments of cooperation including the Agreements on an MSG Regional Police Academy and Formed Police Unit as well as the MSG Environment and Climate Change Framework for Action 2020.

### MSG 2038 Prosperity For All Plan

The review conducted by the Eminent Persons Group on MSG's 25-year history up to 2013 mapped out a new vision, mission, direction and a plan for the Melanesian sub-region over the next 25 years up to 2038. The vision of the sub-region under the MSG 2038 Prosperity For All Plan is ***An MSG community that is democratic, strong, integrated, enlightened, happy, prosperous, secure and caring.*** The enablers for this vision namely, **Political Stability, Economic Prosperity, Social Equality and Inclusivity** and, **Sustainable Development**, are thus pillars of the strategic activities of MSG.

### MSG Secretariat

The MSG Secretariat, hosted in Port Vila by the Government of Vanuatu, opened its doors on 30 May 2008. It is headed by the Director General, who is assisted by the Deputy Secretary General, Senior Management, and Professional and Support Staff drawn mainly from Member countries. The Secretariat coordinates the implementation of Leaders' mandates within the framework of the MSG 2038 Prosperity For All Plan and supplements as far as possible the policy objectives of Members' National Development Strategies. The working languages of the Secretariat are English and French.

## VISION AND MISSION STATEMENT

The MSG Secretariat's Corporate Plan 2016-2020 has the following Vision, Mission and Core Values:

### Vision

- To be the leading sub-regional organisation in advancing the common socio-economic development and political interests of Melanesia and of the wider Pacific region.

### Mission

- To serve the best interests of our Members by supporting, initiating, facilitating and coordinating programmes for the realization of the regional integration objectives of the MSG through:
  - The efficient and cost effective use of available resources,
  - Upholding the principles of the MSG as enshrined in the MSG Agreement, and
  - Commitment of our skilled and motivated staff.

### Core Values

- God-fearing
  - We owe our existence, success and future to the living God and shall revere and fear Him
- Respect for Melanesian Culture and Diversity
  - We respect the sanctity, richness of the Melanesian culture while respecting other cultures
- Team Work
  - We believe in building high performing teams and working as a team
- Good Governance and Leadership
  - We believe in good corporate governance and leadership, guided by clear systems
- Transparency and Accountability
  - As a public entity, we are transparent and accountable to our Members and partners
- Integrity
  - We believe in honesty, fairness, truthfulness, sincerity and trustworthiness
- Diligence
  - We believe in hard, meticulous and excellent work.



A glimpse of Melanesian culture



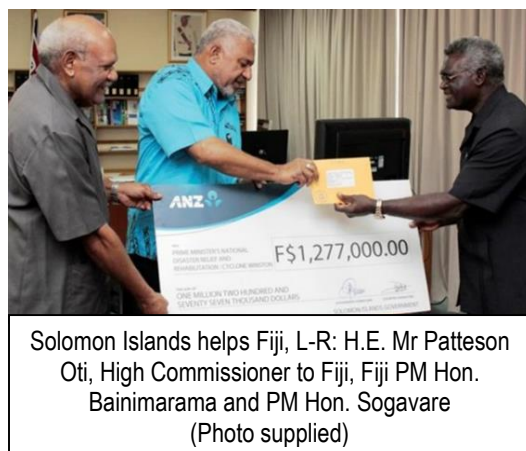
## CHAIR'S MESSAGE

I have the privilege to present the Annual Report for MSG for 2016, the lone full calendar year of my chairmanship of the Group, after having taken over from FLNKS in mid-2015 and preparing to handover to Papua New Guinea in 2017.

Instead of beginning with the successes of the Group, as is often the practice in annual reports, I wish to revisit the urgent and passionate plea I made on 11 September 2015 during the build-up to the United Nations Climate Conference of the Parties or COP 21 meeting that was held in Paris three months later. I had pleaded then for all Pacific Island Countries to act collectively to safeguard the health of our planet and our existence which was being threatened by the most defining phenomenon of our time – Climate Change. Members were also urged to stand together with one clear message calling on firm and decisive action on Climate Change by the global community that everyone was a part of.

The vulnerability of the Pacific, in particular the MSG sub-region, to climate change-induced natural disasters, causing mayhem to the livelihood, security and well-being of people – especially Melanesians who comprise over 90 per cent of the Pacific region's population – was evident from the horrendous impact of Cyclone Winston which struck Fiji as a Category 5 system on 20-21 February 2016. This happened just one week after Fiji became the first country in the world to ratify the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement, and three weeks shy of the first anniversary of Cyclone Pam in Vanuatu, let alone the floods in Solomon Islands during 2014 and drought in PNG during 2015.

The unity and resolve within MSG, following Cyclone Winston, to lend supportive hands to a fellow Member was remarkably successful as Members were able to mobilise funds of over FJ\$5million plus other humanitarian assistance within a month of the disaster to support rehabilitation in Fiji. We did likewise last year for Vanuatu after Cyclone Pam. I therefore thank all Members, development partners, international and regional non-government organisations, the private sector and our communities at large for your prayers and assistance.



This year turned out to be most challenging to the Secretariat, given the diverse pressing needs of MSG, from emergency responses to security, as well as on cross-border trade and the structural reforms that had to be undertaken at the financially troubled Secretariat. In view of the prevailing crisis and the urgent need for strategic leadership at the Secretariat, my consultations with Leaders during my visits to MSG capitals on 16-28 February 2016 led to the appointment of Ambassador Amena Yauvoli of Fiji as the new Director General of the MSG Secretariat. He took up his position on 16 April 2016 and it was not until the Special Leaders' Summit which I chaired in Honiara on 14 July 2016 that the appointment of Ambassador Yauvoli as Director General was formally approved by Leaders. The administrative skills and finesse of Ambassador Yauvoli at the national, regional and international levels are anticipated to take the Secretariat to higher levels, enabling it to carry out Leaders' mandates for the benefit of Members cost-effectively.

On other key decisions from the Special Summit, I will begin again with the issue which I raised at the outset – Climate Change. Leaders last year endorsed the MOU on the Humanitarian and Emergency Coordination Centre (HERCC) which is to coordinate responses to natural disasters, man-made disasters like oil spills, civil aviation or maritime accidents and complex emergencies. Then at this year's Summit, Leaders directed the Secretariat to advance the consultation process on the HERCC, and the Sub-Committee on Security to formulate the HERCC Regional Response Strategy and Action Plan. More impetus on the HERCC

is to be expected as Members and the Secretariat execute activities in line with the MSG Environment and Climate Change Framework for Action 2020 and the UNFCCC 21 Paris Agreement.



Leaders at the Summit, L-R: Mr Tutgoro of FLNKS, Hon. Salwai of Vanuatu and Hon. Bainimarama of Fiji

Leaders also supported the recommendation of the 6<sup>th</sup> Police Commissioners Conference for establishing a Police Ministers Meeting to discuss policing and security issues for subsequent tabling with Leaders. They also endorsed the implementation of Phase II activities of the Formed Police Unit. I commend Members for the rapid progress in this regard and I congratulate Fiji for successfully hosting the 1<sup>st</sup> MSG Police Ministers Meeting in Nadi on 14-15 December 2016. We therefore look forward to an effective programme from these high-level Police engagements in light of the milestones which are before us, beginning with the withdrawal of the Regional Assistance Mission to Solomon Islands or RAMSI in June 2017.

Following on from their approval last year on the admissions of the United Liberation Movement for West Papua or ULMWP, as an Observer member as well as of Indonesia as an Associate member representing the five Melanesian Provinces (East Nusa Tenggara, Maluku, North Maluku, Papua, and West Papua) of Indonesia, Leaders directed the Sub-Committee on Legal and Institutional Issues (SCLII) to undertake a further review of the membership guidelines, and of the participatory rights and obligations of an Observer and Associate Member. The revised guidelines are to facilitate the assessment of future interest and applications from countries and partners keen to join MSG.

Leaders also welcomed the conclusion of negotiations on the revised MSG Trade Agreement (MSGTA) and they agreed to fulfill their respective national statutory requirements before signing the new Melanesian Free Trade Agreement (MFTA). May I say with some pride that Solomon Islands was the first Member to endorse the MFTA when I signed the Agreement on 18 November 2016, and I look forward to other Members joining my country in early 2017. The Special Summit also approved



Enterprises like Paradise Industries in Rabaul, Papua New Guinea can benefit from the MFTA

the new MSG Private Sector Development (PSD) Strategy, deemed to be the enabler for the MFTA, and I am pleased to acknowledge that the completion of both the MSGTA negotiations and the PSD Strategy are key attainments under the 2014 Port Moresby Declaration.

As indicated in the 2015 Annual Report and Auditor's Report, Melanesian Solutions Limited which was established to be the business arm of the Secretariat failed to achieve its targeted results. The trend continued into this year, 2016. Leaders therefore agreed on the dissolution of the company and the reimbursement of all shareholders for the amounts they had invested in the company.

Let me now highlight a historic bilateral event which the MSG Eminent Persons Group that I was privileged to be part of would be proud of. On 07 October 2016, I joined my counterpart from Vanuatu, Hon. Charlot Salwai Tabimasmas in Motalava, Torba Province, North Vanuatu in signing the Solomon Islands-Vanuatu Border Treaty, culminating 33 years of maritime border negotiations. The Treaty will reinforce cultural, economic and social exchanges between Temotu Province of Solomon Islands and Torba Province of Vanuatu. While it helps with the MSG 2038 Prosperity for All Plan's goal of increasing "trade between Members at rural adjacent borders", more work is to be done to formalize exchanges between Papua New Guinea and Solomon Islands, especially for Bougainville, Western Province and my home Province of Choiseul.



Hon. Sogavare and Hon. Salwai lead the procession in Motalava

In this penultimate paragraph, I take the opportunity to congratulate Fiji for its unprecedented performance at the 2016 Rio Olympics. The gold medal won by the country's sevens rugby team brought cheers and pride to Melanesia and to the Pacific region at large. That achievement alone inspired our sporting fraternity and it will surely be a perpetual motivation to our future generations, which will in turn add further impetus to the ideals of the MSG MOU on Sports Cooperation that our Leaders endorsed last year.

I thank all Members for their support towards my chairmanship and for their hospitality during my visits to the MSG capitals in February. I also acknowledge the Secretariat staff and all partners, especially the EU, for their contributions as well, and I look forward to the continuation of our collaboration in 2017 when I will be expected to hand over the MSG Chairmanship to the Prime Minister of Papua New Guinea. I conclude with the fervent hope that MSG will be able to benefit tangibly from Papua New Guinea's membership of the Asia Pacific Economic Cooperation (APEC), particularly in 2018 when the country shall assume the APEC Chair. The prospects and benefits from various sections of the APEC process are incredible and they do deserve to be explored by Members and the Secretariat in consultation with Papua New Guinea.

Hon. Manasseh Sogavare  
Chair of MSG and Prime Minister of Solomon Islands



## DIRECTOR GENERAL'S MESSAGE

I sincerely thank our Leaders for their confidence in me following their formal endorsement of my appointment as Director General of the MSG Secretariat on 14 July 2016, although I had assumed my position on 16 April 2016 as articulated by the Chair. It is therefore with great honour that I present my first message as Director General in an annual report for MSG.

I wish to firstly acknowledge the leadership of the Chair and Solomon Islands Prime Minister, Hon. Manasseh Sogavare and also the role of the Deputy Director General, Mr Molean Kilepak, who served as Acting Director General until my appointment. I am also thankful for the contributions of the Senior Management and all staff throughout this time.



Director General, Ambassador Amena Yauvoli (right) with the MSG Chair, Hon. Sogavare, during the Special Leaders' Summit in Honiara

The year 2016 was arguably the most troublesome one for the Secretariat during its short history as it was plagued with unprecedented financial difficulties and institutional shortcomings which impeded, to a considerable extent, the ability of the Secretariat to execute its approved work programme for the direct benefit of Members. Clearly, internal procedural reforms were imperative. I therefore embarked immediately on the task of restructuring the Secretariat in order to improve its financial status, delivery of services to Members and to ensure the Secretariat would remain relevant to the needs of our sub-region.

I am therefore thankful to Hon. Milner Tozaka, Minister for Foreign Affairs and External Trade of Solomon Islands and Chair of the MSG Governing Body whose leadership led to the approval of the comprehensive proposal to review the Secretariat's organogram, improve its internal processes and re-prioritize its work programme. This decision was reached at their meeting in Lautoka, Fiji on 14-15 June 2016. Mr Filipe Tuisawau, a Suva-based Consultant was subsequently recruited via a competitive procurement process on 14 November 2016 to undertake an independent review of the Secretariat. The Governing Body considered the report of the Consultant at its meeting in Port Vila on 21 December 2016 and approved the report's proposed organizational restructure which is to be pursued vigorously early in the new year. 2017 will therefore be a year of reform, phases of which are to help reposition the Secretariat to its rightful position as the Pacific's premier sub-regional organisation.

While the reorganization of the Secretariat progressed, I wish to report that selected activities under the 2016 work plan for each of the three Divisions under Programmes as well as of the Operations Division were undertaken. Cognizant of the financial and technical constraints faced by the Secretariat, these activities were prioritised. Their details are summarised in the reports for each Division. The exception however, was the Trade and Investment Division as its activities were supported largely under PITAP.

A snap review of the Secretariat's Corporate Plan 2016-2020 immediately reveals the imbalance in the Divisional workloads. While the Economic Development, Trade and Investment, and Operations Divisions

have just one priority each, the Governance and Sustainable Development Division alone had four priorities covering the strategically important areas of Good Governance, Security and Policing, Social Equity and Inclusiveness and, Sustainable Development. Urgent attention was paid to this glaring disparity, resulting in the transition of the Governance work programme to the Executive late in the year.

Financial shortcomings restricted the Economic Development Division from further pursuing two of the Group's flagship projects namely, the MSG Emergency Stabilization Fund and the MSG Development and Investment Fund which the Division started working on in 2014. The Division thus focused its policy dialogue and development activities during the year on the Aviation and Tourism sectors and also managed to undertake similar activities on Forestry, Shipping, Agriculture and Youth under the auspices of PITAP.

The Governance and Sustainable Development Division began the year early with its co-ordination of the MSG Elections Observers Group that observed the Snap General Election in Vanuatu. Experiences from the Observers Group's first engagement in Fiji in 2014 and then in Vanuatu would undoubtedly be beneficial for further engagements as Members conduct national elections. Remarkably, MSG's representation in the Pacific Islands, Australia and New Zealand Electoral Administrators alliance is testament to the credibility of the MSG Observers Group. The Division also successfully organised the MSG Police Commissioners



Voters queuing at the Beverly Hills Polling Station in Port Vila

Conference and the inaugural MSG Police Ministers Meeting, the outcomes of which are expected to help formulate a pertinent work programme that addresses the immediate needs of the Melanesian sub-region. Furthermore, the Division attended to engagements pertaining to Climate Change, especially in terms of cementing linkages between the MSG Framework for Action on Environment and Climate Change and Sustainable Development 2025 and the UNFCCC Paris Agreement.

As noted earlier, the Trade and Investment Division was the most active during the year as it completed its remaining activities before the scheduled closure of PITAP on 31 October 2016. Guided by commitments under the 2014 Port Moresby Declaration, Members concluded negotiations on the revised MSGTA that now includes chapters on Trade in Services, Labour Mobility and Cross-Border Investments. Subsequent to the endorsement of the new MFTA by both Leaders and Ministers, Solomon Islands became the first Member to sign the Agreement. The other Members are expected to follow in 2017. Leaders also approved the new MSG



Papua New Guinea's delegation to the 2016 MSG Trade Ministerial, led by Trade Minister, Hon. Richard Maru (right), who had chaired the 2014 TMM where Ministers endorsed the Port Moresby Declaration

PSD Strategy, the hallmarks of which include its inclusiveness and focus on rural and informal entrepreneurship as well as resilience to climate change. This was glaringly true during deliberations

throughout the MSG PSD Week that I also attended in Honiara in September. An outstanding aspect of the Strategy is its cross-cutting nature as its components relate to the activities of both the Economic Development Division and the Governance and Sustainable Development Division of the Secretariat. More on these synergies are highlighted later in this report. We are thus thankful to the EU and PIFS for the PITAP Project given its impact and value across the various Divisions as well as on raising the visibility of the Secretariat through the *Melanesian Tok* newsletter that the Project initiated.

In tandem with the ongoing organizational restructure during the year was the Secretariat's commitment to strengthen its relationship with development partners. Collaboration with regional organisations such as PIFS, SPC and PIPSO continued together with international partners including the EU, ACP and CTA continued during the year. It is also worth reflecting on the Secretariat's relationship with the EU and PIFS, the Duly Mandated Regional Organisation, in the context of the 11<sup>th</sup> European Development Fund (EDF), as engagements were held with both organisations as part of the review of the 10<sup>th</sup> EDF and of preparations for the 11<sup>th</sup> EDF. A Donors

Roundtable Meeting proposed for the year was postponed due to the ongoing internal structural reforms within the Secretariat. The Roundtable is to be scheduled for 2017 or 2018.

As the year draws to its close, I thank MSG Members and our partners for their commitment and backing, and I also wish to acknowledge the work completed by both our Professional and Support Staff. There is, however, much room not only for improvement but in particular, for continuous improvement. Prospects in this regard are realistic but would only be possible if the institutional restructuring planned for 2017 is undertaken with the full commitment of all staff. I therefore look forward to working closely with Members, our partners and staff in the new year so we can progress together towards the vision of our Leaders under the MSG 2038 Prosperity For All Plan for the tangible benefit of our people.

Ambassador Amena Yauvoli  
Director General



Head of the EU Delegation for the Pacific, H.E. Mr Andrew Jacobs (front, second from left) with his colleagues and Secretariat staff in Port Vila



The first Staff meeting with the new Director General held at the Secretariat's Conference Room



Mr Rence Sore, Secretary to MSG Chair (left) introduced Ambassador Yauvoli to Staff

## **EXECUTIVE**

The Executive arm of the Secretariat, including the offices of the Director General, Deputy Director General and Executive Officer, provides leadership to ensure the delivery of the mandates of Leaders and Ministers. It thus oversees the administration of the Secretariat's work programme and plays the leadership role in representing MSG in Member countries as well as in dialogues with development partners.

### **New Corporate Plan**

The MSG Secretariat's Corporate Plan for 2013-2015 was replaced with a new internally prepared five-year Corporate Plan 2016-20, which was adopted at the FMM in Port Vila on 16 October 2015. The key difference between the Plans relates to the decision by Leaders in 2013 to endorse the MSG 2038 Prosperity for All Plan and its Implementation Framework. The Corporate Plan 2013-2015 was developed prior to the formulation of the MSG 2038 Plan, thus the new Corporate Plan provides the roadmap to achieve the aspirations of Leaders on Political Stability, Economic Prosperity, Social Inclusivity and Sustainable Development in line with the pillars of the MSG 2038 Prosperity for All Plan. A new addition to the Corporate Plan 2016-2020 to supplement the Secretariat's financial plan was the inclusion of Strategic Partnerships as an initiative to facilitate collaboration and resource mobilisation in tandem with partners.

### **Special Leaders Summit**

The Secretariat successfully organised the MSG Special Leaders' Summit in Honiara on 14 July 2016 that was preceded by the Senior Officials Meeting (SOM) on 13 July 2016 and Foreign Ministers Meeting (FMM) also on 14 July 2016. The Summit was chaired by MSG Chair and Prime Minister of Solomon Islands, Hon. Manasseh Sogavare, and attended by Hon. Josaia Voreqe Bainimarama, Prime Minister of Fiji; Hon. Charlot Salwai Tabimasmas, Prime Minister of Vanuatu; Hon. Rimbink Pato, Minister for Foreign Affairs of Papua New Guinea who deputized for the Prime Minister, Hon. Peter O'Neill; and Mr Victor Tutugoro, Spokesperson of FLNKS. The key decisions from the Summit are noted in the Chair's message.

### **Solomon Islands-Vanuatu Border Treaty**

The Director General, Ambassador Amena Yauvoli, attended the signing of the Solomon Islands-Vanuatu Border Treaty between MSG Chair and Solomon Islands Prime Minister, Hon. Manasseh Sogavare and Vanuatu Prime Minister, Hon. Charlot Salwai Tabimasmas in Motalava, Torba Province, Vanuatu on 07 October 2016. The significance of the event is linked to the call contained in the MSG 2038 Prosperity For All Plan, for higher levels of exchanges between adjacent sovereign MSG provinces. It is also common knowledge that cross-border cultural, economic and social exchanges are prevalent between the nearby provinces of Papua New Guinea and Solomon Islands. The Secretariat is committed to assist officials, businesses and communities in their shared aspiration for closer relations and stronger partnerships between neighbouring sovereign provinces in accordance with key MSG Instruments of Cooperation.



## New Caledonian Presidential Visit

The President of New Caledonia, H.E. Mr Philippe Germain, met with the Acting Director General, Mr Molean Kilepak at the Secretariat on 02 April 2016 for discussions on strengthening mutually beneficial relations between MSG and New Caledonia. The President, who was accompanied by the Minister for Health, Youth and Sports, Mrs Valentine Eurisouke and other officials and business representatives, affirmed his aspiration for regional integration involving New Caledonia and the MSG sub-region. It is anticipated that initiatives for the desired integration will be executed from next year, 2017, onwards.



L-R: Mrs Eurisouke, Mr Kilepak and President H.E. Mr Germain, (Photo supplied)

## Public-Private Dialogue in Papua New Guinea

The in-country consultations on the MSGTA3 and PSD Strategy last year involved substantive inputs from Members, representatives of whom were present at the policy dialogues held during the MSG PSD Week in Honiara on 19-23 September 2016. In spite of the Secretariat's efforts to broaden its reach to stakeholders, concern has often been raised by certain entities within Member countries on their lack of awareness of MSG work activities. An invitation thus extended to the Secretariat during the PSD Week by the Papua New Guinea Consultative Implementation and Monitoring Council (CIMC) led to the participation of the Director General, Ambassador Amena Yauvoli, at the CIMC National Development Forum in Port Moresby on 18-20 October 2016. His presentation focused on the role of the MSGTA3 and PSD Strategy in pursuit of the thematic topic of "Partnership Initiatives with Government, the Private Sector and Development Partners to Promote Trade and Economic Growth." It is anticipated that more opportunities for the Secretariat's active participation at Members' national dialogues will be realised from 2017 onwards.

## Natural Disasters

Solidarity within the MSG Sub-region was clearly demonstrable as the Secretariat coordinated the mobilisation of resources from Members to assist with rehabilitation in Fiji following Cyclone Winston in February, just as they did to Vanuatu after Cyclone Pam last year. Funding provided by Member Governments to Fiji included FJ\$3.9million from Papua New Guinea, FJ\$1.3million from Solomon Islands and FJ\$188,000 from Vanuatu. This was in addition to humanitarian assistance from Governments, the private sector and civil society groups. The Republic of Indonesia donated FJ\$10.38million to the Fiji Prime Minister's National Disaster Relief and Rehabilitation Fund,



Devastated by Cyclone Winston, a homeless family of Nayavutoka Village, Ra Province, Fiji (Photo supplied)



and also rebuilt and funded the reconstruction of Queen Victoria School, one of numerous schools destroyed by the Cyclone. Lastly, the Secretariat, through its Staff Social Club, collaborated with other Port Vila-based social clubs, business houses, chiefs and churches in organising a fundraising event on 26 February 2016, which resulted in a contribution of FJ\$15,090 to the Fiji Prime Minister's National Disaster Relief and Rehabilitation Fund.

Further to the devastation in Fiji, extensive flooding and landslides also affected parts of the Northern and Southern Provinces in New Caledonia following torrential rain during the week of 20 November 2016. The flooding caused at least five deaths and widespread destruction to towns and communities in the two Provinces. Members and the Secretariat conveyed their condolences to FLNKS following the disaster.

### **Community Development**

Besides helping cyclone-affected Members, the Secretariat also supports community undertakings at the local level. A contribution of Vt50,000 was thus made on 08 April 2016 to Central School in Port Vila for the construction of a health clinic that will benefit the School's kindergarten, primary and secondary students.

### **MSG Celebrations**

As endorsed at the 19<sup>th</sup> Leaders Summit in Noumea on 14 March 2013, the 14<sup>th</sup> of March is being celebrated annually as MSG Day to commemorate the formal establishment of the Group through the signing of the six-point "Agreed Principles of Cooperation Among the Independent States in Melanesia" on 14 March 1988 in Port Vila by the former Prime Ministers namely, Mr Paias Wingti of Papua New Guinea, Mr Ezekiel Alebua of Solomon Islands, and the late Father Walter Lini of Vanuatu. MSG Day on 14 March 2016 was thus celebrated during an afternoon tea hosted by the Secretariat that was also attended by staff of the Vanuatu Department of Foreign Affairs and representatives of SPC based in Port Vila and Noumea.



Secretariat staff and guests celebrate MSG Day

Besides MSG Day, the National Day for each Member was celebrated during the year at the Secretariat, starting with Solomon Islands on 07 July 2016, followed by Vanuatu on 30 July, Papua New Guinea on 16 September and Fiji on 10 October. An added celebration was held on 12 August 2016, shortly after the end of the final for the rugby sevens competition at the Olympic Games in Rio de Janeiro that was won by Fiji. The Director General and staff from Fiji hosted morning tea to mark this historic achievement which will serve as an inspiration to Members' youth and also spur the execution of the MSG MOU on Sports Cooperation as well as overall sports development at the national level.

## GOVERNANCE AND SUSTAINABLE DEVELOPMENT

The Governance and Sustainable Development Division provides policy advice and technical assistance on governance, security, equality, inclusiveness and sustainable development.

### Vanuatu General Election

In response to a formal request from the Vanuatu Government, an MSG Elections Observers Group was commissioned by the Chair and Solomon Islands Prime Minister, Hon. Manasseh Sogavare, to observe the country's Snap Election on 22 January 2016. The MSG Observers were led by former Solomon Islands Prime Minister, Sir Francis Billy Hilly, and included former President of Fiji, H.E. Brigadier General Ratu Epeli Nailatikau; Papua New Guinea High Commissioner to New Zealand, H.E. Brigadier General Francis Agwi; former Papua New Guinea Electoral Commissioner, Mr Reuben Kaiulo; FLNKS Representative, Mr Phillipe



The MSG Elections Observers, prior to departure for their respective constituencies

Ajapuhnya; Fiji Supervisor of Elections, Mr Mohammed Saneem; Special Secretary to MSG Chair and Solomon Islands Prime Minister's Office, Mr Rence Sore; and Chief Administrative Officer to the Minister for Foreign Affairs of Fiji, Mr Navneel Sharma. Vanuatu is the second Member to benefit from MSG Observer Election support after Fiji in 2014. The Observers monitored and assessed the conduct of the Snap Election in accordance with international and regional standards for elections, taking into account Vanuatu's Constitution and Laws. They were deployed to polling stations in Port Vila and other parts of Rural Efate, as well as in Luganville on Santo. Difficulties with transportation barred the Observers from travelling to Tanna. The MSG Observers' report, which noted the outcomes of the Snap Election as being "embraced by the citizens of Vanuatu with an atmosphere of calm," was submitted to the Vanuatu Government and also presented to MSG Leaders at their Special Summit in Honiara on 14 July 2016.

### Contribution to Pacific Electoral Integrity

The recommendation of the MSG Elections Observers Group's report on the Vanuatu Snap Election last January that election observations be "formally incorporated into the MSG structure to support Members' national elections" was furthered during the year. The support of the Secretariat was extended to non-MSG Member Pacific Island Countries through the Pacific Electoral Networks Meeting in Nadi on 08-11 May 2016, which was jointly hosted by the Commonwealth Electoral Network, the Pacific Islands, Australia and New Zealand Electoral Administrators (PIANZEA) and Fiji Elections Office. Upon the invitation of the Commonwealth Secretariat, Mr Ilan Kiloe, Manager Legal Services, presented insights at the meeting on MSG's methodology, approaches and outcomes with the elections in both Fiji and Vanuatu. The meeting covered ways to strengthen electoral integrity through electoral risk management, improved inclusion and access for all, women's participation, independence, resourcing of micro and non-permanent Election Management Bodies and, resource mobilisation. These were discussed with the democratic principles of

universal suffrage and political equality, and the need for professional, impartial and transparent preparations for, and administration of, electoral cycles. MSG Members at the meeting successfully nominated Mr Mohammed Saneem, Fiji Supervisor of Elections, to be an Advisory Group Member representing the Melanesian sub-region to PIANZEA, which advanced MSG visibility at the Commonwealth Electoral Network Biennial Conference held in Port of Spain, Trinidad and Tobago on 22-24 June 2016.

### **Police Commissioners Conference**

The Secretariat hosted the Fiji Police Commissioner, Brigadier-General Sitiveni Qiliho, on 18 April 2016 during his visits to MSG capitals for discussions on policing- and security-related mandates from Leaders as well as on preparations for the 6<sup>th</sup> MSG Police Commissioners Conference (PCC) that was held in Suva on 28 April 2016. The Conference, opened by H.E. Mr Patteson Oti, Solomon Islands High Commissioner to Fiji, was chaired by Brigadier-General Qiliho and attended by the Deputy Commissioner of Police for Solomon Islands, Ms Juanita Matanga; Acting Police Commissioner for Vanuatu, Colonel Robson Iavro and Fiji High Commissioner to PNG, H.E. Mr Esala Teleni. Key decisions from the PCC focused on enhancing inter-Member cooperation for the implementation of Leaders-endorsed initiatives including the Regional Police Academy, Formed Police Unit for approved deployments and Department of Peacekeeping Operations (DPKO) as well as convening Police Ministerial Meetings for high-level security advice to Leaders, preparations for the exit of the Regional Assistance Mission to Solomon Islands (RAMSI) in 2017, the creation of a Police Women's Network, secondments of officers to the Secretariat and, the Police Games. To advance the functions of the DPKO, Senior Superintendent of Police (SSP) Epineri Seibouma was seconded by the Fiji Government to the Secretariat from 05 September to 31 December 2016. A major task SSP Seibouma undertook related to the inaugural MSG Police Ministers Meeting as reported below.



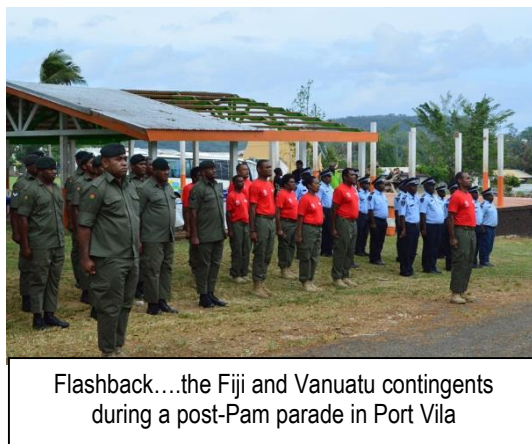
Police Commissioners and Senior Officials, at their Conference in Suva

### **Police Ministers Meeting**

The inaugural MSG Police Ministers Meeting held in Nadi on 14-15 December 2016 was chaired by Hon. Peter Shanel Agovaka, Minister for Communication and Aviation of Solomon Islands on behalf of the substantive Chair, Minister for Police, National Security and Correctional Services, Hon. Stanley Sofu. Present were Hon. Robert Atiyafa, Minister for Police of Papua New Guinea, Hon. Ratu Inoke Kubuabola, Minister for Defence and National Security of Fiji, while Vanuatu was represented by Mr. Kalo Willie Ben, Deputy Commissioner of Police, on behalf of the Minister for Internal Affairs, Hon. Alfred Maoh. Mr Marktas Forau, Under-Secretary for the Ministry of Police, National Security and Correctional Services sat in for Solomon Islands. FLNKS forwarded their apologies for their inability to attend the meeting, while the delegation of Indonesia was headed by Police General Muhammad Tito Karnavian.

Issues discussed at the Ministerial meeting included the advancement of important Security and Police issues such as the Formed Police Unit, Regional Police Academy, HERCC and DPKO, the drawdown and conclusion of RAMSI in mid-2017, as well as the mobilisation of assistance for FLNKS to address potential security concerns during the 2018 referendum.

The Ministers also considered a presentation by H.E. Mr Esala Teleni, Fiji High Commissioner to Papua New Guinea, Solomon Islands and Vanuatu based in Port Moresby, which noted that although Members share similar and common security threats, the Group has not developed an official position outlining a security strategy for the sub-region. The Ministers thus agreed on the establishment of a Working Group to consider and develop the proposed MSG Regional Security Strategy. The Strategy will form the basis for a unified approach to respond to challenges associated with law and order, maritime security and natural disasters and is to be linked to Members' national policies to address new emerging security issues. Indonesia is to collaborate with Members through the proposed Working Group, and provide assistance and training upon request by Members.



Flashback....the Fiji and Vanuatu contingents during a post-Pam parade in Port Vila

The Ministers thanked Indonesia for the initial seed funding support of FJ\$1,000,000 and acknowledged their offer to provide appropriate assistance to MSG for advancing the Regional Police Academy. The Ministers agreed that Indonesia would host and facilitate the next PCC and Police Ministerial Meeting.

### **Climate Change and Sustainable Development**

The focal activities and themes of the MSG Framework for Action on Environment and Climate Change and Sustainable Development 2025, which was developed by the Secretariat in collaboration with Griffith University, are aligned with the United Nations Sustainable Development Goals. Through the Division, the Secretariat is undertaking work in this area cognizant of the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement of 2015. The involvement of the Secretariat in the UNFCCC process is being bolstered by the inclusion of Program Manager Governance and Sustainable Development, Mr Stanley Wapot, in the UNFCCC Roster of Experts. He participated in the UNFCCC Central Review on the Review of 2016 Annual GHG Emissions Report of Latvia, Norway and Sweden under the Kyoto Protocol, which was held in Bonn, Germany on 29 August-03 September 2016. These engagements are benefitting Members as they are being assisted by the Secretariat with their obligations at the national level for planning and implementation purposes, at the MSG and Pacific regional levels as well as internationally under the Paris Agreement.



## Ocean Economy

The Secretariat's partnership with the World Wide Fund for Nature, or WWF, enabled its representation by Mr Wapot at the launch of the WWF report on *Reviving Melanesia's Ocean Economy: The Case for Action* as well as at a panel discussion in Suva on 18 October 2016. The panel focused on the importance of the ocean to the Pacific including Papua New Guinea and Solomon Islands, both of which are part of the Coral Triangle that has diverse species of reef-building corals. Partnerships with organizations like WWF are vital for supporting the sustainable use of the ocean ecosystem and resources in Melanesia. Notably, the WWF report reveals that the ocean is a much larger part of Melanesia's economy and future prosperity than previously understood. It thus suggests a case for action on the objectives of the MSG Inshore Fisheries Road Map 2014-2024.



Part of the coastline in Tanna

## Other Consultations

Two sets of consultations on environment-related issues involving the Secretariat in Port Vila are worth noting. Firstly, the visit by the New Zealand and EU delegations on 02 June 2016 allowed the Secretariat to provide an update on its work relating to Climate Change issues, and secondly, the MSG Invasive Species Council Forum on 21-22 September 2016 which provided opportunities for the sharing of national experiences on the issue of Invasive Species among Members.

## National Interventions in Vanuatu

As with the other Divisions, the Governance and Sustainable Development Division attended to national events which benefited the Vanuatu Government and its stakeholders including the private sector and civil society. The Secretariat was represented by Mr Wapot at the Vanuatu National Energy Road Map Validation Workshop in Port Vila on 18 March 2016, where he highlighted the Secretariat's work on Climate Change and Sustainable Energy issues as well as its linkages to the country's energy policy framework.

National Tree Planting Day on 21 June 2016 was marked by the planting of 31 seedlings, mostly sandalwood, on the Secretariat premises in the presence of the Director of Forestry, Mr Hannington Tate.

The Secretariat then facilitated and hosted early in the year a series of preliminary consultations, including a teleconference on 12 May 2016, between the US Army Pacific and Vanuatu stakeholders in preparation for the Pacific Resilience Disaster Response Exercise and Exchange Meeting that was held in Port Vila on 02-05 August 2016. While that meeting was the first civil-military disaster preparedness and response initiative between the Vanuatu Mobile Force and the US Army Pacific, other Pacific Island Countries including Members – Fiji, Papua New Guinea and Solomon Islands – are also involved in this initiative.

Lastly, the Director General, Ambassador Amena Yauvoli and Private Sector Development Advisor, Mr Henry Sanday, contributed to the Vanuatu Climate Finance Forum in Port Vila on 30 November-01 December 2016, which helped formulate the country's Climate Change Finance Roadmap & Action Plan.



## TRADE AND INVESTMENT

The Trade and Investment Division provides policy advisory support for the review of the MSG Trade Agreement (MSGTA). The current review – MSGTA3 – follows on from the original MSGTA1 of 1993 and the subsequent MSGTA2 of 2005, which is to lead eventually to the Melanesian Free Trade Agreement (MFTA) in 2017 as mandated by MSG Trade Ministers under the 2014 Port Moresby Declaration.

In addition to pursuing the conclusion of the MSGTA3 negotiations in 2016, the Division continued its work on the MSG Private Sector Development (PSD) Strategy as well as on the completion of key studies aimed at enhancing the trade and investment performance of MSG Members. The activities of the Division were funded largely under the 10<sup>th</sup> EDF through the PITAP project that is being administered by PIFS.

### Conclusion of MSGTA Negotiations and Signing of MFTA

Negotiations which commenced in 2012 on the review of the MSGTA2 legal text and architecture for a comprehensive trade agreement under MSGTA3 were concluded at the final MSGTA3 Technical Working Group Negotiations Meeting held in Port Vila on 19-20 April 2016. The Draft MSGTA3 Legal Text was then presented to the Trade and Economic Officials Meeting (TEOM) on 23-24 May 2016 and upon the recommendation of the TEOM, the 5<sup>th</sup> MSG Trade Ministers Meeting (TMM) held also in Port Vila on 25 May 2016 endorsed the conclusion of negotiations for the new MFTA. The TMM was chaired by Hon. Milner Tozaka, Minister for Foreign Affairs and External Trade of Solomon Islands and was attended by Hon. Richard Maru, Minister for Trade, Commerce and Industry of Papua New Guinea and Hon. Bruno Leinglone Tau, Minister for Foreign Affairs, External Trade and International Cooperation of Vanuatu. Fiji was represented by Ms. Seema Sharma, Director of Trade, while Mr. Yvon Fua represented FLNKS.

Following the Ministerial endorsement, the Draft MSGTA3 Draft Legal Text was further scrutinized at the Legal Scrubbing Workshop held on 26-27 May 2016 also in Port Vila. This helped cleaned, for legal propriety, the Draft Legal Text without distorting its contents as endorsed by the TMM. Lastly, Leaders welcomed the conclusion of negotiations on the revised MSGTA at their Special Summit in Honiara on 14 July 2016 and agreed to fulfill their respective national statutory requirements before the signing of what would be known as the Melanesian Free Trade Agreement, or MFTA. Solomon Islands became the first Member to sign the MFTA when the country's Prime Minister and MSG Chair, Hon. Manasseh Sogavare signed the Agreement in Honiara on 18 November 2016. Other Members are expected to sign in 2017.



Hon. Sogavare signs the MFTA in the presence of MSG Deputy Director General, Mr Kilepak (centre) and Foreign Minister and TMM Chair, Hon. Tozaka

## Regional Trade Statistics

Experiences with the MSGTA were shared with the 24 Members of the Oceania Customs Organisation (OCO) during their Regional Customs Data and Trade Statistics Workshop in Suva on 11-15 April 2016. The workshop, aimed at building the capacity of OCO members to align their operations to international best practices, covered Customs Data Management, National Trade Statistics and Research. Trade Economist/Legal, Mr Petros Shayanowako, participated as a co-facilitator for the workshop. The Secretariat assisted Members' Customs and Statistics authorities, harmonising the sub-region's trade data elements by adopting an MSG common data model and, developing an MSG Common Tariff Nomenclature. The Data Harmonisation process would be a step towards a proposed wider Pacific ACP regional data model, while the Tariff Nomenclature will facilitate the proposed Regional Harmonised System (HS) Classification Guideline, as the MFTA is to have provisions for Data Harmonisation and HS Classification.

In line with the MOU between MSG and the Pacific Community (SPC), the Secretariat's Trade Research Analyst, Ms Tendai Chigwada, was attached to SPC's Pacific Regional Information System (PRISM) Project in Noumea, New Caledonia on 02-11 August 2016. While PRISM is part of the Ten Year Pacific Statistics Strategy launched in 2010, the need for accessible and user-relevant web-based MSG trade data was identified by two PITAP-funded studies – MSG Exports Study in 2015 and MSG Market Intelligence Study in 2016 – as a major impediment to trade policymaking and business development. The attachment was aimed at generating data on intra-MSG



trade and on MSG trade with other markets. A structural layout of an MSG sub-regional statistics system that SPC is to populate was explored while the specific skills for accessing and analyzing trade data to meet stakeholder needs were also acquired. The PRISM website hosts all National Statistics Office websites for SPC's member countries which include MSG Members. Given their observer status in the MSGTA, the FLNKS is also expected to benefit from this initiative. A new link was tested on the MSG website and it is hoped that users would soon be able to access MSG trade data through the link.

## Pacific Regional Trade Policy

Upon the invitation of PIFS, the Secretariat participated in the "Short Trade Policy Course for the Pacific Region" that was jointly organised with the World Trade Organisation (WTO) in Nadi on 12-16 December 2016. Forty public and private sector and civil society representatives from the six Pacific Island WTO members – Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu – attended the course. Also present were officials from the Forum Fisheries Agency, Oceania Customs Organisation, Office of the Chief Trade Adviser and SPC, while the private sector was represented by the PIPSO Chair, a Senior Manager of Bank South Pacific. Private Sector Development Advisor, Mr Henry Sanday, presented highlights of the PITAP-funded activities pertinent to the MSGTA3 and PSD Strategy, thus raising visibility and awareness on the Secretariat's trade and investment policy work with key stakeholders.

## **Validation of PITAP Studies**

A series of day-long workshops convened in Port Vila on 10-14 October 2016 provided the opportunity to table and discuss findings from the PITAP-funded studies and projects completed in 2016. Members were represented at the workshop by Officials from the Departments of Trade, Investment, Labour, Immigration, Forestry and Transportation. The reports, as noted below, were presented by their respective consultants except for the Shipping and Labour Mobility Studies which were tabled by the Secretariat as their consultants were unable to attend the workshops.

- a) Forestry Study by Dr Yohannes Bauer on 10 October;
- b) Market Intelligence Study by Ms Sally Ann-Hughes on 11 October;
- c) Labour Mobility and Investment Opportunities Website Development Project by Mr Cainton Milroy on 12 October;
- d) Shipping Study by Captain Naveen Singhal on 13 October; and,
- e) Labour Mobility Study under ACP-EU Migration by Mr David Stewart on 14 October.

The Labour Mobility Study under ACP-EU Migration involved a joint undertaking between the Secretariat and the International Organisation for Migration (IOM), which is anticipated to provide technical assistance on reforms to national legislation to facilitate Labour Mobility as per Chapter 7 of the MFTA. In addition to IOM, SPC partnered with the Secretariat by facilitating in-country consultations, knowledge sharing and the review of findings from the studies. Collaboration with these partners and with Members and other relevant institutions is to continue for the implementation of recommendations from the workshops.

## **MSG Private Sector Development Strategy**

Following its design and reviews during 2015, the MSG PSD Strategy was finally cleared at the TEOM in Port Vila on 23-24 May 2016 and endorsed by Trade Ministers on 25 May 2016. The Strategy is aimed at achieving higher, inclusive and sustainable growth through the development of the private sector, while its hallmarks are the adoption of an inclusive approach to PSD, unleashing rural entrepreneurship and heightening private sector resilience to climate change. Prior to and following the Special Leaders' Summit in Honiara on 14 July 2016 when Leaders approved the Strategy, the Secretariat undertook a rigorous awareness programme with Members and development partners for possible collaboration and resource mobilisation purposes. Notably, the presentation of key aspects of the Strategy at the Pacific Islands Private Sector Organisation (PIPSO) 2016-2018 Strategic Planning Workshop in Nadi on 11-12 July 2016 generated extensive discussions with PIPSO's member National Private Sector Organisations, thus building their capacity as well on the basis of MSG's PSD policymaking process.

## **Public-Private Policy Dialogues**

Subsequent to the approval by Leaders of the PSD Strategy, the Secretariat co-organised with the Solomon Islands Government the MSG Private Sector Development Week in Honiara on 19-23 September 2016. The PSD Week entailed an unprecedented series of public-private sector policy dialogues to raise

awareness on the Strategy, facilitate networking and the exchange of knowledge and experiences as well as to provide the opportunity for stakeholders to discuss the Strategy. The week-long programme included the Cooperatives Policy Workshop (19 September), Small Business Development Workshop (20 September), Heads of Investment Promotion Agencies and Industry Official's Meeting (HIPAM+IOM; 21 September) and lastly, the Private Sector and Trade Development Awareness Workshop (22 September).

An intriguing finding from the dialogues was the fact that these stakeholders, especially cooperatives and small businesses rarely engaged with one another and with their Investment Promotion Agency (IPA). The inclusive nature of the Strategy was demonstrated through the diversity of the workshop topics and of the 37 participants who represented Member Governments, the private sector and civil society. Resource persons included representatives from the EU Delegation in Honiara, International Co-operative Alliance (ICA), United Nations Development Programme (UNDP), private sector and the Secretariat. Besides the conventional decisions on inclusive policymaking and institutional capacity building, two significant outcomes from the dialogues were the commitments made to engage with ICA in support of cooperatives and for PSD processes to be cognizant of, and intertwined with, the Sustainable Development Goals particularly at the national level via collaboration with UNDP. The coincidence of the PSD Week with the Solomon Islands National Trade Fair which was held on 21-23 September 2016 added value to both the visitors and hosts in their pursuit of closer and cost-effective intra-MSG trade and investment relations.



Photo 1: Cooperating as Cooperatives, ICA representative, Ms Alexandra Hordern, is flanked by Ms Heva Aitsi of Papua New Guinea and Mr Ridley Joseph of Vanuatu, who represented the Pacific's only two ICA members.

Photo 2: Papua New Guinea delegates to the MSG PSD Week included, L-R: Mr Chey Scovell (Manufacturers Association), Ms Sila Orake (Ministry of Trade, Commerce & Industry), and Mr Benson Nablu (Chamber of Commerce)

Photo 3: Speaking on behalf of Vanuatu civil society groups is Ms Anne Pakoa (far left)

## Inclusive Trade and Investment Development

The Secretariat's contribution in stimulating MSG trade and investment flows was realised in different ways. Firstly, its relationship with PIFS' network of Pacific Islands Trade and Invest (PT&I) offices was further strengthened through the visits of Ms Tendai Chigwada, Trade Research Analyst, to PT&I Auckland on 15-19 August 2016 and to PT&I Sydney on 22-26 August 2016. The objectives of the mission were to identify prospects for promoting MSG export and investment opportunities and, to gather information on the market requirements and buyer expectations in Australia and New Zealand. The visits also involved engagements with the New Zealand-Papua New Guinea Business Council, New Zealand Trade Enterprise, Pacific

Futures Forum, Pacific Cooperation Foundation, importers and retailers of MSG goods and services. The Secretariat also hosted on 13 September 2016 officials from PT&I Beijing during their visit to Vanuatu.

Secondly, a notable development on the trade and investment front within the MSG sub-region entailed the appointments of Members' Trade Commissioners namely, Mr Navitalai Tuivuniwai, Fiji Trade Commissioner to Papua New Guinea; Mr Zarak Khan, Fiji Trade Commissioner to Australia; and, Mr Donald Pelam, Vanuatu Trade Commissioner to Australia. The Trade Commissioners have extensive networks throughout the Pacific region and far-reaching experiences on MSG-related trade and investment issues while the Secretariat is committed to maintaining relations with each of these new Trade Commissions.



Mr Tuivuniwai with 2015 MSG Export Products Consultant, Mr Barry Hellberg

Thirdly, and in the absence of a coordinating agency for promoting and stimulating intra-MSG trade and investment transactions, the Secretariat attended to requests for help from Members' IPAs and private sector. Selected examples facilitated by the Secretariat are listed below and it is expected that such enquiries would intensify as the MFTA comes into force in 2017, and also as key components of the MSG PSD Strategy and Export Products and Marketing Strategies are implemented.

- a) Advice on MSGTA/Customs documentation for exporting locally-made fibre glass boats from PNG to Vanuatu, an intervention that eventually led to the export of the boats;
- b) Linking up a health products factory in Fiji with a supplier of virgin coconut oil in Solomon Islands due to coconut oil shortages in Fiji following Cyclone Winston;
- c) Facilitating appointments for an FLNKS business delegation from the Loyalty Islands Province of New Caledonia that visited Fiji for one week;
- d) Attending to marketing enquiries from Fiji's IPA and linking up with the IPAs, Chambers of Commerce and other peak industry bodies in PNG, Solomon Islands and Vanuatu;
- e) Support for recruiting skilled staff from Solomon Islands to Fiji and from Fiji to Vanuatu under the MSG Skills Movement Scheme;
- f) Connecting MSG Small Business Development Centres, Cooperatives and Youth Groups for information sharing, capacity building and marketing purposes; and,
- g) Collaborating with the Technical Centre for Agricultural and Rural Cooperation (CTA) in Brussels to connect coffee growers in MSG and the Caribbean for networking purposes.



Driving for new markets are Maqere Exports in Tavua, Fiji and Solomon Islands' Cocoa Testing Laboratory



Fourthly, engagements through information sharing with Members' businesswomen continued, especially from Papua New Guinea whose representatives met with Private Sector Development Advisor, Mr Henry Sanday at the 2<sup>nd</sup> Pacific Agribusiness Forum held in Apia, Samoa on 30 August-01 September 2016. Contacts were also maintained with the Solomon Islands Women in Business Association which successfully organised their inaugural Women in Business Awards in Honiara on 09 July 2016. Guest speakers at the Awards included the MSG Chair and Prime Minister, Hon. Manasseh Sogavare as well as Ms Sarah Todd, a



Agribusiness Forum participants in Samoa included MSG representatives, with Ms Janet Sape, founder of the Papua New Guinea Women in Business Foundation at the far right (Photo supplied)

businesswoman of Lae, Papua New Guinea, who had also participated in the MSG PSD Strategy consultations and is a member of the Papua New Guinea Indigenous Business Council. The Strategy's approach in support of indigenous entrepreneurship is in line with the policy aspirations of most Members and with the MSG policy statement on indigenous entrepreneurship delivered at the 2014 Fiji Indigenous Business Symposium in Suva by former MSG Higher Level Representative, Ambassador Kaliopate Tavola. Further testimony in this regard was the representation of Papua New Guinea and Solomon Islands at the World Indigenous Business Forum that was held in Saskatchewan, Canada on 23-25 August 2016.

## Access to Finance

In the spirit of the MSG-PIPSO MOU, a request from PIPSO was accepted, that is, for the Secretariat to stand in for them during the panel discussion on "Policies and Regulatory Approaches to Enhance Access of Women-Owned SMEs to Financial Services" during the Alliance for Financial Inclusion (AFI) Pacific Islands Regional Initiative 2<sup>nd</sup> Annual Forum held in Port Vila on 01-03 June 2016. Private Sector Development Advisor, Mr Henry Sanday, attended and highlighted key features of the MSG PSD Strategy including its focus on "Increasing Access to Capital" before moderating the all-women panel comprising representatives of the Central Banks of Fiji and Solomon Islands, Vanuatu Chamber of Commerce & Industry and Vanwods Microfinance Inc. This helped in raising further the visibility of the Secretariat and its work with Members, especially the Central Banks, commercial banks, microfinance service providers as well as small business operators and managers. The event also marked the start of the Secretariat's collaboration with the Kuala Lumpur-based AFI. However, their invitation for the Secretariat to participate and moderate a session at the AFI Global Policy Forum attended by some 500 participants from 65 countries in Nadi on 07-09 September 2016 was turned down owing to prior audit-related commitments for PITAP.



Part of the panel on Financial Inclusion for Women-Owned Enterprises, L-R: Mr Sanday, Ms Christina Rokoua (Reserve Bank of Fiji) and Ms Astrid Boulekone (Vanuatu Chamber) (Photo supplied)

## ECONOMIC DEVELOPMENT

The Economic Development Division supports the strengthening of Members' national policymaking capacity for equitable and inclusive socio-economic development.

### Aviation and Tourism Sectoral Dialogue

The 2<sup>nd</sup> MSG Aviation and Tourism Sectoral Dialogue held in Port Vila on 10-11 March 2016 provided Members with the platform to discuss issues relating to the tourism industry and connectivity through air transportation. Among the key recommendations from the Dialogue were the need for: consultations on regulatory reforms and streamlined responsibilities to facilitate sustained growth through aviation and tourism; the review of Members' respective Bilateral Air Services Agreement to accommodate a Fair Sky Policy; the pursuit of harmonized aviation regulations within the MSG sub-region; the development of an MSG Tourism Marketing Strategy; and, supporting tourism as a driving force for enhancing sub-regional economic integration under the MSGTA.



Aviation and Tourism Dialogue in session

### Vanuatu Tourism Policy Development

The relevance of the 2<sup>nd</sup> MSG Aviation and Tourism Dialogue outcomes to Members was evident when Program Manager Economic Development, Mr David Hopa, discussed the outcomes with the Steering Committee for the Vanuatu Strategic Tourism Action Plan at a meeting in Port Vila on 22 June 2016. Further support was provided through deliberations during the presentation of the International Visitor Survey findings also in Port Vila on 15 December 2016. The survey is an ongoing exercise involving the Vanuatu Tourism Office, Department of Tourism, Department of Immigration and Citizenship, Vanuatu National Statistics Office, and the New Zealand Tourism Research Institute at Auckland University with support from the International Finance Corporation through the Pacific Partnership programme.

### Forestry, Mining and Shipping Studies

The PITAP-funded MSG Forestry Study was conducted by Consultant Dr Yohannes Bauer, who was accompanied by Program Manager Economic Development, Mr David Hopa during the consultation visits to Member countries over the period, June-July 2016. Regarding the remaining studies coordinated by the Division, the low level of interest in the proposed MSG Mining Study led the TEOM that met in Port Vila on 23-24 May 2016 to endorse the diversion of PITAP funding



Pine logs near Labasa, Fiji

for the Mining Study to support the Shipping Study. The change was undertaken in consultation with PIFS, as the administrators of PITAP, while the Shipping Study was notably among the activities mandated under the 2014 Port Moresby Declaration. Captain Naveen Singhal of Singapore was subsequently engaged for the Shipping Study and he was accompanied by Trade Economist/Legal, Mr Petros Shayanowako, during consultations in Member countries during August-September 2016. The reports of the Consultants were completed and subjected to further scrutiny by Members during their respective Validation Workshops in Port Vila on 10 October and 13 October 2016.



The shipping port of Port Moresby

## Youth Development

Upon the invitation of the Vanuatu National Youth Council, the Secretariat was represented by Ms Lora Lini, Executive Officer and Mr Mansen Ahelmalahlah, Manager Research and Marketing for Melanesian Solutions Limited, at the Vanuatu Youth Economic Empowerment Forum held in Port Vila on 29-31 August 2016. The Secretariat's presentation focused on an update on the proposed MSG Youth Desk as recommended in the MSG 2038 Prosperity For All Plan. The Forum identified key issues affecting young people and how to effectively partner with Government, the private sector, civil society and other relevant service providers in order to address the youths' aspiration for economic empowerment. The Forum exemplified intra-MSG collaboration as the Fiji Young Entrepreneur Council also supported the event, together with the Pacific Youth Council (PYC) and International Labour Organisation. Notably, the Secretariat also had consultations on youth development with the PYC during the margins of the PIPSO Strategic Planning Workshop in Nadi on 11-12 July 2016.

Following a request from SPC, presentations were made by Capacity Development Advisor, Mrs Eleni Tevi and Private Sector Development Advisor, Mr Henry Sanday, at the SPC-MSG Emerging Youth Leaders of Melanesia Training Programme attended by 13 young leaders from all Member countries in Port Vila on 06 December 2016. The presentations highlighted the requirements of donors in support of projects such as for youth development, particularly in the context of the 10<sup>th</sup> and 11<sup>th</sup> EDFs. Attention was also drawn to the significance of developing youth entrepreneurship in the MSG PSD Strategy as an effective approach to addressing prevalent youth issues, particularly the lack of income generating opportunities. This broadened the understanding of participants on how to best influence and persuade for support of their work in their respective constituencies.



Mrs Tevi, speaking to the Emerging Youth Leaders



## Agricultural Development

Following the inability of Vanuatu to be represented at the Increasing Agricultural Commodity Trade (IACT) Project Steering Committee Meeting in Nadi on 19 February 2016, the Secretariat accepted SPC's invitation and nominated Private Sector Development Advisor, Mr Henry Sanday, to attend the meeting. Two Members, namely Fiji and Solomon Islands, were among other Pacific Island Countries – Federated States of Micronesia, Kiribati, Samoa, Tonga and Tuvalu – present, together with representatives of the EU, PIFS and PIPSO. Although this was the final Steering Committee meeting before the closure of the EU-funded IACT project on 29 February 2016, the interventions of the Secretariat focused on the roles that the MSGTA, PSD Strategy and Export Marketing Studies could play in supporting agricultural development within the MSG sub-region as well as on approaches to be considered for the improvement of future agriculture-based projects.

A remarkable achievement of the Economic Development Division was the recognition by Ministers at the TMM in Port Vila on 25 May 2016 of the potential economic benefits from cross-sectoral linkages, and thus their support for programmes that would strengthen sectoral linkages between agriculture and tourism. The Secretariat was represented immediately after the TMM at the Vanuatu Agritourism Policy Setting Workshop held also in Port Vila on 26-27 May 2016 by Private Sector Development Advisor, Mr Henry Sanday. His presentation, entitled “Vanuatu Trade, Tourism, Agriculture and Health National Policy: MSG Perspectives”, focused largely on cross-sectoral issues raised during the MSG PSD Strategy consultations in 2015.



Corn sold in banana leaves around Port Vila exemplifies linkages between the agrifood sector and local markets

The above intervention in Port Vila was followed by the Secretariat's representation again by Mr Sanday at two meetings in Apia, Samoa which were jointly organised by CTA, PIPSO, SPC, SPTO and the International Fund for Agricultural Development (IFAD). The meetings involved the Pacific Women in Agribusiness Workshop on 29 August 2016 and the 2<sup>nd</sup> Pacific Agribusiness Forum on 30 August-01 September 2016. In addition to aspects of the MSG PSD Strategy that relate to inclusive agritourism business development, the Secretariat also pinpointed the significance and challenges of prevalent cross-border rural trade between MSG Member countries.



A platter of local fruits at the King Solomon Hotel in Honiara, demonstrates agritourism business opportunities

## LEGAL SERVICES

### Reviews of Institutional Documents

The MSG Sub-Committee on Legal & Institutional Issues (SCLII) Meetings held in Honiara on 17-18 March 2016 and in Port Vila on 23 November 2016 discussed the national ratification and implementation of instruments entailing those Treaties and Agreements that Leaders had endorsed. The instruments discussed comprised the following: Treaty on Reciprocal Enforcement of Foreign Judgments; Treaty on Custody and Maintenance; Framework Treaty on the Protection of Traditional Knowledge and Expressions of Culture; Agreement Establishing the Regional Police Academy; and Framework Agreement on the Formed Police Unit.



SCLII Meeting participants in Port Vila

The Treaties on Reciprocal Enforcement of Foreign Judgments and on Custody and Maintenance of Children were developed to respond to the likely spin-off effects of increased movements of people and goods between Member countries, while the Framework Treaty of the Protection of Traditional Knowledge and Expressions of Culture is to assist Members in protecting their cultures and traditions given the increased commercialization of Arts and Cultural Expressions. SCLII also reviewed the criteria for Observers and Associate Members especially with respect to the prerogative powers of Leaders to decide on Membership in accordance with the revised Agreement Establishing the MSG as well as with the ideals expressed in the MSG 2038 Prosperity For All Plan.

## STRATEGIC PARTNERSHIPS

The Secretariat's promotion of strategic partnerships is aimed at securing collaboration with and generating funds from partners. Listed below are key events involving visits by partners to the Secretariat as well as the participation of the Secretariat at relevant engagements both in Vanuatu and abroad.

### European Union

The Head of the Suva-based EU Delegation for the Pacific, H.E. Mr Andrew Jacobs, paid a courtesy call to the Secretariat on 16 March 2016, together with EU officials namely, Mr Jobst Von Kirchmann, Head of Development Coordination Unit for Central Asia, Middle East, Gulf & Pacific, and Mr Gerard Van Driessche, International Aid & Cooperation Officer for the Pacific. Discussions focused on key issues affecting the Pacific region and Melanesian sub-region as well as on options to further strengthen the existing EU-MSG partnership. The Secretariat provided an update on its work programme including the PITAP Project funded under the 10<sup>th</sup> EDF.



A further opportunity for consultation eventuated during the visit of Mr Christoph Wagner, Head of Cooperation for the EU Delegation in Suva, when he met with the Director General, Ambassador Amena Yauvoli in Port Vila on 29 November 2016. The prospects of further EU support for projects in the Pacific ACP States through the 11<sup>th</sup> EDF and the Intra-ACP Facility were also discussed at both these meetings. In this regard, the Secretariat will be working closely with Members as well as with PIFS on accessing the upcoming funding envelopes from the EU.



The EU delegation led by H.E. Mr Andrew Jacobs (third from left) with Secretariat staff during their meeting, chaired by Program Manager Trade and Investment, Mr John Licht (centre)

### Other Development Partners

Options available to the Secretariat for the pursuit of stronger relations with development partners include regular consultations with partners as well as convening a Donors Roundtable. The Roundtable proposed for 2016 was aimed at partners interested in rendering policy and technical advisory services and funding assistance to better support sustainable economic and social development in line with the MSG Vision of having a sub-region that is “strong, integrated, enlightened, happy, prosperous, secure and caring” as articulated in the MSG 2038 Prosperity For All Plan. The proposal for a Donors Roundtable was considered for 2016 but since the Secretariat was not fully ready for it, the event is a likely proposition for the next couple of years.

Collaboration and consultations with regional and international partners in Port Vila and elsewhere continued. Examples here are projects involving PIFS, PIPSO, SPC, SPREP and OCO in the Pacific as well as CTA, IFAD, IOM and WTO as noted earlier in this report. A notable illustration in this regard eventuated when Ms Tendai Chigwada, Trade Research Analyst, met for consultations with a representative of the EU-funded TradeCom II Programme in Nadi on 18 March 2016. A trade-related capacity building proposal to TradeCom was subsequently submitted by the Secretariat and was being assessed by TradeCom as the year drew to its close. Should the proposal be approved, the project is expected to be implemented by mid-2017.



Representatives of strategic partners include Mrs Mereia Volavola, CEO, PIPSO and Ms Isolina Boto, Project Leader Regional Trade, CTA based in Brussels (Photo supplied)

## OPERATIONS

The Operations Division strengthens the capacity and enhances the operational effectiveness of the Secretariat through firstly, the delivery of effective and efficient human resources management and secondly, the improvement of financial management to promote accountability and transparency.

### Human Resources Management

As at 31 December 2016, the Secretariat had a total of 23 staff members, consisting of 14 Professional Staff, 8 Administrative and Support Staff and 1 Seconded Officer. Their breakdown by nationality is as follows: Fiji - 4, FLNKS – 1, Papua New Guinea – 3, Solomon Islands – 2 and Vanuatu – 13.

Two new staff members joined the Secretariat during the year while an existing staff member had his position re-designated. Those staff appointments include:

- a) Ambassador Amena Yauvoli of Fiji, Director General, effective from 16 April 2016;
- b) Senior Superintendent of Police Epineri Seibouma, on secondment from the Fiji Government for the period, 05 September to 31 December 2016; and,
- c) Mr Mansen Ahelmalahlah, formerly Manager Research and Marketing for Melanesian Solutions Limited, was re-designated to the position of Economic Affairs Officer on 14 September 2016 following the mandated dissolution of the company by Leaders at their Special Summit in Honiara.

Five staff members left the Secretariat during the year and they were as follows:

- a) Ms Vulori Baleisolomone of Fiji, Chief Operating Officer for Melanesian Solutions Limited, departed on 01 February 2016 upon the end of her contract;
- b) Mr George Ali of Vanuatu, Orderly, departed on 09 September 2016 following the termination of his contract;
- c) Mr Petros Shayanowako of Zimbabwe, Trade Economist/Legal, departed on 31 October 2016 upon the end of his contract;
- d) Ms Tendai Chigwada of Zimbabwe, Trade Research Analyst, departed on 31 October 2016 upon the end of her contract; and,
- e) Mrs Laisiana Tugaga of Fiji, Manager Corporate Services, departed on 18 November 2016 following her resignation.

Two staff members employed under PITAP with Mr Shayanowako and Ms Chigwada had their contracts extended following the end of the Project on 31 October 2016. They were Capacity Development Advisor, Mrs Eleni Tevi and Private Sector Development Advisor, Mr Henry Sanday, both of Fiji who were hired until 28 February 2017 to assist with the completion of all outstanding activities, including audit-related issues, the publication of a Trade Directory and the compilation of a comprehensive final narrative report on the Project as part of the formal closure of the Project.

Temporary appointments were also made during the year. Ms Anne Manua, who has a physical disability, and Ms Alissy Tuigaloa, completed their administrative work attachments from 01 June to 31 July 2016 as part of the Vanuatu Youth@Work Internship programme. Ms Amonlyn Tari was hired as a Temporary Accounts Clerk from 03 May to 31 August 2016, while Ms Winsor Bangkon was engaged as a Temporary Office Cleaner from 01 May to 31 December 2016.

## Financial Management

A Total Consolidated Budget of **VT565,560,072** was approved for 2016 by the Governing Body at its meeting held on 14 October 2015 in Port Vila. This Total Budget is made up of a Regular Budget of **VT257,643,421** with a Programme Budget of **VT307,916,651**. This is a reduction of 26% from the previous year. The Regular Budget is funded predominately by Members' Assessed contributions and Voluntary contributions to meet the operational costs of the Secretariat including staff emoluments. The Programme Budget is funded by donor partners targeted at specific projects and activities. Members' contributions were also used to finance certain Core positions for the Programmes.



Participants of the Special  
Budget Senior Official  
Meeting in Lautoka

2016 was a difficult year for the Secretariat as it continued to face challenges to stabilize its cash flow and reprioritize its activities. Substantive budgetary reforms were initiated by Director General, Ambassador Amena Yauvoli and approved by the Governing Body in Lautoka on 14 June 2016. Key decisions were:

- a) The temporary exclusion of FLNKS from the Annual Assessed Contributions Formula;
- b) The inclusion of Associate Members in the Assessed Contribution Formula; and,
- c) The appointment of an independent Consultant to undertake a comprehensive review of the Organisation and its structure later in the year.

Much of these reforms are to come into effect from 2017 onwards.

## 2016 Audited Accounts

At the time of the publication of this Annual Report, the 2016 Audited Accounts were not ready and this would be published separately at a later date.



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