

PACIFIC ISLANDS FORUM SECRETARIAT

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FORUM ECONOMIC MINISTERS MEETING

August 1 - 22024

INFORMATION PAPER 1: 2023 FORUM ECONOMIC MINISTERS MEETING (FEMM) DECISION PROGRESSIVE UPDATES

Purpose and Summary

Purpose

This paper provides a progressive update on the implementation of the 2023 Forum Economic Ministers Meeting (FEMM) decisions.

Summary

The 2023 FEMM discussed and considered 10 substantive agenda items. These includes the Regional Economic Outlook; the 2050 Strategy Implementation Plan including the Pacific Roadmap for Economic Development (PRED); Correspondent Banking Relationship issues; the EU List of non-cooperative tax jurisdictions; Pacific Resilience Facility; Climate Finance Opportunities; Regional Disaster Risk Finance Roadmap and Guidelines; the Pacific Islands Investment Forum; Pacific Quality Infrastructure Principles; and the Economic Implications of Regional labour schemes.

Following the discussions, Economic Ministers made 45 decisions. From these 45 decisions, 17 decisions were actionable taskings for the Secretariat to undertake. The progressive updates on these actionable decisions are provided in **Annex 1** of this paper.

It is important to note that several of these taskings are recurring activities that require the Secretariat to provide annual updates to Forum Economic Ministers annually.

A. Overview

The following is a summary of the 10 agenda items presented during the 2023 FEMM.

i. Regional Economic Outlook

The Secretariat provided a paper on the regional economic state of play and outlook for the region based on the three key macroeconomic indicators – (i) real gross domestic product (GDP) growth rates, (ii) inflation rates and (iii) debt to GDP ratio. The paper also highlighted broadly the economic impact of the war in Ukraine and the risks associated with climate change induced shocks.

ii. 2050 Strategy Implementation Plan and the Pacific Roadmap for Economic Development

The Secretariat presented to FEMM a progressive update on the work undertaken to develop the 2050 Strategy Implementation Plan (2050 IP) by Multi-Stakeholder Expert Groups (MSEGs) and in particular, providing the opportunity for feedback acknowledging the need to prioritise our economic development necessary to realise the ambitions outlined in the 2050 Strategy for the Blue Pacific Continent. Ministers also considered the update on the development of the PRED and urged finalisation of these regional policies in consultation with Senior Economic Officials.

iii. Correspondent Banking Relationship issues

The Secretariat presented to FEMM the findings of the diagnostic study on the withdrawal of correspondent banking relationship (CBR) in the region. The analysis undertaken for this review shows that CBRs in the Pacific continue to decline in the region as a whole, although experiences differ for individual Pacific Island Countries. This decline of CBR is taking place against a general decline in CBRs globally over the past decade. The diagnostic study presented 8 main recommendations for the Ministers to consider. The study was undertaken by the World Bank for the Secretariat.

iv. EU List of non-cooperative tax jurisdictions

The Secretariat presented to FEMM the findings of a World Bank diagnostic study on the EU list of non-cooperative tax jurisdictions in the region and an update on the Secretariat's work on the matter since the FEMM in August 2022.

v. Pacific Resilience Facility

The Secretariat presented to FEMM the reframing outcomes of the Pacific Resilience Facility (PRF) for endorsement and subsequent reporting to the Pacific Leaders meeting in November. The reframed and re-designed PRF has been expanded to a strategic two-pillar integrated resilience eco-system focus, using a modular design approach. The re-designed PRF consists of climate and disaster resilience pillars, and social and community resilience pillars.

vi. Climate Finance Opportunities

The Secretariat presented to FEMM an update on regional and global Climate Finance developments including discussions on the New Collective Quantified Goal (NCQG) and the Loss & Damage Transitional Committee work in response to the COP27 call for a Loss and Damage Facility. In view of the various Climate Finance ongoing developments, the paper also proposed a revised approach to the development of a Regional Roadmap on Climate Change Finance and investments, including a stronger focus on mobilising innovative and private financing opportunities.

vii. Regional Disaster Risk Finance Roadmap and Guidelines

The Secretariat presented to FEMM the Pacific Regional Disaster Risk Financing Roadmap and Guideline for Developing National Disaster Risk Financing (DRF) Strategies pursuant to the decision of the FEMM at its meeting held on 11 - 12 August 2022 in Port Vila, Vanuatu. The paper also provided an update of the activities of the Pacific Resilience Partnership's DRF Technical Working Group as first requested by the FEMM in 2021.

viii. Pacific Islands Investment Forum

The Secretariat presented to FEMM an update on the progress by the Pacific Islands Investment Forum (PIIF) to develop a co-investment mechanism to finance infrastructure investment opportunities across the Pacific. This update follows on from previous presentations by PIIF at the 2019, 2020, and 2021 Forum Economic Ministers Meetings (FEMM).

ix. Pacific Quality Infrastructure Principles

The Secretariat presented to FEMM the proposed high-level principles for infrastructure financing and development in the Pacific region, aimed at lifting the overall quality of investment and strengthening focus on Pacific-identified priorities, including ensuring infrastructure is resilient to the future impacts of climate change. The high-level infrastructure principle proposed was proposed by the Government of Australia.

x. Economic Implications of Regional labour schemes

The Secretariat presented to FEMM the proposal to consider including the social and economic impact assessment of the regional labour schemes in the region as a standing agenda item for FEMM to provide ongoing strategic guidance on the respective policy issues to resolve related challenges in collaboration with Forum Trade Ministers.

B. Implementation status

2. The implementation status of the key actionable decisions is presented in Annex 1 of this paper.

C. Next Steps

3. The Secretariat will provide progressive updates to FEMM annually.

Pacific Islands Forum Secretariat 25 July 2024

Annex 1: Progressive Updates on actionable decisions by 2023 FEMM

2023 FORUM ECONOMIC MINISTERS MEETING DECISIONS

Progressive Updates 16 June 2024

Subject matter	FEMM Decision	Progressive Updates
Economic Outlook	Ministers directed the Secretariat to provide a standing report on the economic performance of the region, drawing on the key national economic and structural indicators and alongside the progress of the implementation of the 2050 Strategy and the proposed PRED in alignment with other regional processes, national systems, and national development strategies, to Ministers on an annual basis.	 The Economic Outlook is now a standing agenda item for FEMM. A paper on the regional economic outlook will be presented to this year's FEMM.
	Ministers supported the consideration of greater regional economic integration initiatives and tasked the Secretariat with support from Senior Economic Officials to prioritise this work in the development of the PRED and to ensure that other key stakeholders, including resource sectors, state-owned enterprises, private sector and civil society are involved in this process.	The regional economic initiative has been included as a key regional priority action in the PRED.
2050 Strategy Implementation Plan and PRED	Ministers noted the update on development of the 2050 IP and the Review of Regional Architecture and urged Economic Officials to engage in the refinement of the goals, outcomes and regional collective actions of the Resources and Economic Development (RED) thematic area towards the finalisation of the 2050 IP;	 Economic Officials have been engaged, through the Pacific Economic Sub-committee (PESC) to refine the goals and outcomes of the RED. The Secretariat has been supporting Members in refining the RED indicators and narrative

	Ministers reaffirmed the importance of appropriate representation and engagement of Senior Economic Officials in the ongoing regional processes to develop regional policies, in particular the RED and the PRED and ensure holistic consultation with relevant stakeholders is undertaken considering the limited capacities at national levels and encourage awareness. Ministers noted the progress on the development of the PRED and reaffirmed the importance of its alignment to the 2050 IP and national strategies, and subsequently agreed to support the development of the PRED through the Pacific Economic Sub-Committee.	•	Economic Officials have been engaged through the PESC in the development of RED and the PRED The draft PRED has been developed through the PESC and socialised extensively with Members, CROP agencies and relevant stakeholders. Final draft PRED will be presented to Ministers for their consideration in the 2024 FEMM.
Correspondent Banking Relationship	Ministers tasked the Secretariat to work with the World Bank to prioritise the recommendations, develop a roadmap and progress the implementation of regional recommendations, with the support of relevant development partners and in consultation with Members through the PESC and ahead of the next FEMM.		 The CBR Roadmap has been developed and endorsed by the Pacific Economic Sub-Committee (PESC) during its meeting on the 6 February 2024. Some early wins for the CBR Roadmap implementation: The CBR high level event was held in Sydney, from the 28-29 March 2024. The event brought together banking regulators, policy makers and private sector to discuss de-risking challenges in PICs A key outcome of the high-level event is the development of the Pacific Finance for Growth Project by the World Bank. The project is at an advance stage of development and is expected to the endorsed, subject to meeting all due diligence requirements of the Bank, by August 2024. The project effectiveness is expected by Q4 of 2024. A Pacific De-risking Group (PDG) has been established. The PDG's terms of reference has been endorse during its inaugural meeting held on the 17 May 2024.
	Ministers directed the Secretariat to ensure momentum is maintained and work with the World Bank to include coverage of FSM, RMI and Palau in the PIFS/World Bank Review of Correspondent Banking Relationships in the Pacific, including highlighting the current gaps and related policy recommendations	•	The scope of the CBR diagnostic study has been extended to include US dollar countries of FSM, RMI and Palau. The report is expected by end of June 2024 and presented to Ministers.

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EU List on non-cooperative tax jurisdictions issues	Ministers directed the Secretariat to support Members on the EU list to implement the respective Member countries proposed actions in the report, where appropriate, and identify resourcing from partners, particularly the EU, to support this work.	•	The Secretariat presented a paper to consolidate the EU List with the CBR roadmap to the PESC for consideration on 11 June. While acknowledge that these are two distinct issues, the coordination of implementation support provided by development partners is visible at the regional level. The PESC did not support the merger of CBR roadmap together with the EU List roadmaps as they were two (2) separate technical issues and to defer the endorsement of the EU List roadmap.
Pacific Resilience Facility	Ministers urged Members who are World Bank Governors to work towards securing the World Bank's formal support to provide Reserve Advisory and Management Partnership (RAMP) services to the PRF to strengthen its credibility as the Pacific region's climate and disaster risk funding mechanism.	•	The Secretariat has met with the World Bank seeking their support to provide the Reserve Advisory and Management Partnership (RAMP) in March 2024. To date, the World Bank has not confirmed the RAMP to support the PRF
	Ministers welcomed preparations of the draft declaration, legal establishment and transitional documentation and other legal arrangements, while emphasising the need for further consultation on the draft documentation with Members before circulation out of session, and final endorsement, by Leaders at the PIFLM in Rarotonga.	•	The re-designed PRF and its draft declaration has been endorsed by the Pacific Islands Forum Leaders meeting in the Cook Islands. County of Domicile - the expression of interest bids for country of domicile closed 21 June 2024. An evaluation panel of 3 Members will consider the EOIs and prepare a report. This will be presented to FEMM and to Forum Leaders. PRF constitution is still working progress. The PRF transitional arrangement is progressing with the recruitment of the General Manager and legal counsel. Investment and Communications specialists roles have been readvertised. Australia has provided grant funding of AUD2.8 million to the Secretariat The Secretariat is working with the United States to secure USD5.3 million In terms of the pledges - Saudi Arabia has pledged USD50 million, Australia pledged AUD\$100 million and China US\$0.5 million while expression of support was received from New Zealand, Japan and Germany.
	Ministers urged all Members to work with the PRF-TWG to support the implementation of the re-designed PRF.	•	The PRF-TWG has met 6 times this year

Docific Climate Finance	Ministers agreed to extend the timeline and tecked the Secretariet	Τ.	The Company of the decide decided to the control of the decided to
Pacific Climate Finance Opportunities	Ministers agreed to extend the timeline and tasked the Secretariat, CROP Agencies, Partners and Members to develop a Regional Climate Finance Roadmap for consideration by the Ministers Meeting in 2024, in line with the proposed workplan detailed in Annex B.	•	The Secretariat has developed, with the support of development partners, the draft Climate Finance Access and Mobilisation Strategy (CFAM). The CFAM will be packaged as part of the Pacific Roadmap for Economic Development. The CFAM will be socialised with Members with expectation to endorsed out of session in 2024.
Regional Disaster Risk	Ministers approved the Pacific Regional DRF Roadmap and	•	The Secretariat is in the implementation phase, support several
Financing Roadmap and	Guideline for Developing National DRF Strategies attached in		countries develop their disaster risk roadmaps.
Guidelines	Annex C, highlighting the importance for simplicity, clarity and demarcation of responsibilities and authority.	•	So far, we have finalised the DRF Strategy for the Solomon Islands and it is waiting Cabinet endorsement. The DRF-TWG partners have also started the process of developing
			the DRF Strategy for Vanuatu, including assisting with the establishment of a dedicated Climate and Disaster Risk Finance unit within the Ministry of Finance.
	Ministers welcomed the aspiration in the Port Vila call for a just transition to a Fossil Fuel Free Pacific and tasked the Secretariat to progressing discussions on the region's transition including consideration of a declaration at the PIFLM in Rarotonga.	•	The Port Vila Call to action was discussed at the Leaders meeting in Rarotonga and while it was not adopted in its entirety, certain elements were endorsed, including the establishment of a Pacific Energy Commissioner to oversea the Just Transition into a Fossil Free Pacific. This work is being co-developed by PIFS and SPC with support form the Government of Denmark.
Pacific Islands Investment Forum	Ministers tasked the PIIF, in partnership with the Secretariat, to support Members 9 identifying investment barriers and formulating policy solutions to promote greater cross-border investments and report back to Ministers;	•	The Secretariat is working with the PIIF to explore the feasibility of hosting an investment summit in 2025. Discussions are ongoing between the Secretariat and PIIF.
Pacific Quality Infrastructure Initiative	Ministers provisionally approved the proposed Pacific regional infrastructure principles initiative whilst noting the opportunity for members to undertake further work and refinement of the principles prior to the Forum Foreign Ministers meeting and Pacific Islands Forum Leaders Meeting (PIFLM)	•	The Pacific Quality Infrastructure Principles have been endorsed during the 52 nd Leaders Meeting in Cook Islands.
	Ministers agreed that contingent on identification of resourcing, the Secretariat, in close consultation with Members and CROP agencies, develop options to support implementation of the principles, to be considered by Ministers following agreement and announcement of the principles as part of consideration of	•	The Secretariat is in close collaboration with Australia (DFAT) to onboard an Infrastructure Specialist to be based in the Secretariat. The Infrastructure Specialist will assist with the implementation of the infrastructure principles. Discussions are on-going between the Secretariat and DFAT.

	implementation of the 2050 Strategy		
Economic Implications of Regional Labour Schemes	Ministers reaffirmed the importance of including a comprehensive societal, social and economic cross cutting assessment of the costs, benefits and social impacts of the regional labour schemes in the development of the regional strategy noting that the oversight and direction of the Regional Labour Mobility Reference Group with final endorsement of the strategy to be provided by Trade Ministers and ensuring alignment to the 2050 IP. Ministers noted that this issue is a standing agenda of the Forum Trade Ministers Meeting and welcome the inclusion of labour mobility as a regular update to FEMM given its broader economic implications.	•	Through the PESC held on 11 June, the Secretariat provided an update on work undertaken to progress the 2023 FEMM Decision around the assessment of socio-economic impacts of skill migration in the Region as well as the proposed approach in carrying out the impact assessment. The PESC noted the update provided by the Secretariat and endorsed the proposed approach to undertake the Assessment of Socio-Economic impacts of skill migration in the Pacific.

2023 FEMM DECISIONS Decisions taken by Agenda Items

Economic Outlook

Economic Ministers:

- (i) **noted** the economic updates measured through key indicators of real GDP growth rates, inflation and the risks of debt distress levels;
- (ii) **welcomed** the strong economic rebound by Forum Island Countries (FICs) following the pandemic but recognised that maintaining consistent levels of growth would be difficult and further, acknowledged the lingering impacts of the pandemic, including high risks of debt distress levels, which will require tighter fiscal policies to manage these issues moving forward:
- (iii) **directed** the Secretariat to provide a standing report on the economic performance of the region, drawing on the key national economic and structural indicators and alongside the progress of the implementation of the 2050 Strategy and the proposed PRED in alignment with other regional processes, national systems, and national development strategies, to Ministers on an annual basis;
- (iv) **supported** the consideration of greater regional economic integration initiatives and **tasked** the Secretariat with support from Senior Economic Officials to prioritise this work in the development of the PRED and to ensure that other key stakeholders, including resource sectors, state-owned enterprises, private sector and civil society are involved in this process; and
- (v) **recognise** the need to prioritise issues related to regional economic integration and **tasks** the Secretariat to carry out work, in consultation with Members, on reframing the FEMM agenda for future meetings with a view to ensuring regional integration issues and interlinkages with other related Ministerial meetings covering trade, connectivity, energy, transport and others are leveraged.

2050 Strategy Implementation and Monitoring Plan

- (i) **noted** the update on development of the 2050 IP and the Review of Regional Architecture and **urged** Economic Officials to engage in the refinement of the goals, outcomes and regional collective actions of the Resources and Economic Development (RED) thematic area towards the finalisation of the 2050 IP;
- (ii) **reaffirmed** the importance of appropriate representation and engagement of Senior Economic Officials in the ongoing regional processes to develop regional policies, in particular the RED and the PRED and ensure holistic consultation with relevant stakeholders is undertaken considering the limited capacities at national levels and encourage awareness;

- (iii) **noted** with concern the proliferation of regional frameworks, plans and strategies and reaffirmed the need to streamline these issues through the 2050 IP and the PRED and further, acknowledged the limited capacity of FICs to engage in the various policy development processes; and
- (iv) **noted** the progress on the development of the PRED and reaffirmed the importance of its alignment to the 2050 IP and national strategies, and subsequently agreed to support the development of the PRED through the Pacific Economic Sub-Committee (PESC).

Correspondent Banking Relationship Issues

Economic Ministers:

- (i) **acknowledged** the work that has been completed to date on this issue and encouraged the ongoing collaboration and exchange of information between Members on this issue;
- (ii) **tasked** the Secretariat to work with the World Bank to prioritise the recommendations, develop a roadmap and progress the implementation of regional recommendations, with the support of relevant development partners and in consultation with Members through the PESC and ahead of the next FEMM;
- (iii) **directed** the Secretariat to ensure momentum is maintained and work with the World Bank to include coverage of FSM, RMI and Palau in the PIFS/World Bank Review of Correspondent Banking Relationships in the Pacific, including highlighting the current gaps and related policy recommendations; and
- (iv) **further underscored** the disproportionate burden of international anti-money laundering and countering financing of terrorism (AML/CFT) standards on smaller Pacific Island economies and called for greater regional collaboration to address de-risking and banking issues.

EU List on non-cooperative tax jurisdictions issues

- (i) **acknowledged** the support of Australia and New Zealand in progressing this work in partnership with the World Bank;
- (ii) **discussed** the findings of the World Bank report, noting the reasons why the five countries remain on the list and the proposed actions required to address the issue;
- (iii) **noted** the support available from international organisations such as the World Bank and Members to assist members on the list and encourage affected members to seek assistance on taxation matters; and
- (iv) **directed** the Secretariat to support Members on the EU list to implement the respective Member countries proposed actions in the report, where appropriate, and identify resourcing from partners, in particular the EU, to support this work.

Pacific Resilience Facility

Economic Ministers:

- (i) **urged** Members who are World Bank Governors to work towards securing the World Bank's formal support to provide Reserve Advisory and Management Partnership (RAMP) services to the PRF to strengthen its credibility as the Pacific region's climate and disaster risk funding mechanism;
- (ii) **noted** the leadership of the PRF TWG in the PRF redesign process and support of the FOC Sub-Committee on Prioritisation and Resourcing (FSPR) and the Audit and Risk Sub-Committee (ARSC), and approved the 18 key re-designed elements of the PRF presented in this paper;
- (iii) **approved** the implementation of the re-designed PRF;
- (iv) **welcomed** preparations of the draft declaration, legal establishment and transitional documentation and other legal arrangements, while emphasising the need for further consultation on the draft documentation with Members before circulation out of session, and final endorsement, by Leaders at the PIFLM in Rarotonga; and
- (v) **urged** all Members to work with the PRF-TWG to support the implementation of the redesigned PRF.

Pacific Climate Finance Opportunities

Economic Ministers:

- (i) **noted** the fluid nature and existing challenges associated with access to climate financing, and reaffirmed the need to better align, coordinate and simplify financing recognising the absorptive capacity and context of Forum Island Countries (FICs);
- (ii) **noted** the various climate financing developments currently in progress globally that will influence how the Pacific region positions itself to take advantage of these new developments;
- (iii) **noted** the progress of work undertaken to develop a regional climate finance roadmap that will align with the 2050 IP; and
- (iv) **agreed** to extend the timeline and tasked the Secretariat, CROP Agencies, Partners and Members to develop a Regional Climate Finance Roadmap for consideration by the Ministers Meeting in 2024, in line with the proposed workplan detailed in Annex B.

Regional Disaster Risk Financing Roadmap and Guidelines

- (i) **approved** the Pacific Regional DRF Roadmap and Guideline for Developing National DRF Strategies attached in Annex C, highlighting the importance for simplicity, clarity and demarcation of responsibilities and authority;
- (ii) **noted** the progress of capacity building activities and support on DRF to Members by the Secretariat and the members of the Pacific Resilience Partnership DRF TWG;

- (iii) **encouraged** all Members to work with the DRF-TWG to support the implementation of the Pacific DRF Roadmap and Guideline through the development and implementation of national DRF strategies; and
- (iv) **welcomed** the aspiration in the Port Vila call for a just transition to a Fossil Fuel Free Pacific and **tasked** the Secretariat to progressing discussions on the region's transition including consideration of a declaration at the PIFLM in Rarotonga.

Pacific Islands Investment Forum

Ministers noted the invitation to support the PIIF co-investment platform by:

- (i) **engaging** with the PIIF co-investment platform to understand its purpose, function, and the best practise governance structures to support long term sustainable projects in the Pacific region
- (ii) **supporting** the PIIF co-investment platform team to identify commercially viable infrastructure projects for investment in their countries;
- (iii) **engaging** the initiatives to enable PIIF Member Funds from across the Pacific to participate in commercially viable infrastructure projects in their countries;
- (iv) **requesting** the investment activities engaged in are priority areas aligned to the implementation of the 2050 Strategy; and
- (v) **tasking** the PIIF, in partnership with the Secretariat, to support Members

Pacific Quality Infrastructure Principles

- (i) **noted** the need for greater regional focus and effort to support quality infrastructure development and ensure alignment with national and regional priorities;
- (ii) **provisionally approved** the proposed Pacific regional infrastructure principles initiative whilst noting the opportunity for members to undertake further work and refinement of the principles prior to the Forum Foreign Ministers meeting and Pacific Islands Forum Leaders Meeting (PIFLM);
- (iii) **agreed** that, contingent on identification of resourcing, the Secretariat, in close consultation with Members and CROP agencies, develop options to support implementation of the principles, to be considered by Ministers following agreement and announcement of the principles as part of consideration of implementation of the 2050 Strategy; and
- (iv) **noted** that the proposal will be presented to Forum Foreign Ministers for their consideration with a view to endorsement and announcement by Leaders at the PIFLM in November 2023.

Economic Implications of Regional labour schemes

- (i) **reaffirmed** the importance of including a comprehensive societal, social and economic cross cutting assessment of the costs, benefits and social impacts of the regional labour schemes in the development of the regional strategy noting that the oversight and direction of the Regional Labour Mobility Reference Group with final endorsement of the strategy to be provided by Trade Ministers, and ensuring alignment to the 2050 IP;
- (ii) **noted** that this issue is a standing agenda of the FTMM, and **welcomed** the inclusion of labour mobility as a regular update to FEMM given its broader economic implications;
- (iii) **emphasised** the centrality of our people in our economic development aspirations and agreed for labour mobility to be a priority consideration for greater regional economic integration;
- (iv) **noted** that an update report on labour mobility to be first endorsed by the Regional Labour Mobility Reference Group, tabled at the PIFLM in Rarotonga; and
- (v) **noted and welcomed** the Australian Government's plan to introduce a Pacific Engagement Visa aimed at providing permanent resident visas to Pacific Islanders.