



PACIFIC ISLANDS FORUM SECRETARIAT

PIFS(23)FEMM.12b

FORUM ECONOMIC OFFICIALS MEETING

8 August 2023

FORUM ECONOMIC MINISTERS MEETING

9 - 10 August 2023

Suva, Fiji

**AGENDA ITEM 10b: PACIFIC REGIONAL INFRASTRUCTURE PRINCIPLES
INITIATIVE**

Purpose

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This paper was developed by the Government of Australia and proposes 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.

Summary

Quality infrastructure is crucial to driving resource development and economic growth, building climate resilience, connecting Pacific communities and improving quality of life – all key objectives of the 2050 Blue Pacific Continent Strategy (the 2050 Strategy). Pacific Island Countries (PICs) face major challenges in delivering on that task, and there is scope to strengthen regional approaches in support of national-led effort on infrastructure development. A set of coherent, regionally-owned and inclusive principles will give PICs greater voice and ownership in shaping infrastructure financing and development in line with Pacific-identified priorities, including with Multilateral Development Banks (MDBs) and other donor agencies to ensure their procurement practices support PICs development priorities.

A. Problem/Opportunity

2. Quality infrastructure is crucial to progress key pillars of the 2050 Strategy, including resource and economic development, climate change and disaster prevention, technology and connectivity. But delivering quality infrastructure that advances these objectives and is tailored to Pacific needs is challenging. Like other regions, the Pacific faces significant gaps in infrastructure investment, with estimates of around USD3.3 billion per annum through 2030. In filling those gaps, PICs are also at risk to infrastructure investment that leads to unsustainable debt, poor quality builds and inefficient

assets, limited or no local employment or economic growth opportunity, and negligible environmental and social benefits.

3. PICs have a clear sense of what quality infrastructure represents in a Pacific context, including generating local content, delivering value for money and resilience to the future impacts of climate change. And while there is a lot of valuable work being undertaken at the standards level, and in particular sectors, to enhance infrastructure quality, there is no overarching framework or principles to give voice to Pacific expectations, and to help collectively shape and lift infrastructure financing and development in the region in line with Pacific-identified priorities. There is a practical and low-cost opportunity for the Pacific Islands Forum (PIF) to contribute to strengthening regional effort, and accountability, in this regard.

B. Proposed Regional Infrastructure Principles

4. The proposed (six) high-level principles are cross-sectoral and reflect Pacific-identified priorities (**ANNEX 1**). They include provisions for local content, supporting economic growth, and ensuring infrastructure is resilient to future impacts of climate change, and place emphasis on affordability, sustainability and transparency – all essential to ensuring ‘value for money’, inclusivity, respect for human rights (including labour rights) and strong focus on environmental protection and climate resilience.

5. The principles are based on wide ranging consultations with PIF Members and other stakeholders and are broadly aligned with best practice principles developed under the G20 Quality Infrastructure Investment initiative and guiding the Partnership for Global Infrastructure Initiative and the Blue Dot Network.

6. The principles provide a broad framework for guiding national approaches on infrastructure, informing policy and procurement practices, the ongoing development of standards and engagement with private sector and other stakeholders. Importantly, they will provide backing and help align support for Pacific governments seeking to ensure responsible public financial management, local content, appropriate environmental and social safeguards and good governance for infrastructure assets.

7. At the regional level, the principles will bring greater coherence to and direction of regional activity on infrastructure development in the Pacific, for example bodies such as the Pacific Regional Infrastructure Facility (PRIF) and strengthen collective accountability. The principles are designed to be inclusive and could be adopted by other countries, donors and other groupings to further align policy approaches, reinforce norms on quality infrastructure best practice in the Pacific and expand accountability.

8. Endorsement of the principles would send a strong message to partners, donors and international investors about Pacific expectations on quality infrastructure and give further weight to advocacy by Pacific governments for much-needed change to how multilateral development banks (MDBs) support infrastructure procurement in the region, including placing a higher requirement on use of local content and employment, competitive pricing, and long-term maintenance guarantees. It

would also underline the region's commitment to (and leadership) on building a climate resilient and sustainable future, including in the lead-up to COP 31.

9. PIF Members would be primarily responsible for implementation of the principles, including the core task of calling for MDBs and Pacific partners to reflect the principles in their procurement processes. In many areas this would involve building on existing commitments/activities. Current work on implementation planning for the 2050 Strategy provides opportunity to integrate specific actions at the regional level to further support implementation of the principles, specifically implementation plans for the Resource and Economic Development, Technology and Connectivity thematic areas. PIFS and Council of Regional Organisations in the Pacific (CROP) agencies would also play an important role as part of coordinated regional approach in support of implementation. Pacific's key infrastructure partners, including MDBs and their boards will also play an important role through operationalising the principles in their infrastructure funding decisions and technical and other capacity-building support. There may also be value in exploring the option of establishing a focal point for infrastructure within PIFS to assist coordination, and support advocacy and engagement with external stakeholders.

C. Consultation

10. The principles have been developed in close and extensive consultations with the PIF Secretariat, PICs and regional partners.

- (i) The Australian Government initially conducted outreach on the concept of the initiative to all PICs, including at both ministerial and officials levels in February and March 2023.
- (ii) On the basis of feedback received from PICs and PIFS, Australia prepared a concept note/non-paper and draft principles outlining the detail of the concept and principles and shared these with PICs and PIFS.
- (iii) After circulating the non-paper and draft principles, Australian officials presented on the initiative to the Pacific Economic Sub-Committee (PESC) in Suva in May 2023, where PESC agreed to include the initiative in the provisional agenda for the Forum Economic Ministers Meeting (FEMM). And following this round of consultation, the Australian Government delivered another presentation to PESC in July 2023.
- (iv) The Australian Government consulted other key partners, including PRIF, the Asian Development Bank and the World Bank and briefed Pacific partners France, the United States, Japan and the United Kingdom.

D. Recommendation

11. Ministers are invited to:

- i. **note** the need for greater regional focus and effort to support quality infrastructure development in the region in line with Pacific priorities;
- ii. **provisionally approve** the proposed Pacific regional infrastructure principles initiative;

- iii. **agree** that contingent on identification of resourcing, the PIF Secretariat, in close consultation with PIF 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. **note** that the proposal will be presented to Forum Trade Ministers and Forum Foreign Ministers for their consideration with a view to endorsement and announcement by Forum Leaders at the Leaders Meeting in November 2023.

E. Next Steps

12. Subject to their decision, FEMM will refer the principles to Forum Foreign Ministers for their consideration, with a view to seeking endorsement of the principles by Forum Leaders in November 2023.

13. PIF officials to consider options and a process for naming the principles and developing a logo. Naming options could include, 'Greening the Blue Pacific: Principles for Infrastructure Financing and Development' or 'Building a Resilient Pacific: Principles for Infrastructure Financing and Development'.

F. Regional Governance Implications

14. The Australian Government expects implementation will draw in stakeholders from across the priority areas (resource and economic development, climate change and disaster prevention, technology and connectivity) identified in the 2050 Strategy. This would require coordination across stakeholders, including CROP agencies.

G. International Advocacy and Engagement Implications

15. As principles setting Pacific expectations about how infrastructure is financed and developed, advocacy by the Pacific would be required to promote its implementation, including by donor partners.

Pacific Islands Forum Secretariat
3 August 2023

Annex 1

PACIFIC REGIONAL INFRASTRUCTURE INITIATIVE PRINCIPLES FOR QUALITY INFRASTRUCTURE FINANCING AND DEVELOPMENT

Draft Principles

The six Principles for Quality Infrastructure Development and Financing in the Pacific are designed to improve the integrity of infrastructure decision making while maximising the positive impacts of infrastructure investments in the region. They reflect a regional strategic direction and aspiration in the Pacific for infrastructure to deliver for the people where the infrastructure is built, and for the people who ultimately use and pay for it. Implementing the Principles will ensure that infrastructure financing and development generates local employment and benefits, integrates social and environmental considerations, strengthens climate resilience and is economically efficient.

1. Local Content

Promote sustainable and inclusive economic growth, with a strong focus on supporting local economic development, including through greater access to jobs and training opportunities for Pacific Islands people and supply contracts for Pacific Island industry.

- Alignment with 2050 Strategy for the Blue Pacific Continent key objectives and national/local development strategies
- Generates local employment opportunities and contributes to building the supply of locally available vocational and technical skills/knowledge.
- Strengthens access for women, people living with disability and marginalised groups to the workforce and vocational skills.

Adopts procurement models that prioritise local industry participation in design and construction and across the supply chain.

2. Value for Money

Integrate value for money principles across the asset life cycle to ensure financial considerations are balanced against non-financial objectives such as quality and generating sustained social and economic benefits for local communities.

- Project appraisal based on life cycle assessment, ensuring projects deliver value for money across the full life cycle.
- Ensure procurement is based on value for money principles, prioritising procurement outcomes which support high quality, resilient infrastructure, generating local, inclusive economic opportunities.
- Effective project monitoring and a strong focus on the long-term operation and maintenance of assets, including through building local capacity.

3. Climate Resilience

Ensures projects are resilient to climate change and natural disasters and are fully aligned with Pacific international commitments and agreed pathways towards 2050 net-zero emissions under the Paris

Agreement.

- Includes the adoption of energy efficiency measures and deployment of renewable energy sources.
- Addresses climate and disaster risk in infrastructure plans, designs and materials

4. Regional Standards

Incorporates in all projects safeguards consistent with the Secretariat of the Pacific Regional Environment Program (SPREP) Environmental and Social Management System Policies and Standards (2019)

- Strengthen the environmental and social outcomes of projects by applying the SPREP Environmental and Social Policies, Gender Policy, Fraud Prevention and Whistle-blower Policy and Child Protection Policy
- Avoid adverse impacts where possible, and where unavoidable, apply the mitigation hierarchy of minimisation, mitigation and compensation/offset.
- Strengthen regional and national agencies' capacity for managing environmental and social risks and impacts.

5. Responsible Borrowing

Support sound public financial management, debt transparency and project-level and country-level debt sustainability, and good governance through protections against corruption and processes for transparent procurement and consultation, including opportunity for local participation in governance/oversight.

- Strengthen public financial sustainability, including adherence to responsible borrowing and debt servicing practices.
- Disclosure of total borrowers and attributable financiers
- Effective project governance and oversight mechanisms, including audit and public reporting.
- Compliance with anti-corruption legislation and regulation

6. Private Sector Investment

Promote market-driven and private sector led investment, supported where appropriate by judicious use of public funds, as the most efficient driver of sustainable quality infrastructure development.

- Encourage private sector participation, including through regulatory settings that establish certainty for long term investment and create a competitive business environment.
- Consider a full range of financing models, including public-private partnerships, and a full range of financing tools.