



PACIFIC ISLANDS FORUM SECRETARIAT

PIFS(24)FEMM.6

FORUM ECONOMIC MINISTERS MEETING

01 – 02 August 2024

Suva, Fiji

AGENDA ITEM 6: PACIFIC ROADMAP FOR ECONOMIC DEVELOPMENT (PRED)

Purpose and Recommendations

Purpose

This paper presents the final draft Pacific Roadmap for Economic Development (PRED) for the final consideration of the Forum Economic Ministers as mandated by the 2022 Forum Economic Ministers Meeting (FEMM).

Summary

PRED was developed as part of a regional collective effort to mitigate the impacts of the three-pronged crises of the COVID-19 pandemic, the ongoing geopolitical tensions and climate change. In endorsing the proposal to develop PRED in 2022, Economic Ministers reaffirmed the need for innovative and collective economic approaches to support the region's development aspirations. PRED was developed to support the Forum Leaders' vision under the 2050 Strategy for the Blue Pacific Continent (2050 Strategy), in particular, to support the coordination and implementation of the Resource and Economic Development (RED) thematic area of the 2050 Strategy Implementation Plan (2050 IP).

The RED thematic area outlined twelve regional collective actions (RCAs) to support the achievement of its goal and outcomes. A closer examination of the RCAs within RED during the PRED development process revealed some gaps and potential overlaps in the regional economic priorities. The PRED takes into consideration these findings and outlines regional priority actions (RPAs) that are built on the RED RCAs for complementarity, proper alignment and sequencing. These RPAs are organised under two specific focus areas: macroeconomic stability, resilience and growth; and financial resilience and access.

In attuning to the realities and challenges for more affirmative actions to fully recover from the impacts of the COVID pandemic, and to become more self-reliant in the face of global shocks and to be more resilient to the impacts of climate change, the PRED encompasses a wide range of critical and interrelated issues as outlined in the RED. Together these all support Members' economic development aspirations including financial stability and sustainability, trade and labour mobility, private sector development, investment, and sustainable tourism.

The overarching outcome is to provide the platform for the realisation of the 2050 Strategy ambition for the RED Thematic Area that *"All Pacific peoples benefit from a sustainable and*

resilient model of economic development, including enabling public policy and a vibrant private sector and others, that brings improved socio-economic wellbeing by ensuring access to employment, entrepreneurship, trade, and investment in the region”.

To ensure sufficient coverage of these issues, the PRED outlines a list of thirty-three RPAs. Whilst cognisant of the fact that this list of priorities is long, these issues are however critical for continuing to promote recovery and assist in ensuring a prosperous future for our Blue Pacific economies.

A framework indicating the rationalisations and phasing of these priorities is provided to bring better understandings to how these priorities will be implemented. This will be important for the engagement with development partners as their support is sought for the implementation of the PRED.

Problem/Opportunity Identification

In 2022, Economic Ministers noted unprecedented economic scarring from the COVID-19 pandemic and reiterated that the pandemic had challenged the region to do things differently and to be more proactive. Ministers then noted the need to prioritise the development of the Pacific Roadmap for Economic Development – PRED (formerly called the Blue Pacific Economic Strategy – BPES) to explore innovative and collective approaches to address the economic impacts of the pandemic and position the region to enhance future regional responses to such events. Ministers further emphasised the urgency to strengthen strategic and aligned coordination of all regional economic collective engagement to avoid duplication. Economic Ministers directed that the PRED be developed and aligned to the implementation plan of the 2050 Strategy for the Blue Pacific Continent.

2. Ministers 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. In recognising the value of PRED as a means to foster greater policy coherence, and that it should be closely aligned to the 2050 IP, the PRED was developed with the intent to support the implementation of the Resource and Economic Development (RED) thematic area of the 2050 IP. The RED thematic area covers a wide range of issues including economics, financing, investment, trade, private sector, and sustainable tourism. This involves a multitude of stakeholders comprising national administrations, CROP agencies, Civil Society Organisations (CSOs), private sector stakeholders, and numerous regional and international agencies. It was critical that comprehensive consultations be undertaken for the development of the PRED. This was in line with the directive from the 2023 FEMM to ensure holistic consultation with relevant stakeholders be undertaken. Senior Economic Officials were encouraged by Ministers to engage in the finalisation of the PRED and this has been facilitated through the PESC and the Economic Informal Working Group (EIWG)¹.

3. The wide range of issues covered in the RED thematic area meant that the scope of the priorities the PRED would seek to cover would also be extensive. This presented a challenge for the PRED to be the single policy document to capture such a wide range of key priorities to ensure improved socio-economic wellbeing of all Pacific peoples. In the 2050 IP, the RED listed twelve

¹ The current members of the EIWG are Australia, Cook Islands, Fiji, Kiribati, Samoa and Tonga and membership is open to all Members.

regional collective actions (RCAs) to support the achievement of the people and system outcomes. To support the achievement of the RED outcomes, the PRED has expanded the RCAs and has proposed a new set of regional priority actions (RPAs) to complement the RCAs for successful achievement of the RED goal and outcomes.

4. Notwithstanding these challenges, PRED provides an opportunity for policy coherence where existing related regional initiatives are reoriented towards the common Goal outlined in the RED IP. PRED also provides an opportunity for better alignment of related and cross-cutting issues and, more importantly, an opportunity for stronger cooperation and coordination for effective and strategic engagement with relevant partners and stakeholders, within the region and beyond.

Background (Context)

5. At the 2023 FEMM, Ministers noted progress made 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 PESC. Recognising the need to prioritise issues related to regional economic cooperation and integration, Ministers tasked the Secretariat to prioritise regional economic integration initiatives in the development of the PRED.

6. In noting the Economic Ministers' reaffirmation of the importance of appropriate representation and engagement of Senior Economic Officials in the ongoing regional processes to develop the PRED, and noting the discussion by the PESC on 6 February for a Troika-like arrangement, an informal working group of Economic Officials (EIWG) was formed to address the concerns around representation and engagement by Senior Economic Officials. The EIWG supports the PESC chair in driving the regional economic priorities emanating from FEMM, including the thorough review of the draft PRED.

7. Empowerment of women and ensuring their participation are essential components of socioeconomic development and wellbeing. Gender equity and social inclusion are therefore central to the actions proposed under the PRED. The Revitalised Pacific Leaders Gender Equality Declaration (PLGED) will guide the mainstreaming of gender equity to support and strengthen economic empowerment of women.

8. With financial support from the United Nations Development Programme, a consultant was engaged to support the development of the PRED. A first draft PRED was developed following comprehensive consultations with members and key stakeholders and this draft was shared with Members on 13 May 2024. Feedback on this first draft was received by the Secretariat ahead of the 5th meeting of the PESC on 11 June and a second draft was developed and shared shortly before the PESC meeting. In acknowledging Members' agreement with the RPAs outlined in the PRED, it was recognised that rationalisation of these priorities was required to guide how these will be implemented at the regional level, including the consideration of resources that will be required.

Linkages and Alignment

9. Policy decisions from FEMM and Forum Trade Ministers (FTMM) meetings related to trade, climate finance, and private sector development are aligned within the draft PRED. These include

the Climate Finance and Mobilisation Strategy (CFAMS), Pacific Region Private Sector Strategy (PRPSS) and the Labour Mobility Principles. Priorities from key economic sectors including tourism and fisheries that are related to the achievement of the RED outcomes are also aligned to the PRED.

Analysis of Policy Options

i. Draft PRED

10. With guidance from Senior Economic Officials through the PESC, and through a comprehensive consultation process, the draft PRED has been finalised and is attached at *Annex 1*.

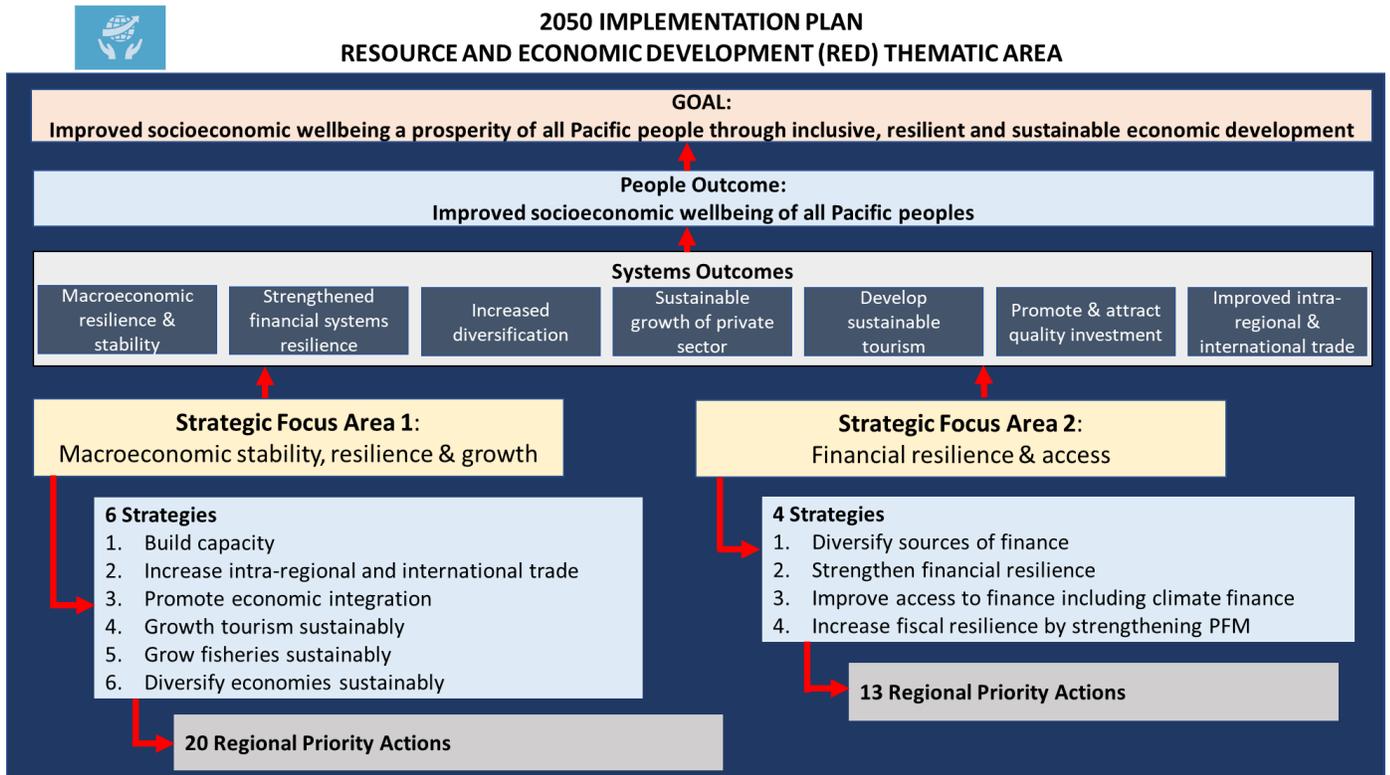
11. In alignment with the 2050 IP, the PRED adopted the Goal for RED of **“Improved socioeconomic wellbeing and prosperity of all Pacific people through inclusive, resilient and sustainable economic development.”** This incorporates the People’s Outcome of **“Improved socioeconomic wellbeing of all Pacific People”**.

12. After careful examination of the RCAs under the RED, it was evident that they were not sufficient to achieve the identified system outcomes in the RED. The seven System Outcomes identify high level outcomes for key economic sectors in the region. To achieve the RED goals, the seven systems outcomes and to build on existing regional initiatives, the PRED proposes a new set of Regional Priority Actions (RPAs) that catalyse support towards the achievement of both the RED Goals and system outcomes.

13. The PRED proposes two key strategic focus areas (SFA) to bring cohesion, better alignment and linkages between the key economic sectors noting their strong interdependencies. SFA 1 focuses on macroeconomic stability, resilience, and growth. It identifies areas for economic diversification, support for increased trade, promotion of economic integration and support for capacity building. SFA 2 focuses on financial resilience and access. It identifies areas to diversify sources of finance, strengthen financial resilience, improve access to finance and increase fiscal resilience. Through these two SFAs, relevant RCAs outlined in the RED are aggregated where appropriate, with additional RPAs for completeness and relevance. This provides a more programmatic approach to the many actions required for implementation and financing.

14. The *Figure 1* illustrates the linkages between the PRED’s strategic focus areas and its strategies to the Resource and Economic Development thematic area of the 2050 IP.

Figure 1. Linkages between the RED thematic area of the 2050 IP and the PRED



ii. **Prioritisation of PRED RPAs**

15. As guided by the PESC, and with the support of the EIWG, the Secretariat undertook a rationalisation exercise of the priorities in the PRED with the consideration of the resourcing needs required.

16. Each of the RPAs has been identified and unpacked to provide scope for both prioritisation and rationalisation of the required actions into a programmatic framework. Adopting a programmatic approach will assist in facilitating both resourcing and delivering an integrated approach towards the achievement of the PRED and 2050 Strategy outcomes.

17. All RPAs have therefore been assessed for their cross-cutting links to other related actions to enable the programmatic framework to be developed. Such an approach avoids duplication of effort and provides for a more holistic and comprehensive analysis of the critical issues under consideration. It also aligns with the 2050 Strategy to promote greater cooperation and integration in implementation and will demonstrate to funding partners that actions will be undertaken in an efficient and cost-effective manner.

18. For ease of reference, and to clearly illustrate the Programmatic Framework, a “traffic-light” system has been adopted to assist with the prioritisation of RPAs on the basis of:

- a) **Priority 1:** Actions that are already ongoing and which are expected to be completed and/or to move into an implementation phase within a five-year period to 2030 and could feed into the Priority 2 actions

- b) **Priority 2:** Actions that are well defined within a programmatic frame, and that can be designed and ready for funding in the short to medium-term; if funding becomes available quickly these actions could be completed within the initial five-year timeframe and be ready for implementation before 2030;
- c) **Priority 3:** Actions that need further refinement and definition, such as those that involve development in collaboration with other agencies (CROP and/or other partners), where co-financing between partners may be required, and where action could be undertaken in the medium to longer-term with completion and implementation commencing in or after 2030;
- d) **Priority 4:** Actions that are deemed to be longer-term objectives requiring more complex analysis, consultation and design, involving members as well as specialist technical agencies.

19. These priority classifications are intended to be flexible and responsive to emerging issues and events. Progress will be regularly reviewed, reported and revised as regional developments and externalities emerge and evolve. **Table 1** presents the result of the prioritisation of RPAs using the traffic light modality, details for which can be found in **Annex II**.

Table 1. Prioritisation of RPAs

Priority level	Description	# of RCAs
Priority 1	Ongoing/in the pipeline	13
Priority 2	Programmatic frame	12
Priority 3	Need further refinement	3
Priority 4	Require complex analysis	5
	TOTAL RPAs	33

iii. Rationalisation

20. It is important to note the wide range of issues outlined in the RED thematic area in which the PRED is built upon. Cognisant of Forum members’ diverse resource endowments and different levels of economic development, the prioritisation was based on the following observations:

- a. **Rationale 1:** Reorientation of existing relevant activities emanated from Forum Ministerial and Leaders meetings towards the 2050 IP RED outcomes. Many have been progressed or initiated with secured resources i.e., CBR project with the World Bank;
- b. **Rationale 2:** For a region as diverse as the Pacific, it is difficult to find a one-size-fits-all solution, but it is important instead to recognise the diversity of the Forum Island Countries. It is this recognition that priority issues relevant to various sub-regional groupings are considered, including issues pertinent to Smaller Island States (SIS) i.e., debt sustainability, connectivity, impacts of labour mobility and trade;
- c. **Rationale 3:** Recognising that a whole-of-region approach is required for the effective implementation of the PRED where the PIFS will play a key role in monitoring and reporting on its progress. Division of labour with areas of specialisation for different regional organisations was recognised, i.e., fisheries development priorities to be led by FFA and sustainable tourism priorities to be led by SPTO. Within PIFS, trade, private sector and supply chain issues will be dealt with by trade, private sector and Pacific Trade and Invest (PT&I) teams respectively; and

- d. **Rationale 4:** Recognising the interconnectedness of many of the RPAs, developing programmatic approaches rather than individual projects will provide better alignment and coherence as current activities are reoriented towards the achievement of the 2050 Vision. Accordingly, Members and relevant stakeholders will be consulted in the development of programmatic work, which will also inform strategic engagement with development partners .

iv. Risks

21. While PRED presents a comprehensive plan for economic development within the Blue Pacific region, there are risks and challenges that require consideration and critical assessment. These include:

- **Resource mobilisation:** Resourcing is critical to the successful implementation of the PRED. Quantifying the resources required will be progressed through a framework to guide engagement with development partners; this will be critical in leveraging for resources.
- **Capacity constraints:** Capacity is a significant limiting factor to economic progress as well as the ability of regional organisations to support the implementation of the PRED. Sharing and pooling of resources is an alternative in the immediate to short-term and this will require greater buy-in from regional organisations. Utilising existing modalities such as CROP mechanisms could strengthen and improve coordination and cooperation amongst regional agencies and partners.
- **Managing expectations:** With the advancement of the PRED as the implementing instrument of the RED thematic area, and notwithstanding linkages between the RED and other thematic areas of the 2050 Strategy, the PRED will principally focus on the implementation of the RED thematic area. It is important to underscore the role of the PRED in supporting Members achieve their national priorities by focusing on what it can deliver and add value to at the regional level.

Consultation

Recognising the wide range of issues in the RED that PRED covers and noting the 2023 Ministerial decision to ensure holistic consultation with relevant stakeholders, a comprehensive consultation process was undertaken with Members and relevant stakeholders to develop the document. Members were consulted through the PESC and the Smaller Island States (SIS) platform as well as through in-country consultations from March to June this year. Consultations with CROP agencies, development partners, civil society organisations and private sector stakeholders were also undertaken.

Next Steps

Following the endorsement of the PRED by the Forum Economic Ministers, the PRED will be used as a guide for the dialogue by Ministers with development partners. Since the PRED covers a wide range of issues, consultations with relevant stakeholders will be required to further socialise the PRED and to gain better understanding of their roles in the implementation of the PRED.

Regional Governance Implications

The PRED encompasses a wide range of issues ranging from finance, trade, private sector development to sustainable tourism and fisheries. This therefore requires support from relevant CROP agencies particularly the Pacific Islands Forum Fisheries Agency (FFA), Pacific Community (SPC) and the South Pacific Tourism Organisation (SPTO).

It will also require reporting to be provided to the Forum Trade Ministers Meeting (FTMM) on trade and labour mobility issues as well as other relevant meetings including the Women Leaders meeting on progress of the implementation of the Revitalised PLDGE in support of women economic empowerment.

Pacific Islands Forum Secretariat
22 July 2024

Annex II
Prioritisation of RPAs

Priority level	Priority 1	Priority 2	Priority 3	Priority 4
Description	Ongoing/in the pipeline	Programmatic frame	Need further refinement	Require complex analysis

Total RPAs		33
1	Strategic Focus Area 1: Macroeconomic resilient, stability and growth	
1.1	Strategy 1. Build Capacity	2
1.1.1	Strengthen and utilise existing institutions to meet the skills and labour demand gaps in the region especially from the impact of human mobility and climate change (RCA 7)	
1.1.2	Strengthen capacity building in the productive sectors including agriculture, fisheries, and tourism related services and the private sector. (RCA 7)	
1.2	Increase intra-regional and international trade	2
1.2.1	Encourage members to ratify and implement the relevant regional and international trade agreements. (RCA 6)	
1.2.2	Review the Pacific Aid for Trade Strategy (PAfTS) to inform the next iteration of the Aid for Trade Strategy and commence implementation	
1.3	Promote regional economic integration	3
1.3.1	Promote the harmonization of laws, reduce barriers to the movement of capital and labour, and in the long term, explore the establishment of a common currency area (RCA 3)	
1.3.2	Review sustainable movement of the Pacific people and assess the socio-economic impacts of regional labour mobility schemes and outmigration. (RCA 2)	
1.3.3	Promote the development of quality infrastructure in support of building resilient infrastructure for resilient economic development	
1.4	Grow tourism sustainably and inclusively. Tourism is the mainstay of several countries and has the potential to grow in other countries	3
1.4.1	Support the SPTO in the implementation of the Pacific Sustainable Tourism Framework (PSTF) to collect data on tourism and its economic impact on the country (RCA 5)	
1.4.2	Support the digital skill development for the SPTO and National Tourism Organisations and tourism stakeholders across the region by securing funding to acquire digital tools and systems to enhance service delivery (RCA 5)	
1.4.3	Promote investment in tourism to build supply chain resilience including infrastructure development and improve accessibility to ports of entry (airport & port), hotel room inventory and internet connectivity (RCA 5)	
1.5	Grow fisheries sustainably	3
1.5.1	Implement the East New Britain initiatives to increase the value of fisheries to member countries and the contribution of fisheries to the economy (RCA 1)	

1.5.2	Review the regional fisheries policies including the Regional Roadmap for Sustainable Pacific Fisheries, New Song for Coastal Fisheries	
1.5.3	Combat, deter and eliminate Illegal, Unreported and Unregulated (IUU) fishing in the region	
1.6	Diversify the economy sustainably and inclusively within and across sectors to reduce the risks of over reliance on a few sectors	7
1.6.1	Develop a regional Blue Economy Policy to maximize its economic benefits sustainably	
1.6.2	Support producers value-add targeting high value products and markets by creating niche products	
1.6.3	Undertake a regional study on the best practices of increasing agriculture sustainably	
1.6.4	Develop new economic frontiers including use of air space and seabed mineral activities	
1.6.5	Finalise the Regional Private Sector Strategy to include strengthening coordination of private sector development and strengthen the regional collaboration on the access to finance of the MSMEs. Undertake a regional survey on the access to finance of the MSMEs, including for female MSME owners by end of 2026 (RCA 9)	
1.6.6	Support and strengthen mechanisms such as the Pacific Trade and Investment (PTI) Network in enhancing regional Pacific value chains. (RCA 8)	
1.6.7	Promote the use of technology and improve connectivity and support the implementation of ICT Ministers Meeting (Lakatoi Declaration).	
2	Strategic Focus Area 2: Financial resilience and access	
2.1	Diversify the sources of finance for economic development	2
2.1.1	Explore the feasibility of establishing innovative financing facilities, instruments, and mechanisms (RCA 10)	
2.1.2	Raise the engagement and advocacy for increased access to concessional financing facilities and increased grant element in lending to the PICS	
2.2	Strengthen financial resilience	4
2.2.1	Establishment of a stable payment mechanism (CBR) for PICs (RCA 12)	
2.2.2	Strengthen the oversight of financial institutions	
2.2.3	Create financial buffers to protect the country from crisis	
2.2.4	Reduce the climate risks to the financial system	
2.3	Improve access to finance including climate finance	4
2.3.1	Explore the possibility of a regional credit guarantee facility	
2.3.2	Strengthen regional collaboration to increase access to climate finance	
2.3.3	Increase financial literacy in the region including tailored programs targeting women. (RCA 9)	
2.3.4	Explore the possibility of a regional credit bureau that is funded by the private sector. The bureau helps the lenders determine the customer risks and may lead to lower interest rates	
2.4	Increase fiscal resilience by strengthening public financial management	3
2.4.1	Enhance regional cooperation on Public Financial Management including governance and create a depository of regional best practices in PFM	

2.4.2	Increase our voice in international meetings for the adoption of debt relief measures such as debt swaps, multi-vulnerability index, debt restructuring, debt moratoriums, and debt write offs (RCA 11)	
2.4.3	Strengthen regional collaboration to support the monitoring, legislation, and governance of the SOEs to reduce fiscal risks. (RCA 4)	