

2020 FORUM ECONOMIC MINISTERS STATEMENT ON THE ECONOMIC AND SOCIAL IMPACTS OF COVID-19 ON THE PACIFIC

We, the Economic Ministers of the Pacific Islands Forum, at our virtual Meeting on 11 and 12 August 2020, discussed our grave concerns about the severe and disproportionate and unpredictable impacts of COVID-19 on the livelihoods of people around the world, including the small, isolated and vulnerable economies of the Blue Pacific region. It requires Members to adopt innovative economic approaches in a transformative way in order to respond to the “new normal”.

2. We recognise the three-pronged crisis currently facing the region – the impact of COVID-19, the devastating effects of climate change and natural disasters, and the fragile economic health of the region as a consequence of inherent vulnerabilities. Regional solidarity and global collective action are critical to overcoming these challenges.

3. We reaffirm and support the strong leadership taken by Pacific Islands Forum Leaders in invoking the *Biketawa Declaration* to respond to the unprecedented crisis, and recognise the positive outcomes achieved and foundations set through the Pacific Humanitarian Pathway on COVID-19 (PHP-C), which demonstrates the benefits of regionalism and multilateralism. Further, we reaffirm the importance of adhering to the *Forum Eight Principles of Accountability*, the *Forum Principles of Good Leadership* and also note the principles and commitments in the *Teieniwa Vision* (‘Pacific Unity Against Corruption’).

4. We acknowledge that the containment measures adopted by Forum Members have been largely successful, with relatively low numbers of COVID-19 cases compared to other parts of the world. However, we recognise that strictly-imposed border restrictions have had substantial flow-on economic impacts on the movement of people, trade and essential goods and services across the region.

5. We acknowledge the steps and measures taken by development partners, CROP agencies and other regional entities in realigning their programmes, activities and resources to focus on improving data, understanding and supporting the mitigation of the pandemic’s impacts on Forum Members, including through innovative use of online technologies. We recognise that sound and timely data is essential, and emphasise the need to invest in data to track the needs and progress towards achievement of goals and objectives.

6. We recognise that the impacts on our economies differ across the region. Tourism has essentially come to a complete standstill since the border closures in late March. Many FICs are highly dependent on tourism flows for employment, incomes and public and private sector revenues. Countries with high dependency on tourism have lost between 30% – 40% of national incomes with SME tourism businesses disproportionately impacted. Air services have collapsed, affecting connectivity and the financial viability of our airlines. COVID-19 border closures have also exacerbated ongoing challenges in aviation and shipping.

7. We note that employment levels have declined substantially in directly and indirectly affected sectors, where household incomes have also plummeted, while informal sector activity has increased as displaced and newly unemployed families seek other sources of income and livelihood. Women’s economic security has been diminished and needs specific attention. Remittance inflows to the region, as well as export revenues from key sectors, including fisheries, minerals, logging and agricultural primary commodities, have dropped significantly in 2020.

8. We recognise that social challenges are expected to escalate vulnerabilities as the economic effects take their toll at household and individual levels. Gender based violence, which is already a major social and economic challenge in the region is again on the rise and needs urgent attention as families struggle to survive in this new context. While most FICs’ education authorities have initiated extended breaks and have put in place alternative learning modes, maintaining the quality and sustainability of education systems is critical to safeguard the future of our youth and skilled workforce.

9. We will maintain, so far as possible, expenditures on essential health, education and other social services, with a focus on the needs of vulnerable people. Public health systems will need considerable additional investment and resourcing, with the support of development partners, to develop robust standards and infrastructure that will effectively strengthen Members' preparedness for re-opening and addressing the onset of any future pandemics or similar external shocks.

10. We agree to develop and maintain measures to mitigate the loss of income of affected people, especially those most vulnerable, through initiatives such as social protection measures, direct income transfer, and financing/tax/regulatory concessions for employers.

11. We commit to undertaking structural reforms that will support the diversification of our economies as well as enhance its competitiveness in a post-COVID-19 global economy. This includes working innovatively to explore and support economic recovery opportunities by enhancing connectivity and strengthening digital economy through investments in digital literacy, digital trade and innovation in the private sector, including through public private partnerships.

12. We reaffirm the importance of an enabling business environment that supports private sector development, and consistent access to markets through safe, affordable, reliable and financially sustainable aviation and shipping services across the region.

13. We are concerned that the inherent vulnerability of our countries to economic shocks is exacerbated with increased exposure to climate change and natural disasters, which further strains the region's limited fiscal capacities, including revenues and national budgets. FICs require immediate, and consistent financial support in the short to medium-term to overcome fiscal challenges arising from COVID-19.

14. We make a strong, concerted plea for the support of development partners, including bilateral, multilateral, regional and development agencies, to work with us on this agenda, including by:

- (i) providing debt relief, in line with the April 2020 G20 decision;
- (ii) enhancing flexibility in development financing modalities and priority areas of focus, including frontloading existing donor programs and project pipelines, and reprioritising current donor focal areas;
- (iii) International Financial Institutions requested to reassess grant and loan eligibility and utilise all available instruments, so that FICs can fully benefit from their support;
- (iv) IMF promptly considering a general allocation of Members' Special Drawing Rights, and enhancing support for Members having difficulties in meeting essential external commitments;
- (v) increasing the use of general budget support (concessional loans and grants) to supplement operating balances, including exploring innovative development financing mechanisms;
- (vi) continuing and increasing support to strengthen our social protection systems, including addressing gender-based violence;
- (vii) capitalisation of the PRF, when conditions allow, as a funding source that will be regionally available to FICs for building economic resilience and strengthening disaster preparedness; and
- (viii) mobilise funding support for equitable access to COVID-19 testing cartridges and vaccines for FICs.

15. We commit to work together as a region, supported by the COVID-19 Economic Recovery Taskforce, and leverage regional mechanisms with the appropriate resourcing provided, to ensure that outcomes have a long-term and sustainable impact in building and strengthening the economic resilience of the region.

16. We, therefore, unanimously and unequivocally acknowledge that the burden of COVID-19 responses and recovery ultimately fall on the governments of the region, but this burden can only be met with support and assistance from the region's development partners and donors. It is also recognised that closer coordination and collaboration between Forum Members, CROP agencies, multilateral organisations, the region's private sector, civil society and development partners is essential to urgently implement the above measures in the short to medium term, in order to protect the future of our people in the Blue Pacific.