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PACIFIC ISLANDS FORUM SECRETARIAT

PIFS(21)FEMM.4

FORUM ECONOMIC OFFICIALS MEETING

6 – 7 July 2021

FORUM ECONOMIC MINISTERS MEETING

13-14 July 2021

Virtual

AGENDA ITEM 4: BLUE PACIFIC ECONOMIC STRATEGY

Purpose

This paper presents the proposed concept for a *Blue Pacific Economic Strategy (BPES)* for FEMM consideration and endorsement. Please refer to Attachment 1 which contains the Concept Note.

Summary

The BPES Concept Note proposes the development of a Blue Pacific Economic Strategy for 2022 – 2027 that will guide the economic policy advisory and advocacy work of PIFS, in collaboration with members, CROP agencies and development partners. The Concept Note lays out the purpose, rationale approach and methodology, scope, and arrangements for the preparation and implementation of the BPES.

The proposed BPES is aimed at enhancing the focus and effectiveness of PIFS economic policy advisory and technical support to members, with the objective of linking it up more effectively with the ongoing work to assist members stabilise their economies against COVID-19 impacts, as well as aligning its work to longer term structural policy changes which will support members' long term recovery efforts.

The development of the BPES is considered timely and opportune for the remapping of the economic policy advisory work of PIFS, in view of: the fundamentally changed global and regional economic landscape, as a result of COVID-19 impacts; and the commitment by Forum Leaders to place the Blue Pacific as the centerpiece of all regional initiatives.

The Concept Note proposes an approach that whereby BPES will identify regional economic priorities which will be aligned to the wider and overarching policies of PIFS and within the confines of its mandate and its existing institutional and regional frameworks. In particular, BPES will be guided by the Framework for Pacific Regionalism and seeks to strengthen the nexus between regional and national economic policy priorities.

It also considers internal arrangements within PIFS in the coordination of the preparation of the BPES, and in the longer term, the capabilities required to effectively implement the strategy. The final strategy will be presented to FEMM in 2022.

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It is therefore incumbent on PIFS as the apex CROP institution with the mandate of political advocacy and economic policy advice to the region's economic ministers and leaders, to provide a strong economic underpinning to its role to the region.

A. Problem/Opportunity Identification

In the last two decades PIFS mandate has evolved along with its scope of work in seeking to meet the demands of the changing environment it operates within. With the onset of COVID-19 and its continuing widespread devastating impacts on our members' economies since March 2020, it has profoundly altered the economic landscape that was envisaged just 18 months ago.

2. The pandemic and its consequences has added impetus to calls by Pacific Leaders to ramp up the regionalism agenda, the prioritised focus on climate change and disaster, and the work being done on the 2050 Strategy for the Blue Pacific which will be the overarching policy framework for PIFS and CROP agencies in the region and for its Members.

3. Regional and international developments that affect the region are manifested in the numerous economic challenges that PIF members, particularly the Forum Island Countries (FICs), have to manage. These challenges have been gravely exacerbated by COVID-19 impacts which has caused heavy and widespread damage on economies that were already: saddled with volatile or low growth trends; have narrow export bases; hindered by isolation; highly vulnerable to disaster and climate change risk, and faced with inhibiting high infrastructure costs.

B. Background (Context)

4. In the long term, these imperatives will drive the way PIFS works and does business with all its stakeholders; ultimately for the benefit of PIF members, as directed by Pacific Forum Leaders. The *Blue Pacific* is the fundamental policy reference point to the formulation of the BPES as it is ubiquitously the most common ground that binds the varying characteristics and interests of the region's economies.

5. The work undertaken by PIFS through the COVID-19 Economic Taskforce Recovery Taskforce (CERT) has provided the lead channel for progressively monitoring the economic and social impacts of COVID-19. Subsequently it has led to the development of specific initiatives which are aimed at primarily supporting and complementing members' national efforts to contain the pandemic and maintain economic stability.¹ CERT has also considered regional initiatives that could help members' undertake the necessary adjustments in the structure of their economies, to enable them to reset, re-orient and recover in the *new normal* post-COVID environment in a sustainable manner.

C. Proposed Policy Pathway

6. The BPES concept is to anchor the economic strands of the eleven thematic areas of the overarching 2050 Strategy for the Blue Pacific identified thus far and other relevant PIFS priorities, on a platform of prioritised regional economic initiatives that are grounded on, inter alia: clear economic rationale; convergence and complementarity with national priorities; assessments of

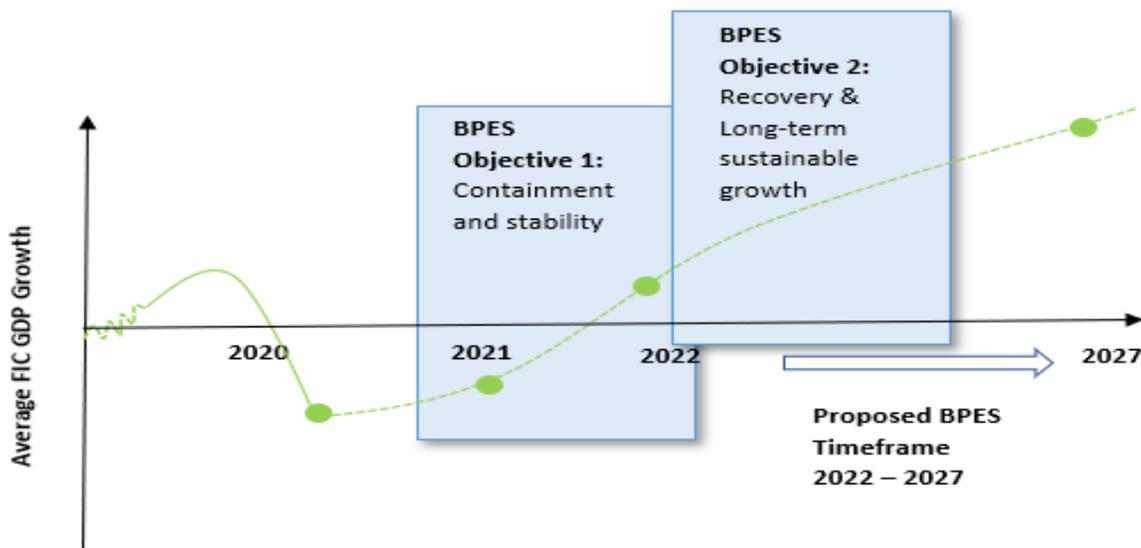
¹ FEMM 2020 endorsed the setting up of CERT to monitor COVID-19 impacts and consider options to help the recovery of members. It has met four times since its establishment and a substantial part of the FEMM 2021 Agenda has been shaped by the deliberations of Taskforce which has led to the specific initiatives being recommended.

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national and regional implementation capacities; and collaboration with CROP and development partners.

7. Central to the concept is the premise that the region's economies are currently at an inflection point between pre- and post-COVID responses, and therefore PIFS needs to re-orient itself on the basis of a re-grounded baseline and trajectory of the region's economic growth going into the medium to longer term. To this end, the two layers of objectives are therefore to, first, identify and develop economic priorities that will help arrest any further deterioration of current economic trends and find a footing for rebasing and maintaining stability, while addressing containment measures effectively; and second, to identify and develop regional and national economic priorities that will build and sustain the resilience of the region's development in the longer term. **Figure 1.0** below presents an illustration of the BPES against the timeline and growth trajectories of FIC members.

Figure 1.0



8. The demand for regional public goods where there is a strong need for regional interventions will be a key factor for identifying regional economic priorities. Nevertheless, there should be strong a complementary link between regional interventions and national priorities. It is imperative that national priorities drive the demand for regional initiatives that will reinforce Members' development aspirations at the national level.

9. The FICs are large ocean states and the Pacific Ocean is their major economic, social and cultural lifeline. Key ocean-based economic activities include tourism, fisheries, shipping, mining and research. Despite the importance of these activities, evidence is mounting that the ocean is threatened by marine pollution, overfishing, habitat destruction and climate change. It is therefore crucial that ocean-based economic activities are considered in a careful manner to ensure the sustainable use of the ocean and its resources. Climate change has been identified by Forum Leaders as the single greatest threat to our Blue Pacific, however, it provides an opportunity to be creative and be innovative in how ocean resources can be sustainably utilised whilst generating the maximum benefits.

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D. Scope and Content

11. It is proposed that the BPES will comprise two parts: the **first** being the regional economic priorities and the specific strategies that support its objectives; and the **second** relates to internal mechanisms and processes within PIFS that will be consolidated and strengthened in order to facilitate the implementation of the BPES. Details are fully elaborated in the **Attachment 1**.

(i) Proposed Regional Economic Priorities

- a) Realising economic benefits of regional integration and cooperation.
- b) Blue ocean economy - exploring opportunities to sustainably utilise our marine and ocean resources, including fisheries, tourism, minerals, carbon trading and energy potentials;
- c) Building economic resilience to climate change, disasters and shocks because climate change is the regions greatest existential threat and one disaster can wipe out decades of development gains;
- d) Support trade liberalisation within the region and with current and new external trade partners in new markets trading in regionally made products and services;
- e) Human capital development;

(ii) Enhancing internal arrangements and mechanisms within PIFS

- a) Building the necessary capabilities; and
- b) Focused and Clarity of Outcomes.

E. Consultations

12. Preliminary (informal) consultations on the BPES had actually started in late 2019 with selected members (Nauru, Fiji and Samoa) and on the fringes of other PIFS commitments such as the FOC meetings. Following the onset of COVID-19 work on the BPES were suspended as other pressing priorities took over.

13. Consultations will however be critical to the development of this strategy so that stakeholders' (including members) will be able to fully articulate their views and make contributions from the standpoint of their respective mandates and perspectives.

F. Next Steps

15. Following endorsement of Concept Note, the key steps leading to its submission to FEMM 2022, with provisional timelines, will be as follows:

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Milestones/Timelines	2021					2022								
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Establishment of Steering mechanism														
Progressive consultations with CROP, member countries, development partners and CSO/private sector														
Drafting and final consultations														
Peer review and quality assurance														
Submit to FEMM														
Setup implementation framework														
Monitor implementation														

G. Regional Governance Implications

16. Collaboration with CROP agencies will be necessary and proper engagement procedures will be adhered to should coordination with other PIF Ministerial meetings be necessary. Otherwise there will be no regional governance implications in the development and formulation of the BPES.

H. International Advocacy and Engagement Implications

17. Advocacy and engagement with bilateral, multilateral and international agencies will be undertaken at the technical level during consultations. Following the endorsement of the BPES by FEMM in 2022, it would then be the subject of formal consultations between PIFS and partners as and when appropriate and also advocacy events.

Pacific Islands Forum Secretariat
10 June 2021