

Promoting Regional Cooperation and Integration in Pacific Island States

Pacific Department
Asian Development Bank

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Outline

- **Key Development Constraints**
- **ADB's Pacific Approach**
- **Regional Cooperation**
- **Concluding remarks**

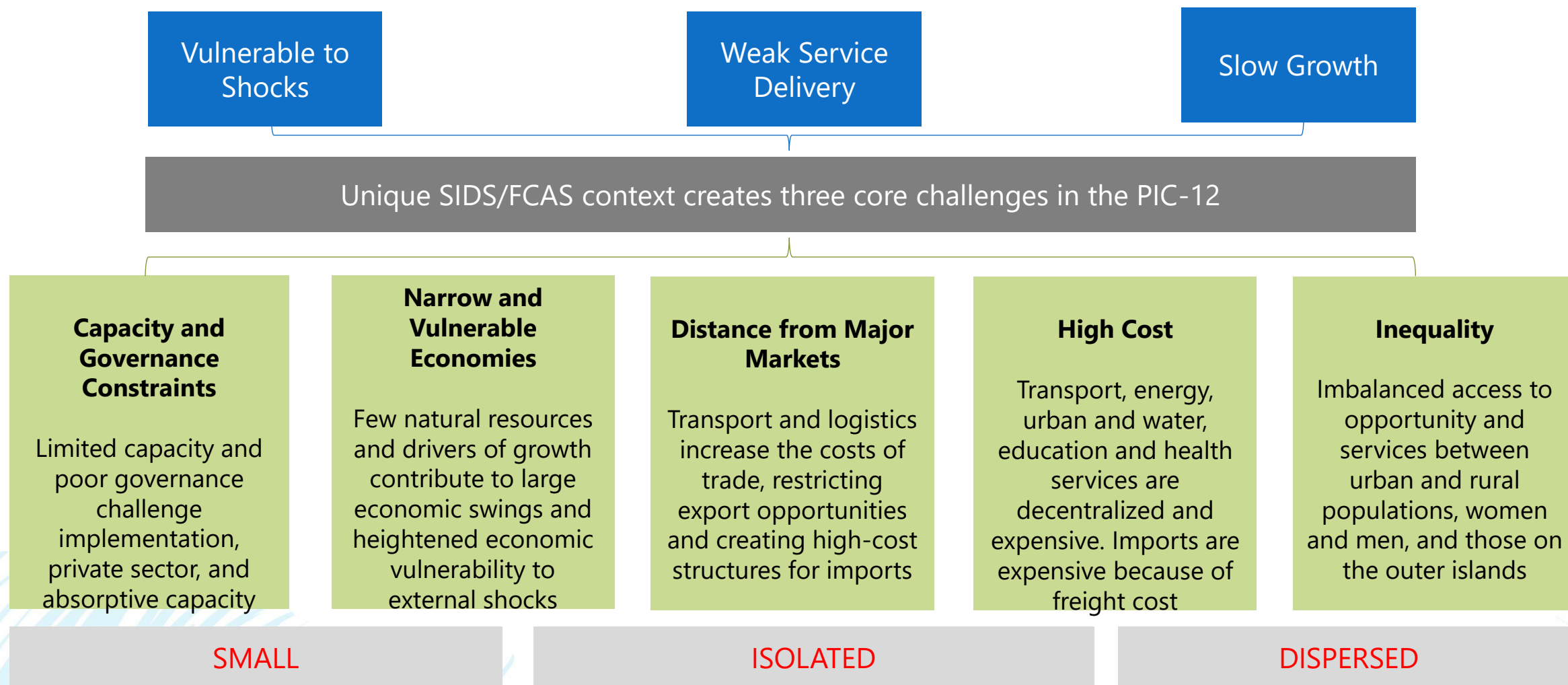


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Key Development Constraints...

- Pacific Island Countries are small, isolated and dispersed, and these geographical and demographic features pose unique development challenges:
 - i. capacity and governance constraints,
 - ii. narrow and vulnerable economies,
 - iii. high-cost structures,
 - iv. unequal access to services and opportunity, and
 - v. distance from major market.

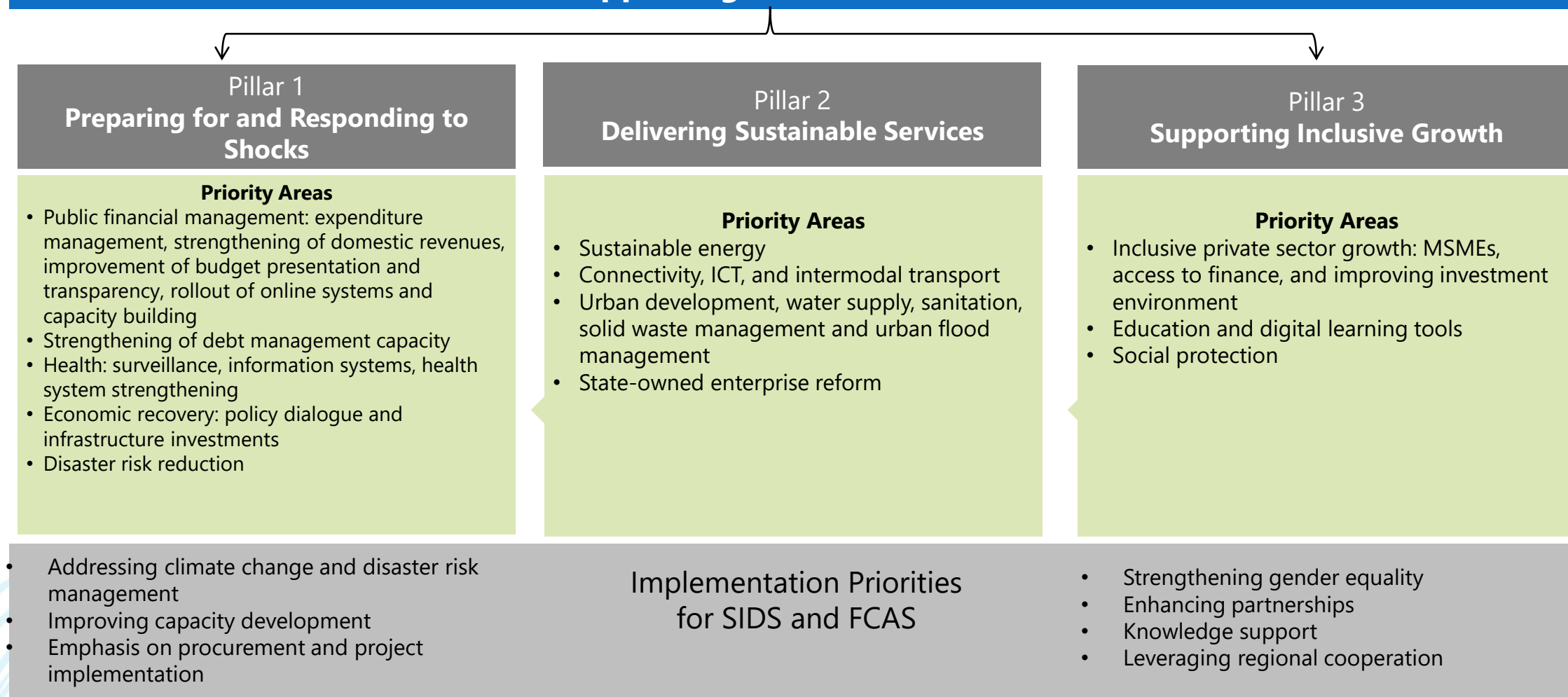
Core Development Challenges



Source: ADB. 2021. *Pacific Approach 2021–2025*. Manila.

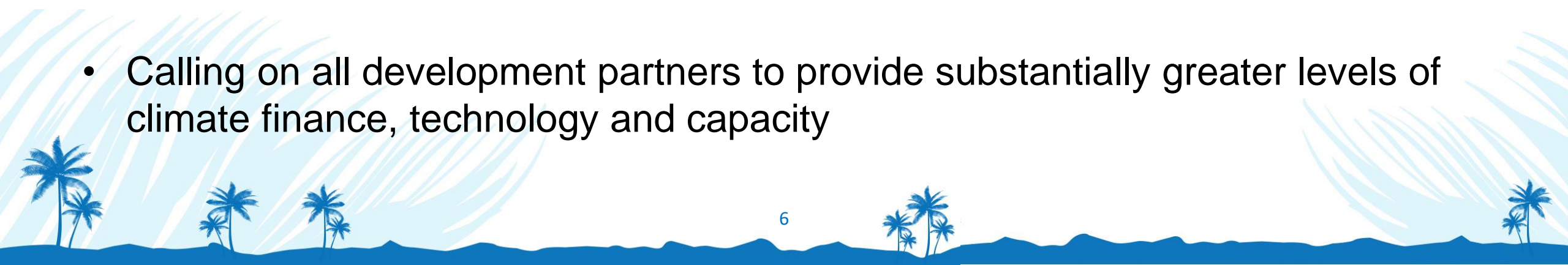
The Pacific Approach 2021-2025

Supporting a Resilient Pacific



Source: ADB. 2021. *Pacific Approach 2021–2025*. Manila.

- Regional organizations play an important coordinating role in the Pacific
 - Pacific Islands Forum (PIF)
 - Council of Regional Organisations of the Pacific (CROP)
- PIF's 2050 Strategy for the Blue Pacific Continent (2050 Strategy)
 - Captures the regional priorities
 - 7 thematic areas: (i) political leadership and regionalism, (ii) resources and economic development, (iii) climate change, (iv) oceans and natural environment, (v) people-centered development, (vi) technology and connectivity, and (vii) peace and security.
- Calling on all development partners to provide substantially greater levels of climate finance, technology and capacity



- ADB fosters RCI in the Pacific, through improving connectivity, to promote regional/global public goods, e.g., climate response, protection of shared natural resources, and regional health and education services.

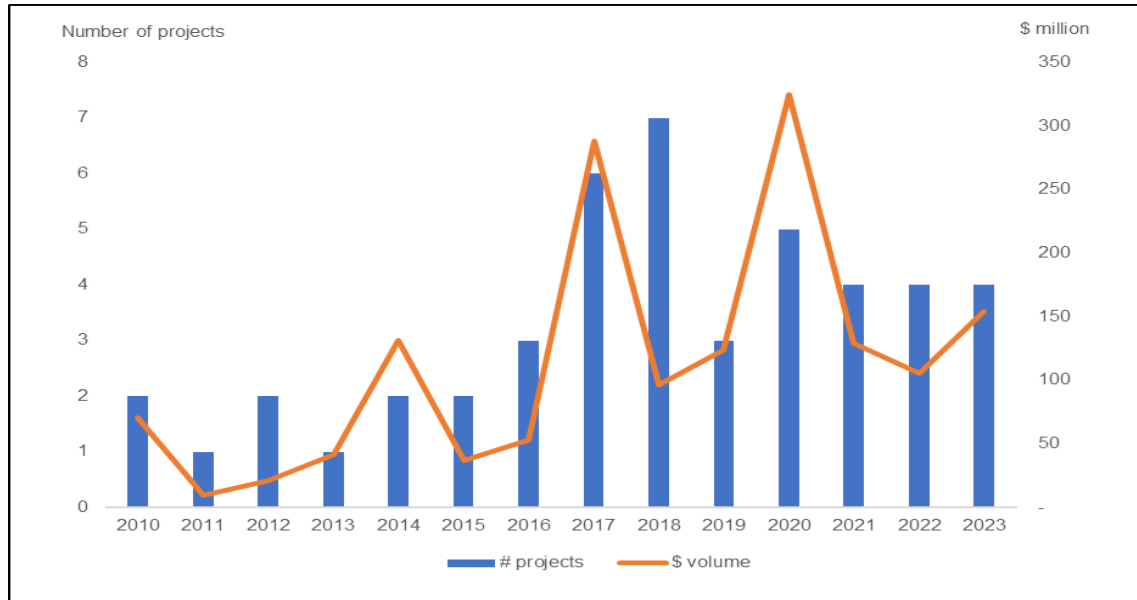
Areas of ADB assistance

- Supporting connectivity (e.g., ports, jetties, submarine cables, PRIF TA). e.g. to support connectivity and trade facilitation, rehabilitation and expansion of Port in **Tonga**.
- Enhancing digital connectivity in **Samoa**, through digital identification and providing digital financial services.
- Improving domestic shipping in **Tuvalu** to provide reliable transport for trade.
- Developing regional financial integration systems and instruments
- Supporting the analysis of exclusive economic zones

Regional Investments have Increased, but challenges remain...



ADB's Regional Investment in the Pacific 2010–2023 Loans and Grants (number and volume)



Source: ADB. Pacific Program Portfolio

ADB's regional investment loans/grants (including co-financing) have surged by 45.3%, from \$106 million in 2022 to \$154 million in 2023.

Gravity Model for PIEs, Pannel data 2016-2022

	Overall	PIEs		
In_trade	Coefficient	Coefficient	Years	In_DIST
In_DIST	-1.20 *	-2.34 *	2016	-2.20
CNTG	0.46 *	0.43 *	2017	-2.20
LANG	0.71 *	0.41 *	2018	-2.20
CLNY	0.75 *	0.52 *	2019	-2.19
llock	-0.47 *	-0.55 *	2020	-2.21
In_OUTPUT	1.00 *	0.84 *	2021	-2.19
In_EXPEND	0.91 *	0.79 *	2022	-2.19
constant	-10.29 *	2.31 *		

Source: Computations based on Gravity Model for Pacific Islands Countries.

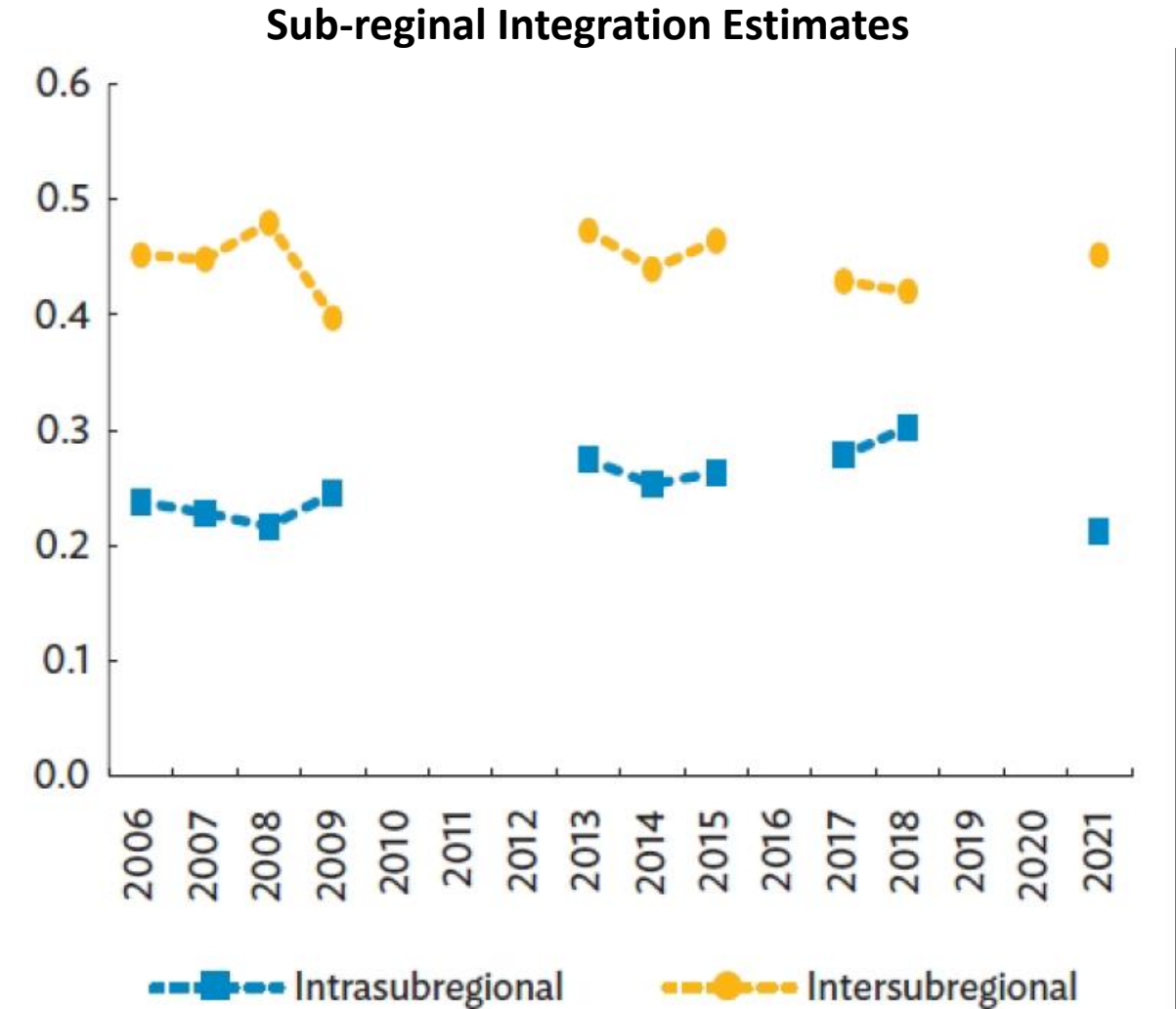
Remoteness from global markets, and their geography continue to pose problems in tapping export potential. High transportation and raw material costs make entrepreneurship difficult.

Integration within Pacific Remains Low but Improving...

From 2006 to 2021, the Pacific has become more integrated in infrastructure and connectivity, and in trade and investment.

Preliminary estimates suggest intra subregional integration has slightly improved and peaked in 2018.

The subregion consists of small island developing states that have gradually integrated with economies outside their subregion, especially with developed markets such as Australia and New Zealand.



Source: ADB's Asia-Pacific RCI Index Database

Concluding Remarks



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- The Pacific continues to face an uncertain environment, now with further elevated risks.
- ADB has been providing tailored solutions, with flexible approaches and applications, in helping Pacific governments to manage the economic and social impacts of the ongoing downturn and spur sustainable recovery.
- Over the medium- to long-term, ADB's corporate priorities, further fine-tuned to the Pacific context, will continue to support the subregion in reducing climate vulnerability as well as macro-fiscal and debt risks.
- ADB's differentiated approach to strengthen RCI, improve procurement, and cofinancing through donor coordination and partners have improved the development effectiveness.
- By leveraging regional frameworks such as PIF, PRIF and collaboration with development partners, future RCI initiatives will be explored.



Thanks

