



**Pacific SIDS Regional Preparatory Meeting  
16-18 August 2023  
Nuku'alofa, Tonga**

**Roundtable 1: Strategic Responses to Multilayered Shocks impacting Pacific SIDS**

**16 August 2023, 2:00pm – 3:45pm**

**Background Note**

**Introduction**

SIDS are among the most vulnerable countries to external shocks. They are facing an unprecedented set of events, stemming partly from i) the COVID-19 pandemic which has exacerbated their debt situation ii) rising cost of living due in part to the situation between Russia and Ukraine and (iii) climate-related disasters.

Pacific people have a high resilience to disasters. However, with an increasing severity of natural disasters as a direct result of climate change, its resilience has encountered its limitations. This resilience is further challenged by other factors that are beyond the control of Pacific SIDS. The COVID-19 pandemic (and potentially other global pandemics as the world becomes increasingly connected), the inflationary impacts of the war in Ukraine, and geo-political tensions in the region, bring increasing stresses to small economies, that are already fragile in their nature. Biodiversity decline impacts the Pacific's restorative abilities after such disasters. So, climate change and weather-related disasters continues to threaten achievement of sustainable development, destroying biodiversity, infrastructure and interfering with livelihoods.

Furthermore, Pacific SIDS are experiencing fiscal and financial stress from the impacts of COVID-19 pandemic, as a result of increased public spending to respond to the health emergency and to recover from its impacts. National revenues from key economic sectors such as tourism have been slow to fully recover.

The session will focus on challenges and emerging issues deserving closer attention to enhance the resilience to external shocks in Pacific SIDS. It will further discuss ways to improve the Pacific's resilience in light of these global challenges and explore the way forward for people to be able to face and overcome these external challenges.



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### **Challenges and perspectives**

While the Pacific continues to deal with climate-induced disasters with annual economic losses of USD500 million, COVID-19 worsened the stress on small public administrations. During 2020-2021, deeper economic contractions in Pacific SIDS, relative to other Asia-Pacific subregions due to the pandemic, mean that many vulnerable households are being pushed back into extreme poverty. It is also worth highlighting that Pacific SIDS contribute only marginally to climate change but are heavily affected by climate-induced natural disasters. The houses of many poor households are not storm-worthy and are often built in areas predisposed to secondary impacts, such as storm surges, flash floods and landslides.

As part of response packages, all Pacific governments allocated special budgets and stimulus packages for health care, unemployment, business operations, social insurance and other assistance. Traditional social protection systems, social structures and community safety nets were also active in supporting communities and families experiencing difficulties. In total 14 categories of social protection measures were implemented at varying levels across the region. Many were created during the pandemic to provide immediate and short-term assistance for the unemployed, elderly, informal sector and small business operators and students. Some countries offered more cover than others. This effort involved governments, CSOs, churches and community networks, alumni associations, and the private sector.

The Pacific has the highest petroleum fuel dependency of any region or sub-region in the world. As a consequence, oil price volatility greatly undermines energy security, with increasing oil prices disproportionately affecting low-income countries, undermining macro-economic stability, the balance of trade and the financial situation of major end-users such as power utilities, and household disposable income.

The climate emergency and the pandemic were both critical drivers of vulnerability for marginalized groups across all societies. Lack of employment opportunities, declines in real wages, rising costs of housing and uneven access to healthcare services impact the poor more acutely.

In response to COVID-19 and the significant disruptions to international travel and country lockdowns, there are now opportunities to reflect, rethink and plan the pathway to recovery, balancing economic, social and environmental needs while also being conscious, regenerative and restorative for our people, our culture, our islands and ocean ecosystems and for those who enjoy visiting the region.



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### **Recommendations for Action**

The Pacific region is in a position to undertake several policy actions to enhance coordination and joint efforts to address these new and emerging challenges.

- Coordinate policies to enhance the economic sustainability by addressing the food, fuel and finance crises that are having a crippling impact on national economies throughout the Pacific.
- Create opportunities to foster people centred social development in Pacific SIDS and to accelerate transition to robust health system, knowledge-based economy, gender equality and women's empowerment.
- Prepare economies to have the transition to climate-smart trade, sustainable investment and renewable energy in Pacific SIDS to reduce high dependency of imported petroleum fuels for their activities and scale up overall investment.
- Ensure policy space on debt relief that could offer potential debt savings to several Pacific SIDS, which can then be directed towards development expenditure.
- Encourage policy frameworks and initiatives around blue-green financing options across the region by using sustainable bonds.
- Provide policy support in minimizing impacts from unsustainable practices that endanger planetary health and build resilience.

### **Proposed Guiding Questions for the Discussions**

- How can we effectively address these external shocks to the Pacific region?
- What are the key factors that will help increase a better understanding of regional frameworks at the national level?
- How can we prepare policies to support national efforts within the Pacific regional context?