

## Regional Study No. 1

# The United Nations Pacific

The United Nations Common Country Analysis for the Pacific

*Horizon Scanning 2025/26*



## Preface

The United Nations Pacific Common Country Analysis: Horizon Scanning 2025/26 presents a comprehensive assessment of development trends, risks and opportunities across the Pacific island countries and territories (PICTs). Prepared by the United Nations Multi-Country Offices in Fiji, Micronesia and Samoa, this report supports the implementation of the United Nations Sustainable Development Cooperation Framework (UNSDCF) and aligns with the 2050 Strategy for the Blue Pacific Continent.

Drawing on national data, regional assessments and stakeholder consultations, the report explores key dimensions of sustainable development under five thematic pillars: People, Planet, Prosperity, Peace and Partnerships. It highlights progress in areas such as health, infrastructure and poverty reduction, while identifying persistent challenges in climate resilience, education, healthcare, gender equality and inclusive economic growth.

The report also introduces transformative tools such as the Multidimensional Vulnerability Index (MVI), which offers a more equitable basis for accessing concessional finance and guiding development cooperation in the Pacific. It underscores the importance of integrated, inclusive and culturally attuned strategies to address the region's unique vulnerabilities and advance the Sustainable Development Goals (SDGs).

This publication underscores the United Nations' enduring commitment to the Pacific. It supports efforts to build resilience, advance equity and protect sovereignty, amid an increasingly complex global landscape.

## Acknowledgements

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## Disclaimers

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<sup>1</sup> United Nations System (2022). *Principles for the ethical use of artificial intelligence in the United Nations system*. Chief Executives Board (CEB) for Coordination, High-Level Committee on Programmes (HLCP) Inter-Agency Working Group on Artificial Intelligence, 20 September.

# Highlights: Horizon Scanning 2025/26

## **Overview**

The Pacific Island Countries and Territories (PICTs), despite their vast oceanic dispersion and small landmass, share a development horizon shaped by geographic isolation, environmental fragility, and limited institutional capacity. The 2025/26 Horizon Scanning report, aligned with the Sustainable Development Goals (SDGs) and the 2050 Strategy for the Blue Pacific Continent, provides a forward-looking assessment of risks and opportunities, emphasizing the need for inclusive, resilient and culturally attuned strategies.

## ***People: Leaving No One Behind***

Poverty and food insecurity remain widespread, particularly in remote areas. Climate change, reliance on imported foods, and rising obesity rates compound health and nutrition challenges. Social inequality affects women, youth, and indigenous populations, with limited access to services and employment. Social protection systems are underdeveloped, leaving many vulnerable to shocks.

Education systems face geographic and resource constraints. While primary enrolment is high, secondary and tertiary education suffer from attrition and limited access. Disparities in teacher quality and infrastructure persist. Integrating indigenous knowledge and strengthening regional cooperation are key to improving outcomes.

Health systems are fragmented and underfunded. Non-communicable diseases (NCDs) account for over 80 per cent of premature deaths, with obesity rates among the highest globally. Limited access to specialized care and infrastructure, especially in outer islands, hampers service delivery. Informal employment and narrow social protection coverage leave many without safety nets.

Labour mobility schemes such as PALM and RSE provide income opportunities but contribute to demographic shifts. Remittances are vital, with Tonga and Samoa among the highest globally in remittance-to-GDP ratios. Climate-induced migration is rising, particularly in low-lying atoll nations. Coordinated regional strategies are needed to balance mobility with sustainable development.

## ***Prosperity: Inclusive and resilient economies***

Economic growth across the Pacific is moderating, projected at 2.6 per cent in 2025, down from 5.4 per cent in 2023. Inflation remains elevated, straining household consumption. Tourism and remittances continue to be key drivers, while sovereign rents offer partial insulation for smaller economies. However, U.S. tariff changes and declining aid flows introduce new vulnerabilities.

Subsistence agriculture and fisheries continue to underpin food security, livelihoods, and cultural identity across rural Pacific communities. Despite their centrality, these sectors are often excluded from formal economic metrics, leading to an underestimation of their true value. Tourism also remains a vital source of income. Strengthening these foundational systems – through climate-resilient practices, inclusive policies, and better integration into national planning – is essential to building long-term resilience and fostering sustainable development.

Public institutions and state-owned enterprises (SOEs) are central to service delivery but face governance and efficiency challenges. Fiscal systems are constrained by narrow tax bases and high external aid dependence. Rising debt levels and reduced donor support necessitate improved debt management and transparent use of sovereign wealth funds.

Financial systems are largely bank-centric, with limited capital markets. Digital financial services are expanding, supported by regional initiatives, but the erosion of correspondent banking relationships threatens financial inclusion. Trade deficits persist, and intra-regional trade remains limited. Diversification and regional cooperation are critical to enhancing competitiveness and reducing external shocks.

Labour markets are marked by underemployment and gender disparities. Youth unemployment is high, and migration – while economically beneficial – contributes to brain drain. Investment in vocational training and inclusive labour policies is needed to build a future-ready workforce.

### ***Planet: Safeguarding the environment***

PICTs are among the most climate-vulnerable regions globally. Rising sea levels, ocean acidification, and extreme weather events threaten infrastructure, livelihoods, and ecosystems. Climate-induced displacement is increasing, with relocation posing social and cultural challenges. Integrated adaptation strategies and scaled-up climate finance are critical.

The Pacific hosts 20 per cent of global biodiversity but faces severe threats from habitat loss, invasive species, and climate change. Coral reefs and endemic species are particularly vulnerable. Deep-sea mining poses emerging risks. Community-based conservation and traditional stewardship are vital for biodiversity protection.

Natural disasters – cyclones, floods, volcanic eruptions – cause significant economic and human losses. Geographic isolation and limited preparedness exacerbate impacts. Strengthening disaster risk reduction, infrastructure resilience, and regional coordination is essential.

Circular economy principles offer pathways to reduce waste, enhance resource efficiency, and build green economies. Community-led recycling and traditional practices support sustainability. Integration into national strategies can reduce import dependence and environmental degradation.

### ***Peace: Inclusive and accountable governance***

Human rights challenges persist, including limited treaty ratifications and gender inequality. Women's political and economic participation is among the lowest globally. Historical injustices and climate displacement raise concerns over rights and social cohesion. Strengthening legal frameworks and inclusive governance is essential.

Customary leadership plays a central role in governance, especially in land management and dispute resolution. Integrating traditional systems with democratic principles can foster resilient and culturally grounded institutions. Regional frameworks promote shared sovereignty and coordinated action.

The Pacific is increasingly strategic in global geopolitics. China's growing influence and U.S. policy shifts reshape aid and partnerships. Pacific nations must navigate these dynamics while safeguarding sovereignty. Regional diplomacy and coherent engagement strategies are vital.

### ***Partnership: Enabling development cooperation***

Foreign aid remains essential but volatile. Australia and New Zealand are key donors, while emerging partners like China reshape aid dynamics. Aid dependency poses risks to sovereignty and planning. Strengthening domestic resource mobilization and coordination is critical.

The United Nations supports development through multi-country offices and the UNSDCF, focusing on climate resilience, health, education and governance. Despite operational challenges, the United Nations' coordinated approach enables responsive support aligned with regional priorities.

The Multidimensional Vulnerability Index (MVI), adopted by the United Nations General Assembly, offers a transformative tool to assess structural vulnerabilities beyond income. It supports equitable access to concessional finance and guides development cooperation. PICTs rank high in global vulnerability, underscoring the need for targeted support and policy reform.

### ***Conclusion: Charting a resilient future***

PICTs face intersecting risks – climate change, economic fragility, social inequality, and geopolitical pressures. A vicious cycle of value loss undermines sustainable development. Strategic investment in domestic value creation, climate adaptation, inclusive governance, and institutional capacity is essential.

Eight key policy recommendations include:

- I. Improving education, health, and social protection systems;
- II. Promoting inclusive economic development and gender equality;
- III. Strengthening climate resilience and disaster preparedness;
- IV. Navigating geopolitical dynamics through regional diplomacy;
- V. Building institutional capacity and data systems;
- VI. Leveraging United Nations support and South–South cooperation;
- VII. Applying the MVI to guide concessional finance; and
- VIII. Reforming development strategies to retain local value.

With coordinated action and sustained support, the Pacific can chart a path towards a resilient, inclusive, and sustainable future.

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## Abbreviations and Acronyms

ADB	Asian Development Bank
AML	Anti-money laundering
CAT	Convention Against Torture
CBR	Correspondent banking relationship
CIP	Country implementation plan
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CFT	Counter-terrorism financing
CoFA	Compact of Free Association
CRC	Convention on the Rights of the Child
CRPD	Convention on the Rights of Persons with Disabilities
DESA	United Nations Department of Economic and Social Affairs
DRR	Disaster risk reduction
EPA	Economic partnership agreement
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
FAO	Food and Agriculture Organisation
FDI	Foreign direct investment
FSM	Federated states of Micronesia
ICCPR	International Covenant on Civil and Political Rights
ILO	International Labour Organisation
IMF	International Monetary Fund
INFF	Integrated national financing framework
LDC	Less developed country
MCO	Multi-country office
MVI	Multidimensional Vulnerability Index
NCD	Non-communicable disease
NDP	National development plan
OHCHR	Office of the High Commission for Human Rights
PacREF	Pacific Regional Education Framework
PALM	Pacific Australia Labour Mobility
PFIP	Pacific Financial Inclusion Programme
PICT	Pacific island countries and territories
PIHOA	Pacific Island Health Officers Association

PIRI	Pacific Islands Regional Initiative
PPP	Public-private partnership
RSE	Recognised Seasonal Employer (New Zealand)
SDG	Sustainable development goals
SPC	Pacific Community
SIDS	Small island developing states
SME	Small and medium-sized enterprise
SOE	State-owned enterprise
SPSE	South Pacific Stock Exchange
UNCTAD	United Nations Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNSDCF	United Nations Sustainable Development Cooperation Framework
VNR	Voluntary national review
VRCP	Vulnerability-resilience country profile
WHO	World Health Organisation
WTO	World Trade Organisation

# 1. Introduction: Scanning the horizon

Despite being dispersed across an immense amount of ocean territory, the Pacific island countries and territories (PICTs) broadly share a common development horizon. Collectively inhibited by a number of structural constraints, not least being their geographic remoteness and their small scale, each of the PICTs must identify, design and execute policies that will help ensure that their futures will be sustainable, inclusive and resilient. This is their common horizon, and while the distance to that horizon line might seem far and in some parts uncharted, navigating a safe journey is feasible. With the right policies in place, today's horizon can be tomorrow's destination.

The PICTs represent one of the most geographically dispersed and environmentally vulnerable regions in the world. Comprising 14 small island developing States (SIDS) across Melanesia, Micronesia and Polynesia, the region is home to rich cultural diversity, unique ecosystems and complex development challenges.<sup>2</sup> Despite their small landmass and population size, modest institutional and economic capacity, and even more modest emissions, the PICTs are disproportionately affected by the impacts of climate change, natural disasters, economic fragility and volatility, and increasing geopolitical pressures.

This Pacific Common Country Analysis: Horizon Scanning 2025/26 aims to provide a comprehensive overview of the development landscape in the Pacific, grounded in the Sustainable Development Goals (SDGs), the United Nations Sustainable Development Cooperation Framework (UNSDCF) and aligned with the 2050 Strategy for the Blue Pacific Continent.<sup>3</sup> It draws on regional assessments, national data and stakeholder consultations to inform evidence-based policy and programming across five thematic pillars: People, Planet, Prosperity, Peace and Partnerships.

The analysis highlights the region's progress in areas such as health, infrastructure and poverty reduction, while underscoring persistent gaps in education, climate resilience, gender equality and inclusive economic growth. The report also examines the structural constraints that shape development outcomes, including geographic isolation, limited institutional capacity and a dependence on external finance.

Climate change remains the most pressing threat to sustainable development in the Pacific. Rising sea levels, ocean acidification, extreme weather events and biodiversity loss are already having an adverse impact on livelihoods, infrastructure and food systems, as well as on the wider ecosystem. These environmental risks are compounded by socio-economic vulnerabilities, such as high rates of poverty, food insecurity and under-employment, particularly among women, youth and rural communities.

The Pacific's development trajectory is further shaped by its unique governance systems, which blend modern institutions with traditional leadership structures. Customary authority plays a central role in land management, dispute resolution and community cohesion, offering culturally grounded pathways to resilience and sustainability. However, challenges persist in ensuring inclusive governance, human rights protections and the equitable delivery of public services.

The recent intensification of geopolitical dynamics has introduced new complexities to the region's development landscape, and compounded the risks faced by governments. Intensifying competition between major powers has reshaped aid flow patterns, trade relations and strategic partnerships.

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<sup>2</sup> Pacific island countries and territories (PICTs): Cook Islands, Federated States of Micronesia (FSM), Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

<sup>3</sup> See: <https://unsdg.un.org/resources/united-nations-sustainable-development-cooperation-framework-guidance> and <https://forumsec.org/2050>.

Pacific nations must navigate these shifts while seeking to safeguard sovereignty and align external engagement with national priorities.

The United Nations plays a pivotal role in supporting the region's development aspirations through its multi-country offices in Fiji, Micronesia and Samoa. Guided by the UNSDCF, the United Nations system promotes integrated programming across climate resilience, health, education, governance and economic development. Despite operational challenges, including geographic dispersion and coordination complexity, the United Nations' regionally coordinated approach enables responsive and inclusive support tailored to the diverse needs of PICTs.

This Regional Common Country Analysis introduces the Multidimensional Vulnerability Index (MVI), a transformative tool adopted by the United Nations General Assembly to assess structural vulnerabilities beyond income-based classifications. The MVI provides a more equitable basis for accessing concessional finance and guiding development cooperation, particularly for SIDS like those in the Pacific.

As the region approaches the midpoint of the 2030 Agenda, accelerating progress on the SDGs will require bold, inclusive and context-sensitive strategies. Strengthening data systems, investing in human capital, enhancing climate resilience and fostering regional cooperation will be some of the key factors in ensuring that no one is left behind in the pursuit of sustainable development across the Pacific.

## 2. Pacific Contexts

The PICTs encompass a diverse and geographically dispersed region comprising Melanesia, Micronesia and Polynesia. Shaped by rich indigenous histories, colonial legacies and unique environmental conditions, these island nations face distinct development challenges and opportunities. Understanding their i) historical trajectories, ii) geographical characteristics and iii) progress towards the SDGs is essential for informing the design and implementation of resilient and inclusive development strategies in the Pacific context.

### 2.1. History

The history of the Pacific islands in Melanesia, Micronesia and Polynesia is characterized by early Austronesian migrations, complex indigenous cultures and later European colonization (also see the map in figure 1). In Melanesia, islands such as Fiji, Solomon Islands and Vanuatu developed distinct societies with diverse languages and political structures. In the Micronesian islands, such as Federated States of Micronesia (FSM), Kiribati, Marshall Islands, Nauru and Palau were settled by seafaring peoples from South-East Asia and developed unique cultures. And Polynesia, including islands like Niue, Samoa, Tonga and Tuvalu, was settled by Polynesian voyagers who shared linguistic and cultural traits derived from a common Austronesian origin (Howe, 2006; Kirch, 2017).

FIGURE 1: THE PACIFIC: MELANESIA, MICRONESIA AND POLYNESIA



Source: National Geographic Expeditions (undated).

In Melanesia, European colonialism was marked by differing administrative controls by Australia, Britain, France and Germany. Countries such as Fiji became British colonies, while Solomon Islands experienced Australian administration following German and British colonial rule, respectively. The process of colonization significantly disrupted traditional society frameworks by introducing new land policies, Christian missions and economic systems, alongside population decline due to introduced diseases and social upheaval.

In Micronesia, Spanish explorers were the first Europeans to arrive in the 16th century. The German colonies in Micronesia were seized by Allied powers during World War I and administered by Australia, Japan and New Zealand until World War II. The Gilbert Islands (now Kiribati) was a British protectorate before gaining independence in the late 20th century. In Polynesia, European contact began in the 16th century, and over the 19th and early 20th centuries many islands came under British control or protection. Niue became a British protectorate in 1900 and was later associated with New Zealand, while Tonga maintained its independence under British protection until 1970.

These differing colonial legacies shaped the political and social landscapes of the PICTs, which today consist of independent nations, associated states and territories with varying degrees of self-governance, and continue to influence land ownership and governance issues (Denoon *et al.*, 1997; Lal and Fortune, 2000).

## 2.2. Geographical characteristics

The PICTs are distinguished by a diverse array of geographical features that are intrinsically shaped by their expansive location within the Pacific Ocean, spanning approximately 15.5m square miles, or roughly an eighth of the total ocean surface. These features collectively define the environmental and developmental context of the region. They also encompass a variety of island types, including volcanic islands, coral atolls and raised limestone islands. Volcanic islands are characterized by rugged and mountainous terrain, whereas coral atolls typically present as low-lying and flat landforms, often situated only a few metres above sea level (Connell, 2013). Raised limestone islands are generally elevated, with steep coastal cliffs and flat interior plateaus formed from ancient coral reefs.

Significant variation exists in the size and topography of these islands. Larger landmasses, such as Fiji and Solomon Islands, exhibit complex mountainous landscapes that contrast with the flat and fragile nature of smaller atolls like Tokelau and Tuvalu. The latter are particularly susceptible to the adverse effects of sea-level rise (Nunn, 2013). The region experiences a tropical maritime climate, marked by consistently warm temperatures, elevated humidity levels and often defined wet and dry seasons. This climatic regime also exposes the islands to tropical cyclones, which can inflict considerable environmental and economic damage (SPC, 2020).

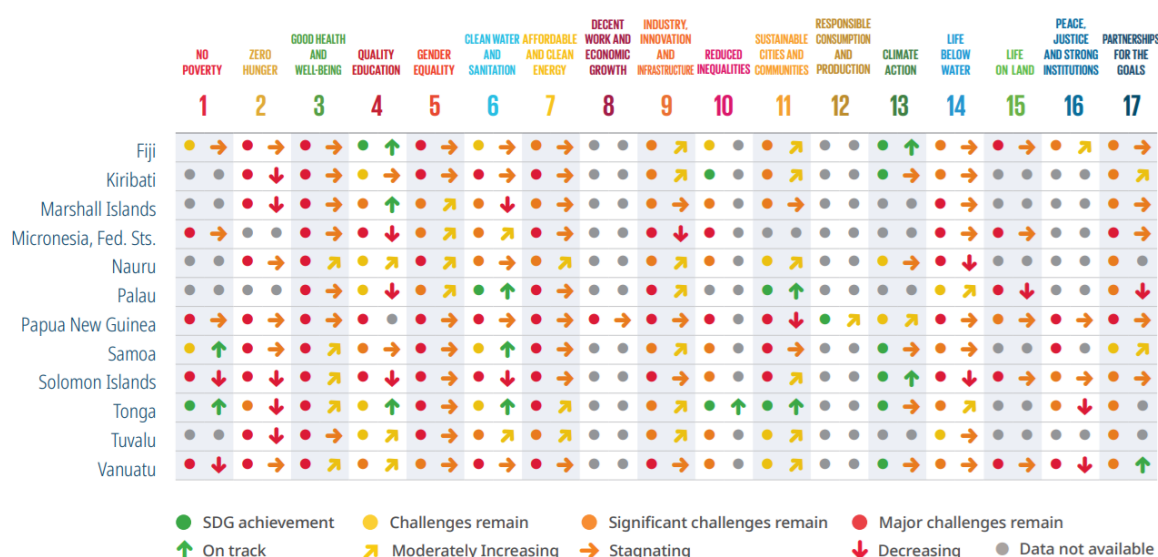
These geographical characteristics profoundly influence the social, economic and environmental dynamics within the PICTs. They ultimately shape development trajectories and inform the strategies employed to enhance resilience. For example, the wide geographical scattering also engenders challenges in transportation, communications and economic integration for a total population of around 14m people.

Biodiversity within the PICTs is notably rich, supporting ecosystems such as vibrant coral reefs, mangrove forests and tropical rainforests. These ecosystems play critical roles in sustaining fisheries, providing coastal protection and preserving cultural heritage (Bell *et al.*, 2013). The wide dispersion of the PICTs across the vast Pacific Ocean fosters significant cultural diversity. Given their limited land area, low elevation and geographic isolation, many PICTs are acutely vulnerable to the impacts of climate change. These include sea-level rise, coastal erosion and increasingly frequent and severe extreme weather events (IPCC, 2014).

## 2.3. SDG attainments

The 14 PICTs have made mixed progress in implementing the SDGs, reflecting broader regional trends in the Pacific (also see table 1). Despite progress across several SDGs, accelerated action is needed to address ongoing challenges in climate resilience, education and economic growth in particular to meet the 2030 Agenda.

**TABLE 1: SDG ATTAINMENTS IN THE PACIFIC**



Source: Sachs et al. (2025).

Note: Cook Islands, Niue and Tokelau are excluded from the table. Papua New Guinea is included.

The PICTs have contributed to notable regional advancements in several SDGs, particularly in: i) good health and well-being (Goal 3); ii) industry, innovation and infrastructure (Goal 9); and iii) poverty reduction (Goal 1). Efforts to combat malnutrition (Goal 2) have also shown substantial strides, and improvements in maternal and child health have been significant. Expanded access to mobile networks has also been substantial, while universal access to electricity (Goal 7) has nearly been achieved, although renewable energy up-take remains slow (ESCAP, 2025).

Conversely, progress remains too slow or stagnant in several critical areas, including: i) quality education (Goal 4); ii) decent work and economic growth (Goal 8); and iii) responsible consumption and production (Goal 12). The region also faces challenges in reducing fossil fuel subsidies and improving proficiency in reading and mathematics. Data gaps and limited fiscal space further constrain effective policy implementation (ESCAP, 2025). The PICTs are particularly vulnerable to climate change impacts, with a particularly worrisome regression in climate action (Goal 13), due to high disaster risk and ongoing greenhouse gas (GHG) emissions at the global level. This vulnerability is compounded by setbacks in protecting marine and terrestrial ecosystems (Goals 14 and 15). Natural disasters continue to cause significant economic and infrastructural losses, highlighting the urgent need for strengthened disaster risk reduction strategies and resilience-building (ESCAP, 2025).

A major challenge in implementing and assessing the SDGs in the Pacific is the lack of comprehensive, current, accessible and fully disaggregated data, such as gender data. This limits the ability of governments and development partners to monitor progress, identify gaps and allocate resources effectively, especially in remote and smaller islands where data collection is difficult. Without robust data systems, evaluating the impact of policies and tailoring interventions are hindered, and thereby posing risks to SDG achievement. Addressing these issues is vital for evidence-based decision-making and accountability (ESCAP, 2025). Although platforms like the Pacific Data Hub aid monitoring and evaluation (M&E), data gaps still remain, highlighting the need to strengthen data capacity (Pacific Data Hub, 2025).

## 2.4. Section summary

The development landscape of the PICTs is shaped by a complex interplay of historical legacies, environmental vulnerabilities and geographic isolation. While notable progress has been achieved in areas such as health, infrastructure and poverty reduction, persistent challenges remain in education, inclusive economic growth and climate resilience. To accelerate progress towards the SDGs, strengthening national data systems, deepening regional cooperation and prioritizing climate adaptation are essential. These efforts will be key in fostering sustainable, resilient and equitable development across the Pacific.

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## 3. People

The well-being of people in the PICTs is shaped by a complex interplay of geographic isolation, economic vulnerability and environmental fragility. Despite notable progress in human development, persistent challenges in poverty reduction, food security, education, healthcare and social protection continue to affect large segments of the population, particularly those in rural and outer island communities. This section examines key dimensions of human development across the PICTs, highlighting structural inequalities and the need for inclusive, resilient and context-specific policy responses.

### 3.1. Poverty, food insecurity and social inequality

Poverty remains a persistent challenge across many PICTs, particularly in rural areas and on more remote atolls. Limited access to essential services, infrastructure and employment opportunities continues to exacerbate socio-economic vulnerability (ADB, 2023a). Many households fall below national poverty lines, with living standards constrained by narrow economic bases and dependence on a limited range of export commodities and natural resources (ADB, 2023b). Small domestic markets, high transportation costs and heavy reliance on remittances further hinder inclusive economic development (World Bank, 2024a). These structural constraints are compounded by climate vulnerability, which disrupts key sectors such as agriculture, fisheries and tourism, pillars of local economies (ESCAP, 2024).

Food insecurity is a recurring and multi-dimensional issue across the Pacific. Environmental constraints, economic limitations and dietary transitions towards imported, less nutritious foods have contributed to a triple burden of malnutrition: undernutrition, micronutrient deficiencies, and rising rates of overweight and obesity among both adults and children (FAO, 2023). This burden has far-reaching social and economic consequences, including increased prevalence of chronic diseases, pressure on public health systems and reduced productivity (FAO, 2021). Countries such as Kiribati, Solomon Islands and Vanuatu continue to report high rates of stunting, wasting and micronutrient deficiencies among children (SPC, 2024b). The region's reliance on imported staples also heightens vulnerability to global price fluctuations, further distorting access to healthy diets (FAO, 2023). Geographic isolation and low population density pose additional challenges for the design and delivery of nutrition and health programmes, necessitating sustained international cooperation and support (FAO, 2023).

Social inequality remains deeply entrenched both within and across PICTs. While national-level Gini index<sup>4</sup> values suggest moderate to low-income inequality (World Bank, 2025), these aggregate figures often mask significant disparities affecting remote communities, women, youth and indigenous populations (ADB, 2023b). These groups face unequal access to quality education, healthcare and sustainable livelihoods. The high cost and logistical complexity of delivering public services across dispersed islands further exacerbate these inequalities (World Bank, 2024a). Social protection systems in most PICTs remain limited in scope and coverage, with fiscal constraints impeding the expansion of welfare programmes (ESCAP, 2024). As a result, vulnerable households are increasingly exposed to economic shocks, environmental hazards and public health emergencies, underscoring the pressing need for inclusive and resilient development strategies (ESCAP, 2024).

Taken together, poverty, food insecurity and social inequality reflect a distinctive pattern of developmental vulnerability in the PICTs. Geographic isolation, constrained economic resources and

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<sup>4</sup> The Gini index is a measure of relative income or wealth inequality within a population. Higher values indicate a greater degree of inequality.

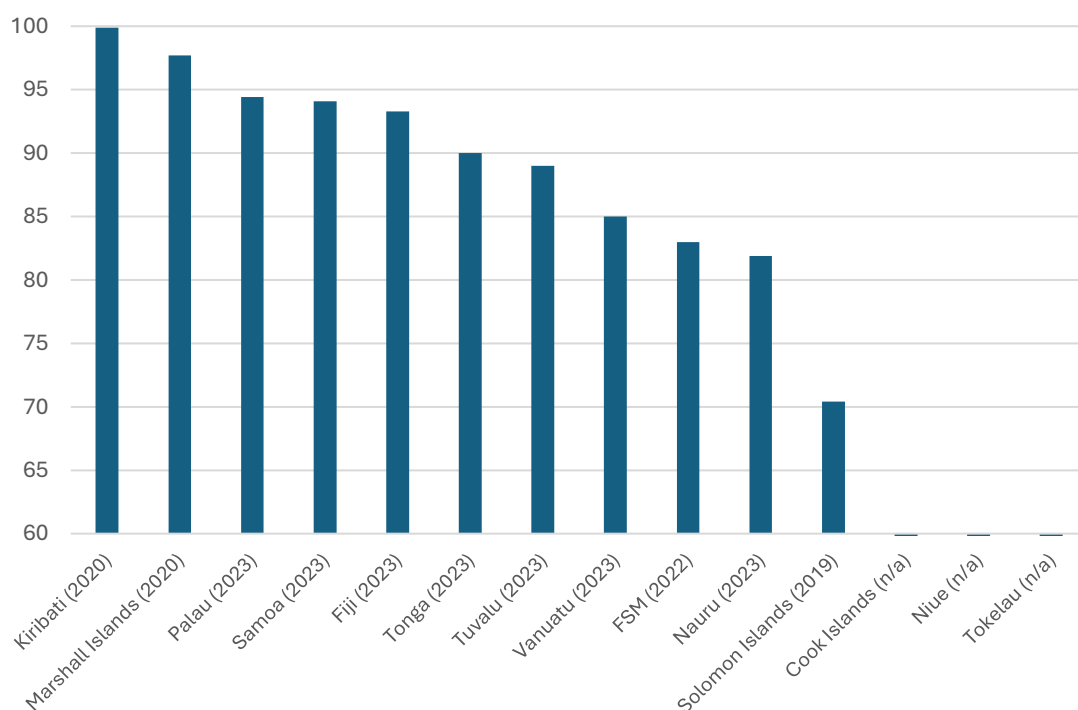
ecological fragility converge to sustain these challenges (World Bank, 2024a), and addressing them will require targeted domestic policy reforms, sustained international engagement, investment in climate-resilient infrastructure and the expansion of inclusive social protection systems (ESCAP, 2024). Without such measures, disparities in well-being across the region are likely to persist, or potentially even become more pronounced, in the coming decades.

### 3.2. Education

Education systems in the PICTs also operate within a complex landscape shaped by geographic isolation, cultural diversity and resource constraints. Regional frameworks such as the Pacific Regional Education Framework (PacREF) guide efforts to improve educational quality, equity and cultural relevance, despite ongoing challenges related to climate vulnerability and highly dispersed populations (UNESCO, 2023).

Schooling is widely valued as a pathway to socio-economic advancement. Free and compulsory education policies have driven high enrolment at the primary level, and early childhood education is expanding, although access and quality vary significantly between urban centres and remote islands (FAO, 2023). While primary completion rates are generally strong, secondary education faces high attrition due to limited institutional capacity, exam-based transitions and a lack of locally relevant technical and vocational pathways (ADB, 2023a) (also see figure 2).

**FIGURE 2: LOWER SECONDARY EDUCATION COMPLETION RATE**



Source: World Bank (2025). Lower secondary completion rate, total (% of relevant age group). <https://data.worldbank.org/indicator/SE.SEC.CMPT.LO.ZS>.  
 Note: n/a denotes “not available”.

Geographic dispersion and small population sizes present systemic barriers to equitable service delivery in the field of education. Even on the most basic level, recruiting qualified teachers and distributing learning materials to remote areas remain persistent challenges. More complex socio-

cultural factors, including gender norms, linguistic diversity and attitudes towards disability, also affect participation and learning outcomes (SPC, 2024a).

At higher levels, access to secondary, tertiary and technical education remains constrained across the PICTs, and contributing to a persistent mismatch between student skills and labour market needs. Marginalized groups, particularly those in outer islands, face barriers to both access and quality. These disparities are linked to systemic gaps in teacher training, curriculum development and assessment infrastructure. In many Pacific island countries, higher education opportunities are limited, and often restricted to vocational training, prompting many young people to pursue full-fledged tertiary education abroad (Abe and Freeman, 2024).

Strengthening education in the PICTs will require strategic investments in teacher capacity, infrastructure resilience and curriculum relevance, supported by regional cooperation and international assistance. Greater community engagement and the integration of indigenous knowledge systems are also essential to building more inclusive and sustainable education systems (UNESCO, 2023).

### 3.3. Healthcare and social protection

With populations widely dispersed across literally thousands of islands, delivering equitable and quality healthcare is inhibited by logistical complexity, limited economies of scale and climate-related risks. Despite efforts by governments and development partners, health systems remain under-resourced, fragmented and vulnerable to external shocks.

Per capita health expenditure in most PICTs is significantly below global averages, at around US\$660 annually, thereby limiting investments in infrastructure, medical supplies and human resources, especially in remote areas (World Bank, 2024b). Human resource shortages are acute, with numerous countries falling below World Health Organisation thresholds for health worker density. Limited domestic training and the emigration of skilled professionals further exacerbate these gaps. Fragile supply chains also hinder access to essential medicines, vaccines and diagnostics.

The region's epidemiological profile is shifting. While communicable diseases such as malaria and dengue persist, non-communicable diseases (NCDs) – including diabetes, cardiovascular diseases and cancer, the leading causes of premature mortality in the region – now account for over 80 per cent of premature deaths (Foliaki *et al.*, 2011). Obesity is a major contributor to the NCD burden, with several Pacific nations ranking among the highest globally (see table 2). This shift demands integrated care models focused on prevention, early detection and chronic disease management. Injuries from road accidents and natural disasters tend to further strain emergency services.

**TABLE 2: GLOBAL OBESITY RANKING OF THE PACIFIC ISLAND COUNTRIES AND TERRITORIES**

Global ranking	Country/territory	Income group	% Obesity (combined adults, 2022)
1	American Samoa	High income	75.92
2	Tonga	Upper-middle income	72.35
3	Nauru	High income	71.06
4	Tokelau	-	71.02
5	Cook Islands	High income	69.58
6	Niue	High income	67.27
7	Tuvalu	Upper-middle income	65.25
8	Samoa	Upper-middle income	63.67
9	French Polynesia	High income	49.00
10	FSM	Lower-middle income	48.19
12	Marshall Islands	Upper-middle income	47.11

13	Kiribati	Lower-middle income	46.89
21	Palau	High income	42.08
58	Fiji	Upper-middle income	34.90
86	Solomon Islands	Lower-middle income	28.69
96	Vanuatu	Lower-middle income	27.12

Source: World Obesity (2025).

Due to the limited availability of specialized care, overseas medical referrals remain essential but costly, thereby placing financial pressure on governments and households. Regional initiatives are currently exploring shared medical centres to reduce reliance on external providers (World Bank, 2024b), while telehealth and digital platforms are emerging as viable solutions to overcome geographic barriers, though their scalability depends on continued investment in digital infrastructure and workforce training. Climate resilience in the health sector is a growing concern, with an estimated 62 per cent of health infrastructure exposed to natural disaster risks (Knoema, 2024). Strengthening infrastructure and integrating disaster risk reduction into health planning are critical priorities.

Regional coordination mechanisms, including those led by the Pacific Community (SPC) and the Pacific Island Health Officers Association (PIHOA), support health system strengthening through technical assistance, data sharing and capacity building. Development partners are actively engaged in improving rural services, expanding training and enhancing emergency preparedness in countries such as Kiribati, Samoa and Tuvalu (PIHOA, 2024; SPC, 2024b). National governments are also advancing reforms to improve access to essential services and scale up NCD screening and treatment. Samoa's launch of a National Action Plan for Health Security reflects growing recognition of the need for robust preparedness and response systems (Government of Samoa, 2024).

While numerous PICTs report medium to high Human Development Index (HDI) levels, sub-national disparities remain pronounced, particularly in rural and outer island communities. Approximately one in four individuals live below their national basic needs poverty line, with women, children and persons with disabilities disproportionately affected (UNDP, 2024). Access to essential services, such as electricity and sanitation, remains below global averages; for example, electricity reaches less than half of the population in several PICTs (World Bank, 2023).

Social protection systems tend to be generally narrow in scope and coverage, constrained by fiscal limitations and administrative capacity. Informal employment is widespread, leaving large segments of the population outside formal social security mechanisms (ILO, 2023). Regional frameworks such as the Pacific Roadmap for Economic Development (2025–2030), alongside initiatives led by SPC, the Asian Development Bank, United Nations agencies and other development partners, all seek to promote inclusive and resilient development. Key priorities include expanding social protection coverage, improving equity in healthcare delivery, advancing gender equality, leveraging digital technologies to enhance service access and investing in climate-resilient infrastructure (ESCAP, 2025; SPC, 2022a). Strengthening resilience across social sectors is essential to safeguard the well-being of Pacific peoples amid ongoing economic and environmental uncertainties.

As with education provision, achieving universal health coverage will require sustained investment, regional cooperation and context-specific solutions tailored to the region's unique demographic and geographic realities. The COVID-19 pandemic and recurrent natural disasters have exposed the fragility of health and social protection infrastructure in the region, and highlight the need for more resilient systems (SPC, 2022b).

### 3.4. Migration, labour mobility and remittance

While absolute numbers of migrants are relatively modest across the PICTs, the proportional impact on population structures, labour markets and development outcomes is significant. Labour mobility

schemes, such as Australia’s Pacific Australia Labour Mobility (PALM) programme and New Zealand’s Recognised Seasonal Employer (RSE) scheme, have expanded rapidly. As of March 2025, over 31,000 Pacific workers were employed under PALM, up from 6,000 in 2019, with demand consistently exceeding available visas (Department of Employment and Workplace Relations, 2025). These schemes offer substantial income gains; for example, ni-Vanuatu workers earn up to ten times more abroad than at home, with most participants reporting high satisfaction and positive impacts on household well-being (Doan, Dornan and Edwards, 2023).

Demographic shifts linked to migration are particularly pronounced in smaller island states. In Niue, for example, over 90 per cent of the population resides overseas, while Cook Islands has more than five times as many citizens living in New Zealand and Australia as domestically. In the Northern Pacific, both FSM and Marshall Islands have experienced population declines of 20–30 per cent over the past decade, largely due to migration under their Compact of Free Association (CoFA) agreements with the United States (Joint Committee on Compact Review and Planning, 2023; UNDP, 2025).<sup>5</sup>

Environmental drivers are increasingly influencing migration decisions. Rising sea levels, extreme weather events and climate-induced disruptions to agriculture and fisheries are prompting both temporary and permanent relocation, particularly in low-lying atoll nations such as Kiribati and Tuvalu. Under the Falepili Union, Tuvaluans may relocate to Australia at a rate of up to 2.5 per cent of the population annually, under a special visa arrangement that provides access to education, healthcare and social services (McAdam, 2025; UNDP, 2025).

Migration also plays a critical role in enhancing economic resilience. Remittances have become a major source of external finance, surpassing foreign direct investment (FDI) inflows in several PICTs. In 2023, estimated remittance flows to the Pacific totalled US\$ 1.3 billion, with Tonga and Samoa ranking among the top five countries globally in remittance-to-GDP ratios, at 43 per cent and 28 per cent respectively (UNDP, 2025). While migration offers economic opportunities and demographic relief, it also presents challenges, including the ‘brain drain’ phenomenon, social fragmentation and the erosion of traditional knowledge systems. Addressing these issues requires coordinated regional strategies that balance mobility with sustainable development. Key policy priorities in this space include reducing remittance costs, expanding digital infrastructure and strengthening diaspora engagement.

**BOX 1: DEMOGRAPHIC SHIFTS AND MIGRATION DYNAMICS IN PALAU**

*Palau’s unique mobility framework and emerging challenges*

Palau illustrates a distinctive demographic trajectory shaped by migration, fertility decline and population aging. Between 2010 and 2020, the number of people of Palauan descent residing in the United States increased by 64 per cent, from 7,450 to 12,202 (U.S. Census Bureau, 2020), a figure nearly equal to Palau’s national resident population. This large-scale emigration, combined with persistently low fertility rates, has driven a 15 per cent population decline between 2005 and 2020, raising concerns over workforce sustainability, service delivery and economic growth.

Population aging compounds these challenges. By 2050, individuals aged 60 and above are projected to represent 21.1 per cent of the population, creating an unsustainable dependency ratio and placing additional strain on health and social systems (UN DESA, 2020). Return migration remains limited, and Palau lacks institutional mechanisms to facilitate reintegration or leverage the skills of its diaspora. Opportunities for short-term assignments, mentoring or remote skills transfer

<sup>5</sup> Find more detailed figures in annex.

are not yet formalized, leaving valuable expertise untapped, a trend also observed in Marshall Islands.

#### *Reliance on migrant labour*

To offset demographic pressures, Palau relies heavily on foreign workers. According to the 2020 Census, foreign residents accounted for 29 per cent of the total population, with 75 per cent entering for employment purposes, over 5,100 individuals in total. Migrant workers represent 39 per cent of the total workforce and 63 per cent of private-sector employment, underpinning economic stability and the sustainability of the social security system. The tourism sector, contributing approximately 40 per cent of GDP in 2024, depends on foreign labour for nearly 75 per cent of its workforce (Graduate School, USA, 2023).

#### *Remittance patterns and policy gaps*

Unlike many Pacific countries, Palau exhibits negligible remittance inflows. Since 2014, remittances have consistently represented less than two per cent of GDP, with annual inflows below USD 2.5 million (World Bank, 2023). Further research is needed to understand the drivers of this anomaly. Strengthening data systems and institutional frameworks to engage diaspora communities and manage migration flows will be critical to addressing demographic risks and sustaining inclusive development.

### 3.5. Section summary

Addressing the multi-dimensional challenges facing Pacific peoples requires sustained investment in human capital, equitable social service delivery and climate-resilient infrastructure. Strengthening education systems, expanding social protection and improving health outcomes are essential to reducing disparities and enhancing resilience. Regional cooperation, supported by international partnerships, will be critical to ensuring that no one is left behind in the pursuit of sustainable development and improved livelihoods across the Pacific.

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## 4. Prosperity

The concept of prosperity in the PICTs encompasses more than simply economic growth. It reflects the region's pursuit of inclusive development, resilience and sustainability in the face of structural constraints and external shocks. This synthesis section examines key dimensions of prosperity across the PICTs, including macro-economic trends, subsistence economies, public sector performance, fiscal management, financial systems, trade and investment, business development and labour markets. Drawing on regional assessments and international data, we highlight both persistent vulnerabilities and emerging opportunities, underscoring the importance of coordinated policy action, regional cooperation and strategic investment to advance the 2030 Agenda for Sustainable Development.

### 4.1. Macro-economic overview

The PICTs must navigate a complex macroeconomic landscape marked by persistent challenges and emerging opportunities. As of 2025, the region is experiencing a discernible slowdown in economic growth, reflecting both global trends and domestic dynamics (World Bank, 2025). Following a robust post-pandemic recovery, aggregate growth across the Pacific islands is projected to moderate to approximately 2.6 per cent in 2025, down from 5.4 per cent in 2023 (World Bank, 2025).<sup>6</sup> This deceleration is driven by subdued global demand, weakening tourism activity in key economies, and heightened uncertainties in the international geopolitical environment. Together, these developments serve to underscore the region's continued vulnerability to exogenous shocks.

Inflationary pressures across the Pacific islands, which peaked at approximately 7.4 per cent in 2023, are expected to ease to around 3.6 per cent in 2025 (World Bank, 2025). However, inflation remains above pre-pandemic levels, placing sustained pressure on household consumption and living standards, particularly given the region's dependence on imported food and fuel. This predicament illustrates the need for prudent inflation management and strategies to strengthen food security and energy sustainability (Asian Development Bank, 2025).

Tourism and remittance inflows remain central to economic activity in several PICTs, and most notably Palau, Samoa, Tonga and Vanuatu. The strong rebound in tourism-dependent economies during the initial post-pandemic period is expected to moderate due to softening global travel demand and lingering structural constraints. In contrast, economies such as FSM, Kiribati, Marshall Islands, Nauru and Tuvalu derive a significant share of income from sovereign rents, including fishing licence revenues, passport sales and digital services royalties. While these sources offer some insulation from global consumer fluctuations, they highlight the importance of maintaining favourable international partnerships (United Nations Micronesia, 2024). At the country level, economic experiences vary. Larger economies, such as Fiji and Solomon Islands, are facing slowing growth due to declining revenues from agriculture and natural resources, particularly logging, and require urgent diversification of business and investment activity. Smaller island states must contend with the perennial challenges linked to their size and isolation, including volatile income from sovereign rents and exposure to climate, natural and economic disruptions (World Bank, 2025).

Recent shifts in United States policy, including the imposition of broad-based tariffs and a substantial reduction in foreign aid, have introduced additional headwinds for PICTs. Reciprocal tariffs on 57 countries, including three in the Pacific (i.e., Fiji, Nauru and Vanuatu), have disrupted global trade flows and reduced export demand, particularly affecting small, open economies with limited diversification (UNCTAD, 2025). In early May 2025, a 90-day pause on these tariffs was introduced,

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<sup>6</sup> On the other hand, ADB's latest forecast, which includes Cook Islands, Niue and Papua New Guinea, unlike the World Bank's, projects a still modest but higher growth rate of 3.8 per cent for 2025 (ADB, 2025b).

while a 10 per cent tariff remained during negotiations. From early August 2025, U.S. imports face a 10 per cent “universal” tariff from countries with which the United States has a trade surplus, and a 15 per cent tariff from about 40 countries running a trade deficit, including Fiji, Nauru and Vanuatu. Table 3 summarizes the proposed reciprocal tariffs of the United States for PICTs (as of August 2025). Box 2 provides further details on the impact of the U.S. tariffs, and their potential ripple effects across the Pacific. Simultaneously, cuts in U.S. development assistance, especially in climate adaptation, health, education and infrastructure, have constrained fiscal space and adversely impacted resilience-building efforts (United Nations Development Programme, 2024).

**TABLE 3: THE US RECIPROCAL TARIFFS FOR THE PACIFIC IN 2025**  
(AS OF AUGUST 2025)

<i>UN PICTs</i>	<i>US Tariff (2 April)</i>	<i>90-Day Pause</i>	<i>US Tariff (7 August)</i>
Cook Islands	10	10	10
Fiji	32	10	15
Kiribati	10	10	10
Marshall Islands	10	10	10
FS Micronesia	10	10	10
Nauru	30	10	15
Niue	Not impacted	Not impacted	Not impacted
Palau	Not impacted	Not impacted	Not impacted
Samoa	10	10	10
Solomon Islands	10	10	10
Tonga	10	10	10
Tuvalu	10	10	10
Vanuatu	23	10	15
Tokelau	10	10	10

Source: The United Nations in the Pacific (2025).

**BOX 2: TRADE WAVES: U.S. TARIFF SURGE AND ITS RIPPLE EFFECTS ACROSS THE PACIFIC**

On 2 April 2025, the United States announced a new tariff regime, introducing a 10 per cent minimum tariff on nearly all imports. Higher rates were applied to 57 designated countries and specific sectors. Among PICTs, ten were subject to the 10 per cent rate, while Fiji (32 per cent), Nauru (30 per cent) and Vanuatu (23 per cent) faced elevated tariffs. Niue and Palau were excluded from the list. One month later, the United States introduced a 90-day pause on country-specific higher tariffs, maintaining the 10 per cent base rate during negotiations. From 7 August 2025, a revised tariff structure was implemented: imports from countries with a trade surplus with the United States were subject to a 10 per cent “universal” tariff, while imports from approximately 40 countries with a trade deficit, including Fiji, Nauru and Vanuatu, were subject to a 15 per cent tariff.

These measures represent a significant shift towards protectionism in U.S. trade policy, contributing to heightened global economic uncertainty. UNCTAD (2025) forecasts global growth to slow to 2.3 per cent in 2025, below the 2.5 per cent threshold commonly associated with recessionary conditions. The projected slowdown in global growth poses risks to key sectors, such as tourism, potentially reducing revenues and employment. A decline in overseas job opportunities for Pacific migrants may further constrain remittance flows, a vital income source for many households. Heightened global uncertainty may also dampen foreign direct investment (FDI) and development assistance inflows, exacerbating already high debt burdens. Several PICTs are currently assessed as being at high risk of debt distress. Taken together, these developments pose significant risks to fiscal stability and deepen the structural vulnerabilities of Pacific island developing economies, threatening livelihoods and long-term economic resilience.

The United States is a key export destination for Fiji, Niue and Tonga. Niue, which sends the highest share of its exports to the United States among PICTs, was not included in the tariff list. In contrast, Nauru and Vanuatu, despite having relatively minor export flows to the United States, were subject to higher initial tariffs, probably reflecting the high tariff rates they impose on U.S. goods (Nauru: 59 per cent; Vanuatu: 44 per cent). The new U.S. tariffs are expected to raise the cost of goods exported to the United States, reducing competitiveness and potentially leading to lower demand and decreased export earnings. Key sectors such as *kava* and fish from Fiji and Vanuatu are likely to be directly affected. Fiji Water, as a premium drinking water product, may be better positioned to absorb additional costs. However, for most PICTs, the direct impact may be limited due to their generally small export volumes to the United States.

The Trade Intelligence and Negotiation Advisor (TINA) platform (ESCAP, 2025) indicates that the United States plays a relatively minor role as an export partner for most PICTs, compared to China, Japan, the Philippines and the European Union, all of which are also major participants in Pacific offshore fisheries. Taiwan Province of China and Republic of Korea are also significant commercial fishing powers in the region. The U.S. measures targeting these key players in Pacific fish exports may increase the cost of Pacific-caught fish processed or marketed through these countries, reducing competitiveness in the U.S. market. This could result in lost market share, reduced demand and increased uncertainty in the fisheries sector, with potential negative impacts on fishing licence fee income, a critical source of government revenue for many PICTs, which accounts for up to 75 per cent of government revenue in some PICTs.

PICTs are highly trade-dependent and import-reliant, due to limited natural resources and small domestic markets. Stable access to international markets is therefore essential. Most PICTs run substantial trade deficits and remain vulnerable to external shocks, including global economic shifts, commodity price volatility and natural disasters. While classified among the world's most open economies, PICTs are not central actors in global trade disputes and rely on predictable and equitable access to global markets. Disruptions to global value chains and rising import costs are likely to increase fuel and goods prices, undermining business competitiveness and raising living costs for local communities.

## 4.2. Subsistence economies

Subsistence economies remain central to livelihoods across the PICTs, where traditional agriculture and fisheries practices continue to provide food security and socio-economic resilience, despite gradual shifts towards formal economic sectors (World Bank, 2024). These traditional systems, rooted in indigenous knowledge, are particularly vital in rural areas and outer islands where formal employment is constrained by geographic isolation, small domestic markets and underdeveloped infrastructure (ACIAR, 2025). Subsistence activities, such as the cultivation of root crops, fruits and

vegetables and coastal and inland fishing, are frequently complemented by semi-subsistence practices, including informal cash cropping and small-scale market sales. This duality reflects adaptive strategies to economic precarity and the limited absorption capacity of formal labour markets (World Bank, 2024). In the PICTs, over two-thirds of the population resides in rural areas and depends heavily on these practices for survival (ACIAR, 2025).

The persistence of subsistence livelihoods also reflects structural constraints in labour markets. Many individuals oscillate between informal or casual labour and subsistence work, underscoring the limited capacity of the formal sectors to absorb the workforce (World Bank, 2024). This dynamic is particularly pronounced in those countries where tourism and remittances dominate the formal economy, leaving rural populations reliant on traditional means of production (ACIAR, 2025). Beyond their economic function, subsistence economies play a vital role in sustaining cultural identity, reinforcing community cohesion and promoting environmental stewardship. These systems are deeply embedded in traditional knowledge and practices, which contribute to the sustainable management of natural resources. The COVID-19 pandemic further exposed the fragility of regional food systems, underscoring the strategic importance of strengthening local, subsistence-oriented production as a buffer against external disruptions (World Bank, 2024).

This feature has become increasingly critical as climate change intensifies ecological pressures across the Pacific region (IMF, 2024). For instance, the blue economy, comprising marine-based livelihoods such as artisanal and small-scale fishing, is facing growing threats from climate-induced shifts in fish populations and the increasing frequency and severity of tropical cyclones (IMF, 2024). At the same time, subsistence-based communities are among the most vulnerable to climate-related shocks, including sea-level rise, extreme weather events and declining biodiversity (ACIAR, 2025). These impacts are already manifesting in disrupted agricultural cycles, the spread of invasive species and the degradation of marine ecosystems, all of which undermine the sustainability of traditional livelihoods (ACIAR, 2025).

Despite their importance, subsistence activities are often excluded from national accounting systems, leading to an under-estimation of their economic contributions and societal welfare (World Bank, 2024). This invisibility in formal statistics hampers effective policy design and resource allocation. Strengthening this sector through climate adaptation, policy support and integration with broader economic initiatives is key for inclusive and sustainable development in the Pacific (ACIAR, 2025).

### 4.3. Government agencies and state-owned enterprises

Government agencies in the PICTs play a foundational role in shaping national development outcomes. Given the region's geographic dispersion, small domestic markets and heightened vulnerability to external shocks, the public sector is not only a key provider of services but also a central driver of economic activity and employment (World Bank, 2025a). In many PICTs, government institutions and state-owned enterprises (SOEs) are instrumental in delivering essential services and infrastructure, particularly in remote and underserved areas where private sector engagement is limited (ADB, 2021).

SOEs typically operate across critical sectors such as energy, water, telecommunications, transport, banking and fisheries. Their presence ensures continuity of services that are vital for social welfare and economic stability. However, many SOEs in the region face persistent structural and operational challenges, including limited economies of scale, overstaffing, poor financial performance and governance deficits. These issues often then lead to additional fiscal burdens, particularly in cases where SOEs are loss-making, and inefficiencies in service delivery (World Bank, 2018). Recognizing these constraints, Pacific governments have initiated reform programmes aimed at enhancing the performance and accountability of SOEs. Key measures include "corporatization," the adoption of

performance-based management contracts, and the establishment of independent regulatory bodies to oversee operations (ADB, 2021). These reforms are designed to improve operational efficiency, while maintaining public oversight and ensuring equitable access to services, but can be difficult to implement effectively, particularly in cases where SOEs perform a vital social and/or economic function, and where increases in service provision prices are hard to enact.

Governments are also increasingly leveraging public-private partnerships (PPPs) to mobilize private capital and technical expertise, particularly in infrastructure development and climate resilience projects. PPPs offer a strategic pathway to address financing gaps while promoting innovation and sustainability (Dentons, 2025). In alignment with regional and global development frameworks, such as the Framework for Resilient Development in the Pacific and the 2030 Agenda for Sustainable Development, governments are integrating SOE reform and public sector modernization into broader national development strategies. These efforts are being supported by multilateral development banks and bilateral partners through technical assistance and capacity-building initiatives (ADB, 2021; World Bank, 2025b).

Ultimately, governments in the Pacific are pivotal to fostering inclusive and resilient development. Continued investment in governance reform, institutional capacity and innovative financing mechanisms is essential to unlocking the potential of public assets, catalyzing private sector growth, and ensuring long-term sustainability in this ecologically fragile and economically diverse region.

#### 4.4. Fiscal and debt management

Fiscal and debt management in PICTs is shaped by persistent structural constraints, including i) narrow domestic tax bases, ii) high dependence on external grants and non-tax revenues, particularly fishing license fees, and iii) limited private sector activity (OECD, 2025; World Bank, 2025a). While these external flows have historically supported budgetary stability, fiscal pressures have intensified since the mid-1990s, driven by rising public wage bills, support to poorly performing SOEs, and volatile natural resource revenues (IMF, 2025).

In response, PICT governments have tended to prioritize fiscal consolidation and debt sustainability as twin pillars of macroeconomic resilience. On the revenue side, key reforms include broadening the tax base, simplifying tariff regimes and strengthening tax administration, in a bid to improve compliance and mobilize domestic resources (ADB, 2025). Managing fluctuations in non-tax revenues through long-term contractual arrangements and prudent fiscal planning is also important (World Bank, 2025a). On the expenditure side, improving efficiency, enhancing transparency and prioritizing investments in health, education and infrastructure are critical. Rationalizing subsidies and containing public sector wage growth are necessary to align spending with sustainable fiscal envelopes, especially as aggregate donor funding support is expected to decline (DFAT, 2025).

Debt management has become increasingly important in light of rising public debt levels, driven by pandemic-related spending and external shocks, such as inflationary pressures and global financial ‘tightening’ (World Bank, 2025b). While concessional financing has helped mitigate immediate risks, several PICTs face growing challenges in maintaining debt sustainability, particularly those with limited institutional capacity and fiscal space to make adjustments. The withdrawal of correspondent banking relationships in some PICTs has further complicated external financial flows, underscoring the need for regional cooperation and innovative financing mechanisms (World Bank, 2023). Strengthening debt management frameworks, improving transparency and enhancing capacity for debt recording and reporting are needed to reduce refinancing risks and ensure long-term fiscal resilience (OECD, 2025).

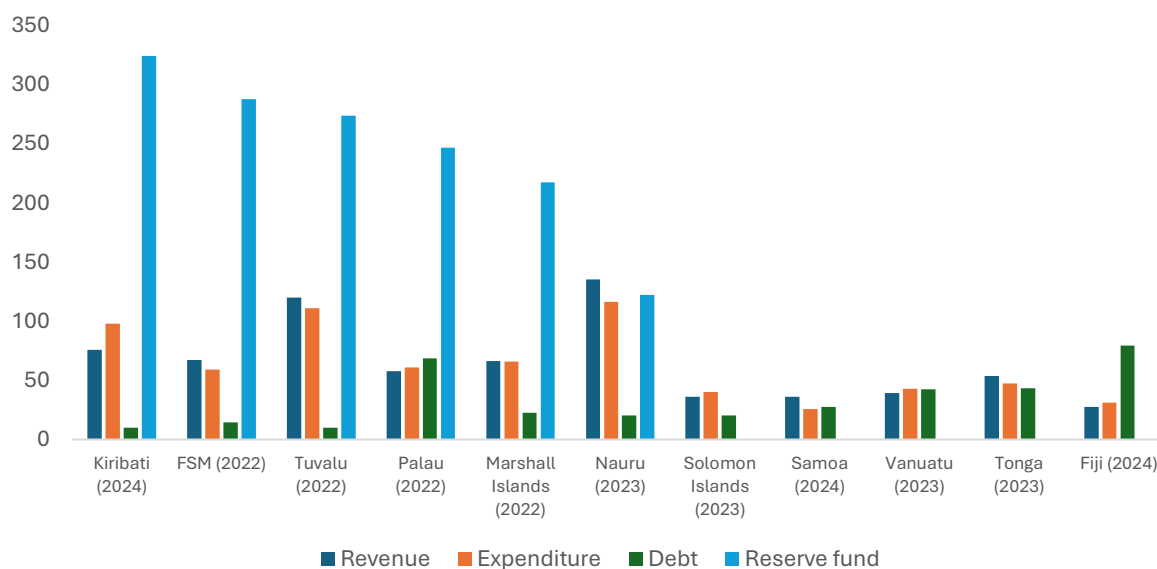
To safeguard intergenerational equity and strengthen fiscal resilience, several PICTs have established sovereign wealth funds, trust funds or reserve funds. These mechanisms are designed to manage

resource revenues and external grants prudently, and thereby ensuring that current fiscal decisions do not compromise future development prospects. Countries such as FSM, Kiribati and Tuvalu have been at the forefront of these efforts, using their reserve funds to help buffer against economic shocks and volatility in aid flows.

Effective management of these funds requires strong fiscal discipline and transparent governance frameworks. Without such safeguards, there is a risk of unsustainable debt accumulation and erosion of long-term fiscal sustainability (IMF, 2006). Governments must ensure that withdrawals from these funds are aligned with medium-term fiscal strategies and development priorities, and that fund performance is regularly monitored and publicly reported.

Figure 3 provides an overview of fiscal and debt management practices across PICTs. It highlights the diversity of approaches and the importance of institutional capacity in maintaining macro-economic stability. Strengthened fiscal and debt management systems are central to these efforts. Regional and international partnerships are supporting capacity development in budget formulation, execution and reporting, while improved financial controls and accountability mechanisms are enhancing donor confidence and the sustainability of external financing (ADB, 2025; UNDP, 2021). Although fiscal challenges persist, ongoing reforms and capacity-building initiatives offer a pathway towards greater macro-economic stability, resilience and sustainable development in the Pacific (World Bank, 2025b).

**FIGURE 3: REVENUES, EXPENDITURES, DEBTS AND RESERVE FUNDS**  
(IN PERCENTAGE OF GDP)



Source: Various IMF Article IV Staff Reports.

Note: Cook Islands, Niue and Tokelau are excluded as no Article IV reports are in the public domain. Reserve funds include those institutionalized, and exclude the foreign reserves of the relevant central banks.

## 4.5. Financial systems

The financial systems of PICTs are foundational in promoting inclusive and sustainable economic development. These systems are predominantly bank-based, with limited capital market and other non-bank financial activity, and are increasingly integrating digital financial services to address the needs of underserved and geographically dispersed populations (Pacific Islands Forum Secretariat, 2024).

Central banks play a critical role in maintaining monetary stability, regulating financial institutions and supporting inclusive growth. Several PICTs operate their own national currencies, including the Fiji dollar (FJD), Papua New Guinea kina (PGK), Solomon Islands dollar (SBD), Tonga pa'anga (TOP) and Vanuatu vatu (VUV). Others use foreign currencies, namely: the Australian dollar (AUD) in Kiribati, Nauru, and Tuvalu; the New Zealand dollar (NZD) in Cook Islands, Niue, and Tokelau; and the United States dollar (USD) in FSM, Marshall Islands, and Palau. These currency arrangements reflect historical ties and economic integration with larger economies. Central banks that issue national currencies are responsible for monetary policy, including managing inflation, overseeing foreign exchange reserves and supporting financial sector development, often in collaboration with regional and international partners. Their role is increasingly important in enhancing financial inclusion, building resilience to external shocks and advancing climate-responsive monetary and financial policies (IMF, 2025).

Central banks and financial regulators across the Pacific are advancing the 'Money Pacific Goals 2025': a regional framework aimed at promoting financial inclusion, improving digital and financial literacy and strengthening resilience to climate-related shocks (Alliance for Financial Inclusion, 2025). Regional initiatives such as the Pacific Islands Regional Initiative (PIRI) and the Pacific Financial Inclusion Programme (PFIP) have supported regulatory reforms, consumer protection and the adoption of digital financial tools, including mobile payments, micro-credit, micro-insurance and green finance solutions tailored to local contexts (Alliance for Financial Inclusion, 2024; World Bank, 2025).

Among the PICTs, Fiji hosts the region's only stock exchange, the South Pacific Stock Exchange (SPSE). The SPSE plays a strategic role in mobilizing capital beyond traditional banking channels, supporting the development of equity and debt markets and fostering private sector growth. Although modest in scale by global standards, the exchange contributes to financial market deepening, diversification of financial intermediation and the promotion of corporate governance and transparency (IMF, 2025). It also serves as a regional platform, offering investment opportunities to neighbouring Pacific economies and encouraging cross-border financial integration. Continued development of the SPSE has a role to play in expanding access to finance and supporting entrepreneurship and innovation.

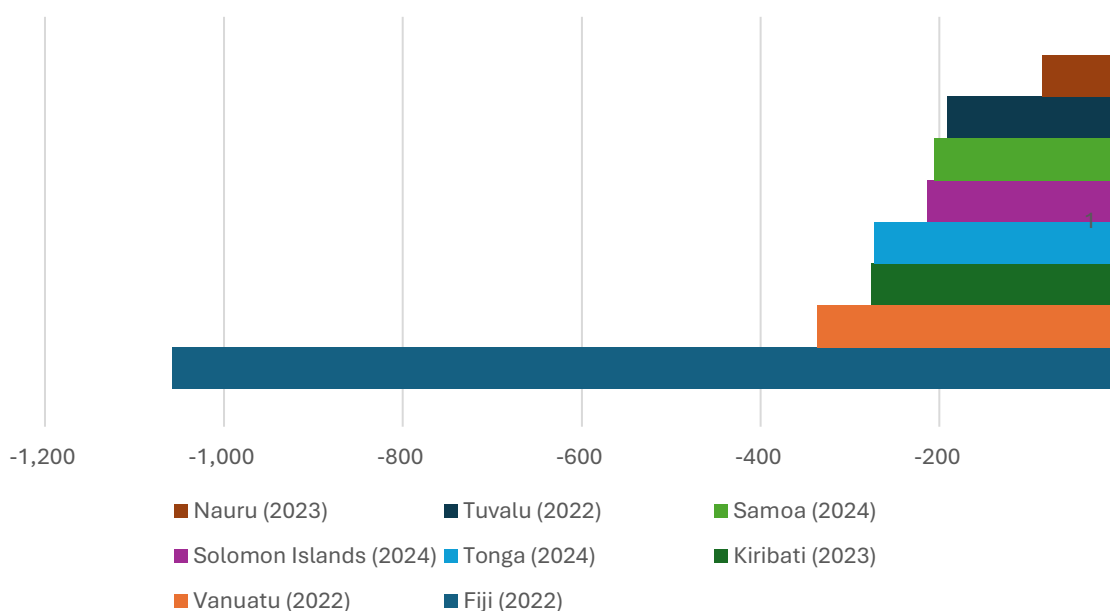
Despite notable progress, PICTs continue to face structural constraints in their financial systems. These include limited banking infrastructure and the erosion of correspondent banking relationships (CBRs), which threaten access to international financial services. Since 2011, the Pacific region has experienced a 60 per cent decline in CBRs, nearly double the global average (World Bank, 2025b). This trend, driven by global banks' 'de-risking' practices, reflects concerns over compliance costs and perceived risks related to anti-money laundering (AML), counter-terrorism financing (CFT), and proliferation financing (PF) regulations (Pacific Islands Forum Secretariat, 2024; Trade Finance Global, 2024). For example, Nauru recently faced the imminent loss of its sole remaining CBR, prompting the replacement of Bendigo Bank of Australia with the Commonwealth Bank of Australia in August 2025 (East Asia Forum, 2024; Republic of Nauru, 2025). Similarly, Cook Islands experienced a 77.5 per cent decline in CBRs between 2011 and 2022 while Kiribati saw a 40.7 per cent reduction over the same period (Trade Finance Global, 2024). These kinds of developments increase remittance costs and undermine economic resilience across the region.

Looking ahead, the financial systems of PICTs are expected to evolve through digital transformation, enhanced regional cooperation and gradual capital market development. One notable example is Palau's plan to issue a digital savings bond to mobilize domestic capital flows. These efforts align with broader regional development frameworks, including the Pacific Approach 2021–2025, which emphasizes inclusive growth, resilience and sustainable development (Asian Development Bank, 2021). To fully realize these goals, continued investment in financial infrastructure, institutional capacity and policy innovation will be required. Strengthening regulatory frameworks and leveraging technology will also be key to overcoming geographic and structural limitations, and ensuring that financial systems serve as enablers of inclusive and sustainable development.

## 4.6. Trade and investment

The structural characteristics of trade and investment in the PICTs present both constraints and opportunities for economic growth. External trade remains a key economic pillar, although persistent trade deficits – offset to varying degrees by remittances, development assistance and sovereign rents – highlight underlying vulnerabilities (Pacific Islands Forum Secretariat, 2025; World Bank, 2025). See Figure 4.

**FIGURE 4: TRADE DEFICITS IN GOODS AND SERVICES AMONG SELECT PICTS**  
(IN U.S. DOLLARS MILLION)



Source: Developed based on data from the World Development Indicators (World Bank, 2025).

Note: Cook Islands, FSM, Marshall Islands, Niue, Palau and Tokelau are excluded due to a lack of adequate data.

Export profiles tend to be concentrated in a narrow range of commodities; most notably fish, coconut-based products, niche agricultural goods and natural resources (e.g., logs and phosphate). Imports, by contrast, are more diverse and dominated by machinery, fuel, foodstuffs and manufactured goods. The blue economy, particularly fisheries and tourism, plays a central role in trade and revenue generation. Pacific waters account for nearly half of the global tuna catch, and fishing license fees constitute a significant portion of government revenues in several PICTs, reinforcing the importance of sustainable fisheries management (European Parliament Research Service, 2025; World Trade Organization, 2025).

Intra-regional trade among PICTs remains modest, constrained by limited production diversification, high transportation costs and infrastructural gaps (Pacific Islands Forum Secretariat, 2024). These structural challenges hinder the development of regional value chains and reduce the competitiveness of Pacific exports. To address these constraints, PICTs have increasingly engaged in multilateral and bilateral trade agreements, including the Economic Partnership Agreement (EPA) with the European Union and preferential arrangements with Australia, New Zealand and the United States. These agreements aim to enhance market access, promote export diversification and attract FDI (Asian Development Bank, 2021; International Monetary Fund, 2025). However, the effectiveness of these agreements has been mixed. While they provide frameworks for cooperation and trade facilitation,

implementation challenges persist, particularly in harmonizing standards, improving customs procedures and addressing non-tariff barriers (Pacific Islands Forum Secretariat, 2024; UNCTAD, 2025). Governments across the region continue to work towards improving regulatory environments, fostering public–private partnerships and advancing regional integration, although tangible results in terms of increased investment flows and trade volumes remain limited (World Bank, 2025).

Given the dominance of services – particularly tourism and transport – in regional trade, there is growing recognition of the need to liberalize and regulate trade in services. Digital economy initiatives and capacity-building efforts are supporting the expansion of sectors such as information and communication technology, which can help mitigate geographic remoteness and foster more inclusive economic growth (World Bank, 2025).

The recent imposition of higher tariffs by the United States has introduced significant uncertainty into the trade landscape for PICTs. While some nations, such as Fiji and Vanuatu, saw reductions from previously announced rates, the revised 15 per cent tariff still poses a considerable challenge to export competitiveness, particularly for small economies with limited negotiating leverage (RNZ, 2025). The rationale behind the tariffs, framed as “reciprocal” by the U.S. administration, has been contested by Pacific leaders, who argue that their economies pose no discernible threat to U.S. industry, and contribute minimally to its trade deficit. Moreover, the broader implications of these tariffs extend beyond direct trade flows, and analysts warn that the measures could trigger ripple effects across the region, affecting tourism, remittances and investment flows and exacerbating existing vulnerabilities in PICTs (Abe and Mishra, 2025; UNCTAD, 2025). These developments also underscore the need for Pacific economies to diversify their trade partnerships and strengthen regional cooperation to mitigate external shocks.

#### 4.7. Private sector

Business activity in the PICTs is relatively diverse but faces persistent structural and geographic constraints. Predominantly composed of small and medium-sized enterprises (SMEs), the private sector operates within small domestic markets that are vulnerable to supply chain disruptions, high operating costs and restricted access to finance. These challenges are compounded by geographic isolation and small populations, which limit the growth potential of locally owned businesses and reduce the attractiveness of FDI (Pacific Islands Forum Secretariat, 2020; World Bank, 2025).

Key economic activities include tourism, fisheries, agriculture, small-scale manufacturing and natural resource extraction. These sectors are central to employment generation, economic diversification and poverty reduction. However, the COVID-19 pandemic exposed the fragility of tourism-dependent economies, reinforcing the urgency of structural reforms and diversification strategies to enhance resilience and sustainability (ESCAP, 2025; IMF, 2025). Digital transformation has emerged as a critical enabler of business modernization across the Pacific. Infrastructure investments, such as submarine internet cables and expanded mobile broadband coverage, have facilitated greater integration into electronic commerce platforms. Despite these advances, disparities in digital readiness persist, particularly between main islands and outer islands, limiting their access to international markets and digital services (ADB, 2021; OECD, 2025).

The regulatory environment for business development varies across the region. Some countries have made notable progress in improving ease-of-doing-business indicators through reforms in areas such as trade facilitation, licensing and the investment climate. Regional initiatives, supported by development partners, aim to strengthen regulatory coherence, promote public–private dialogue and foster entrepreneurial ecosystems (ACIAR, 2024; DFAT, 2025). Labour mobility is a vital component of the business environment, influencing workforce availability, skills transfer and regional integration.

Enhanced connectivity, not only of infrastructure but also of people and institutions, is essential to unlocking business potential and achieving inclusive and sustainable growth (ESCAP, 2025).

## 4.8. Labour markets

Labour markets in PICTs are shaped by structural constraints, demographic shifts and persistent gender disparities. Key challenges include underemployment, a dominant informal sector and limited formal employment opportunities, particularly for youth and women (Pacific Data Hub, 2025). Labour force participation rates remain low across the region, with women disproportionately affected. Female participation averages approximately 42.7 per cent, significantly below male participation rates. This disparity is driven by out-dated legal frameworks, entrenched socio-cultural norms and systemic barriers to entry and retention in the workforce. Closing this gender gap is not only a matter of equity but also of economic necessity, and evidence suggests that achieving gender parity in labour force participation could raise regional GDP per capita by over 20 per cent (Reuters, 2025; World Bank, 2025). However, progress remains slow, and targeted interventions are needed to address the root causes of inequality.

Youth unemployment and under-employment are pressing concerns. Labour markets in many PICTs are unable to absorb the growing number of young entrants, resulting in high rates of discouraged workers and emigration of skilled labour, a phenomenon often referred to as ‘brain drain’. Young women face particularly high unemployment rates, compounded by limited access to education, vocational training and formal employment pathways. These barriers increase vulnerability to poverty, early marriage, gender-based violence and informal or precarious work conditions, reinforcing cycles of inequality. In the long term, persistent youth and female unemployment can place additional pressure on public finances due to increased demand for social welfare and lost tax revenue. At the same time, several Pacific economies rely on foreign workers to address domestic skills shortages, underscoring the complexities of labour mobility and migration policy (ADB, 2025; ESCAP, 2025).

Efforts to improve labour market outcomes have tended to focus on enhancing workforce skills through education and vocational training, strengthening labour market institutions and expanding social protection and employment services. Migration is increasingly viewed as both a challenge and an opportunity, depending on the effectiveness of policies designed to maximise its benefits while mitigating adverse impacts (IMF, 2025; Statistics for Development Division, 2025). Labour markets in the region are also transforming due to technological innovation and climate-related disruptions. These changes necessitate adaptive policies that equip workers with future-oriented skills and support sustainable livelihoods. Strategic planning and investment in human capital are essential to ensure resilience and inclusive participation in evolving economic contexts (ESCAP, 2025).

## 4.9. Section summary

In navigating the multifaceted challenges and opportunities of the Pacific region, the PICTs stand at a critical juncture. While structural constraints, climate vulnerabilities and external shocks continue to shape economic trajectories, the region’s resilience is evident in its adaptive subsistence systems, reform-driven public institutions and growing emphasis on inclusive development. Strategic investments in governance, financial infrastructure, trade diversification and human capital, coupled with sustained international engagement, will be essential to unlocking long-term prosperity and achieving the SDGs across this unique and dynamic region. Thus, while the economic outlook for the PICTs reflects moderated growth and persistent vulnerabilities, it also presents opportunities for transformative change through inclusive growth, enhanced resilience and strategic diversification. Continued international engagement and support remain vital to achieving sustainable development outcomes (World Bank, 2025).

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## 5. Planet

The PICTs face profound environmental challenges that intersect with their development aspirations. As custodians of globally significant biodiversity and ecosystems, these island nations are disproportionately affected by climate change, natural disasters and resource constraints despite contributing minimally to global emissions. Their geographic isolation, ecological fragility and limited fiscal capacity compound vulnerabilities across sectors. This section examines key dimensions of environmental sustainability in the Pacific, including climate resilience, biodiversity conservation, disaster risk reduction and circular economy transitions, highlighting the urgent need for integrated, inclusive and regionally coordinated responses.

### 5.1. Environmental vulnerability and climate change

PICTs are among the most environmentally vulnerable globally, despite contributing less than 0.03 per cent of global greenhouse gas emissions (SPC, 2022). Their geographic and ecological characteristics, comprising low-lying atolls, dispersed coastal settlements and fragile ecosystems, render them disproportionately exposed to climate-related hazards. These vulnerabilities underscore the importance of environmental preservation as a cornerstone of sustainable development in the region (WMO, 2024).

Climate change is the principal driver of environmental transformation across the Pacific. Sea level rise in the South-West Pacific is occurring at rates above the global average, with some areas experiencing increases of up to 4.5 millimetres per year (WMO, 2024). Given that approximately 90 per cent of Pacific islanders reside within five kilometres of the coast, and half of the region's infrastructure is located within 500 metres of the shoreline, the risks of coastal flooding, erosion, saltwater intrusion and displacement are acute. These impacts are already observable in communities such as Vunidogoloa and Tukuraki in Fiji, where relocation has become a necessary adaptation strategy (McMichael *et al.*, 2025).

Ocean warming and acidification further compound these risks. Sea surface temperatures have increased three times faster than the global average since 1980, resulting in more frequent and prolonged marine heatwaves (WMO, 2024). These phenomena have triggered widespread coral bleaching and degradation of marine ecosystems. Concurrently, ocean acidification, driven by increased carbon dioxide absorption, is reducing coral calcification and threatening reef integrity (NOAA, 2024). These changes jeopardize food security and traditional livelihoods, particularly in communities reliant on artisanal fisheries (SPC, 2022). Changing weather patterns are also evident, with increasing frequency and severity of tropical cyclones, droughts and irregular rainfall (SPC, 2022). Events such as Cyclone Pam (2015) and Cyclone Harold (2020) have caused extensive damage in Vanuatu and Fiji, respectively. These climatic shifts disrupt agricultural cycles, reduce water availability and pose risks to public health, thereby exacerbating existing socioeconomic vulnerabilities (UNDP, 2024).

Environmental degradation in the Pacific is not limited to physical impacts. Habitat loss, soil salinization and ecosystem decline are eroding biodiversity and threatening cultural heritage. Traditional practices, such as weaving and yam cultivation, are increasingly constrained by shifting environmental conditions (UNDP, 2024). Climate change is also a major driver of food insecurity, with cascading effects on agriculture, fisheries and nutrition. Rising sea levels and coastal erosion are contaminating freshwater sources with saltwater, particularly on permeable atoll islands that are highly susceptible to flooding. For PICTs, where access to freshwater for drinking, sanitation and agriculture is already limited, saltwater intrusion exacerbates vulnerabilities across food systems, water security and public health.

PICTs face some of the highest rates of displacement globally due to extreme weather events. Sudden-onset disasters such as cyclones, flooding and sea level rise displace over 50,000 people annually across the region (Foreign, Commonwealth and Development Office, 2025). Climate-induced displacement disrupts livelihoods, undermines development gains and imposes deep social and psychological burdens, particularly where land is intrinsically linked to culture, identity and community cohesion. The financial, legal and logistical demands of planned relocation are substantial, especially in contexts where land tenure is complex and resources are limited. Relocation due to rising seas presents profound social and cultural challenges. In Fiji, for example, community relocation has disrupted traditional structures and weakened social cohesion, underscoring the need for culturally sensitive planning that prioritizes both safety and continuity (UNDP, 2024).

The environmental challenges facing PICTs are deeply intertwined with structural development constraints. Geographic fragmentation impedes coordinated environmental management and the delivery of adaptation technologies (SPC, 2022). Limited fiscal resources and economic dependence on vulnerable sectors such as tourism and fisheries heighten exposure to climate shocks (UNDP, 2024). While access to climate finance has improved, the scale and urgency of adaptation needs exceed current funding levels. Governance and administrative capacity constraints further limit the effective use of available resources (UNDP, 2025). Moreover, indigenous environmental knowledge remains underutilized in formal policy frameworks. Traditional practices offer valuable insights into sustainable resource management and climate resilience, yet their integration into national adaptation strategies remains limited (IISD, 2025).

## 5.2. Biodiversity

PICTs are globally recognized for their exceptional biodiversity, shaped by geographic isolation and distinct ecological conditions. These islands host a rich array of endemic terrestrial and marine species, many of which are found nowhere else. Despite covering only a small fraction of the global land area (approximately 6.7 per cent), PICTs harbour nearly 20 per cent of the world's biodiversity, underscoring their global ecological significance (Fernández-Palacios *et al.*, 2021). Coral reef systems, in particular, are vital for biodiversity, fisheries and coastal protection, yet they are increasingly under threat.

The ecological uniqueness of island ecosystems also renders them highly sensitive to external pressures. Biodiversity loss in the Pacific has been historically severe and continues at an alarming rate. Drivers include habitat destruction, invasive species, over-exploitation, pollution, disease and climate change (SPREP, 2025a). Native species are especially vulnerable due to limited evolutionary defences against introduced predators and environmental shifts. Marine ecosystems face parallel threats, with warming seas, acidification and coral bleaching events diminishing species richness and ecosystem productivity (Westoby *et al.*, 2022). While progress has been made in expanding marine protected areas, terrestrial conservation efforts lag behind. Community-based conservation and traditional stewardship practices remain essential, particularly in remote and culturally diverse island settings (Earth.Org, 2024). However, these efforts are constrained by a range of structural and institutional challenges.

An emerging concern relates to the potential expansion of deep-sea mining in Pacific exclusive economic zones. While deep-sea mineral extraction is viewed by some as a pathway to economic diversification and resource security, it poses significant risks to marine biodiversity. Sediment plumes, habitat disruption and the destruction of deep-sea ecosystems threaten fisheries, livelihoods and cultural heritage. The lack of comprehensive environmental safeguards and scientific understanding of long-term impacts necessitate that a precautionary approach be taken (Abe, Maharroof and Eldacrory, 2025).

The biodiversity of the Pacific islands is both a global asset and a fragile resource facing acute threats. High levels of endemism and ecological uniqueness make these ecosystems particularly vulnerable to a wide range of pressures. Effective conservation requires comprehensive, well-funded and culturally informed strategies that build institutional capacity, empower communities and promote regional and international cooperation. Sustained and integrated efforts are essential to safeguard biodiversity, support resilient ecosystems and preserve the cultural and natural heritage central to Pacific islander identities and livelihoods.

### 5.3. Natural disasters

PICTs are among the most disaster-prone regions globally, facing frequent and severe natural hazards that threaten development progress, human well-being and environmental sustainability. Their geographic isolation, small land masses and low-lying coastal zones amplify vulnerability to a spectrum of hazards, including tropical cyclones, floods, droughts, volcanic eruptions, tsunamis and earthquakes (World Bank, 2024). Tropical cyclones are particularly destructive, with events such as Cyclone Pam (2015) and Cyclone Winston (2016) causing damage exceeding hundreds of millions of US dollars. More recent cyclones, including Cyclone Lola (2023), reaffirm the region's acute exposure to extreme weather (Global Humanitarian Overview, 2024). Floods and droughts regularly disrupt water supply, agriculture and health services in countries such as Fiji, Kiribati, Samoa, Solomon Islands, Tonga and Tuvalu (SPC, 2025).

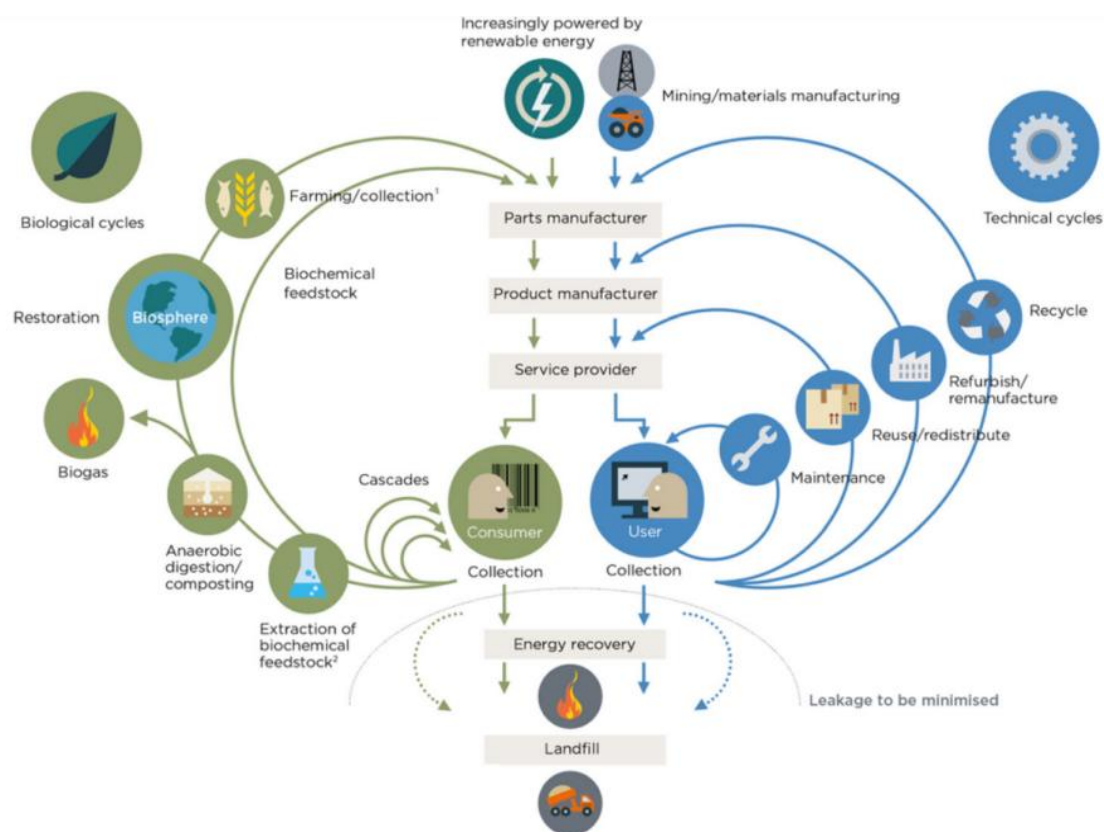
Beyond meteorological hazards, volcanic eruptions and associated tsunamis add complexity to the region's disaster profile. Notable events include eruptions in Vanuatu (2017, 2018) and Tonga (2022), which triggered widespread disruption. Climate phenomena such as *El Niño* further intensify cyclones and rainfall variability, exacerbating disaster risks (World Bank, 2024). Economic modelling indicates that natural disasters impose a median annual potential growth loss of approximately 1.4 per cent across Pacific economies, with losses exceeding 10 per cent in highly exposed countries such as Tonga and Vanuatu (IMF, 2025). These impacts are compounded by recurrent damage to infrastructure, housing and essential services, impeding recovery and long-term development.

Clearly, natural disasters pose a persistent and intensifying threat to Pacific island nations. The increasing frequency and severity of these events driven by climate change, demand robust and integrated disaster risk reduction (DRR) strategies. While regional collaboration and innovation have advanced resilience, challenges posed by geographic isolation, fiscal limitations and infrastructure exposure require sustained policy attention. Strengthening institutional capacity, promoting inclusive approaches and securing international support are essential to safeguarding the Pacific's future.

### 5.4. Circular economy and resource sustainability

Typically located at the periphery of global supply chains, PICTs face distinct challenges in managing resource flows, waste and environmental sustainability. The adoption of circular economy principles, emphasizing waste minimization, re-use, recycling and resource efficiency, is increasingly recognized as a strategic pathway to resilience and sustainable development (UNDP, 2023). The conventional linear economic model of 'take-make-dispose' is particularly unsuited to island contexts, where land availability is limited, waste disposal infrastructure is underdeveloped, and import dependency is high. In contrast, the circular economy model offers multiple benefits: i) reducing environmental degradation, ii) lowering import reliance, and iii) fostering local innovation and employment (also see figure 5). For example, ethnographic studies in Fiji and Vanuatu have mapped culturally embedded practices in plastic re-use and recycling, demonstrating the potential for community-led circularity (UNDP, 2022).

FIGURE 5: CIRCULAR ECONOMY MODEL



Source: Halog and Anieke. Halog, A. and Anieke, S. (2021). ‘A Review of Circular Economy Studies in Developed Countries and Its Potential Adoption in Developing Countries’, *Circular Economy and Sustainability*, 1, 209–230.

Circular economy strategies are also critical for addressing marine pollution, which disproportionately affects island nations. Improved waste management systems that prioritize segregation, composting and material recovery can reduce ocean-bound plastics and support biodiversity conservation. These approaches align with traditional Pacific values of stewardship and resource conservation, offering a culturally resonant framework for sustainability (World Bank, 2025). The circular economy presents a transformative opportunity for PICTs to enhance resource security, reduce environmental pressures and build inclusive green economies. Its integration into national strategies and regional frameworks is essential for achieving long-term sustainability and resilience in the Pacific.

## 5.5. Section summary

Environmental sustainability is central to the long-term resilience and prosperity of PICTs. The compounded pressures of climate change, biodiversity loss, disaster exposure and resource inefficiency demand transformative policy action and sustained international support. Strengthening institutional capacity, embedding traditional knowledge and scaling nature-based and circular solutions are essential to safeguarding ecosystems and livelihoods. Regional cooperation and global solidarity should underpin efforts to ensure that Pacific communities can adapt, thrive and lead in shaping a sustainable future grounded in equity, cultural integrity and ecological stewardship.

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## 6. Peace

Peace and inclusive governance are foundational to sustainable development in the PICTs. The region's unique socio-cultural landscape – characterized by customary leadership, communal landownership and diverse governance systems – intersects with contemporary challenges such as climate change, geopolitical competition and historical injustices. This section explores the multi-dimensional aspects of peace in the Pacific, including human rights, gender empowerment, traditional governance and regional cooperation, highlighting the importance of culturally grounded and resilient institutions in advancing equitable and peaceful societies.

### 6.1. Human rights, gender empowerment and inclusiveness

PICTs are home to diverse communities with rich cultural traditions and distinct governance systems. However, they face persistent human rights challenges shaped by geographic isolation, limited institutional capacity, socio-economic vulnerabilities and the enduring legacies of colonialism and nuclear testing (HURIGHTS OSAKA, 2017). These structural constraints intersect with emerging threats such as climate change and displacement, compounding barriers to the realization of rights related to health, education, housing and social protection.

Despite these challenges, PICTs have demonstrated growing engagement with international human rights frameworks. All Pacific island states have ratified the Convention on the Rights of the Child (CRC), and most have acceded to the Convention on the Rights of Persons with Disabilities (CRPD), reflecting regional commitment to child and disability rights (OHCHR, 2025). However, ratification of other core treaties, such as the International Covenant on Civil and Political Rights (ICCPR), the Convention Against Torture (CAT) and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), remains uneven in the Pacific, limiting the scope of legal protections and enforcement mechanisms (UN Treaty Body Database, 2025). See table 4 for details.

**TABLE 4: HUMAN RIGHTS TREATY RATIFICATIONS IN PACIFIC ISLAND COUNTRIES AND TERRITORIES**

Country	CAT	CCPR	CED	CEDAW	CERD	CESCR	CMW	CRC	CRPD
<b>Cook Islands</b>	-	-	-	✓	-	-	✓	✓	✓
<b>FSM</b>	✓	✓	-	✓	✓	✓	-	✓	✓
<b>Fiji</b>	✓	✓	✓	✓	✓	✓	-	✓	✓
<b>Kiribati</b>	-	✓	-	✓	✓	✓	-	✓	✓
<b>Marshall Islands</b>	✓	✓	-	✓	✓	✓	-	✓	✓
<b>Nauru</b>	✓	✓	-	✓	✓	✓	-	✓	✓
<b>Niue</b>	-	-	-	✓	-	-	✓	✓	✓
<b>Palau</b>	✓	✓	-	✓	✓	✓	-	✓	✓
<b>Samoa</b>	✓	✓	-	✓	✓	✓	-	✓	✓

<b>Solomon Islands</b>	✓	✓	-	✓	✓	✓	-	✓	✓
<b>Tokelau</b>	-	-	-	-	-	-	-	-	-
<b>Tonga</b>	✓	✓	-	✓	✓	✓	-	✓	✓
<b>Tuvalu</b>	✓	✓	-	✓	✓	✓	-	✓	✓
<b>Vanuatu</b>	✓	✓	-	✓	✓	✓	-	✓	✓

Sources: UN Treaty Body Database and secondary sources.

Note: Those treaties and their optional protocols comprise: the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT); the International Covenant on Civil and Political Rights (CCPR); the International Convention for the Protection of All Persons from Enforced Disappearance (CED); the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW); the International Convention on the Elimination of All Forms of Racial Discrimination (CERD); the International Covenant on Economic, Social and Cultural Rights (CESCR); the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (CMW); the Convention on the Rights of the Child (CRC); and the Convention on the Rights of Persons with Disabilities (CRPD).

Gender inequality remains a critical concern. Women’s labour force participation in most Pacific countries ranges between 14 and 35 per cent, with Cook Islands as a notable exception at 59 per cent (ADB, 2023). Political representation of women is among the lowest globally, constrained by entrenched gender norms, limited access to economic resources and under-developed support systems (UN Women, 2023). The intersectionality of gender, poverty, disability and remoteness intensifies vulnerability among marginalized groups, particularly in outer island communities.

Historical injustices, particularly the legacy of nuclear testing, continue to shape human rights discourse in the region. Exposure to radioactive contamination has had long-term impacts on health, ecosystems and livelihoods, with insufficient remediation and compensation mechanisms (Spheres of Influence, 2025). These unresolved grievances underscore the need for environmental justice and recognition of indigenous rights.

Climate change also presents a growing human rights challenge. Rising sea levels and environmental degradation have led to planned relocations in countries such as Solomon Islands, raising concerns over the right to adequate housing, cultural preservation and social cohesion (Human Rights Watch, 2025). Youth-led movements and indigenous activism have gained prominence, advocating for inter-generational justice, climate accountability and sovereignty on international platforms, including recent proceedings at the International Court of Justice (DevPolicy, 2025).

Regional cooperation, supported by United Nations bodies and civil society networks, plays a key role in advancing human rights. Technical cooperation sessions, such as those facilitated by the CEDAW Committee, have helped address structural and cultural barriers to gender equality (OHCHR, 2025). However, implementation gaps persist due to limited resources, weak legal frameworks and insufficient data for monitoring. To advance human rights in the Pacific, it is essential to deepen treaty ratifications, strengthen institutional capacity, integrate climate resilience with social justice and promote inclusive governance that empowers women, youth and indigenous peoples.

## 6.2. Political governance and traditional leadership

PICTs present their political governance as a unique blend of modern state institutions and enduring traditional leadership systems. Across Melanesia, Micronesia and Polynesia, customary authority, often rooted in land ownership and kinship structures, continues to play a central role in local

governance, dispute resolution and community cohesion (Pasifika Futures Report, 2025). In many Pacific societies, land is not merely an economic asset but a cornerstone of identity, spirituality and social order. Traditional leaders, often custodians of communal land, wield significant influence over political decisions, resource management and development priorities. This customary governance is particularly prominent in numerous countries where chiefly systems or councils of elders are formally recognized within national constitutions or legal frameworks (UNDP, 2024).

At the regional level, the Framework for Pacific Regionalism, endorsed by Pacific Islands Forum Leaders, promotes shared sovereignty, pooled resources and coordinated decision-making to address common challenges, such as climate change, economic vulnerability and geopolitical competition (ADB, 2014). The framework emphasizes inclusive leadership grounded in the ‘Pacific Way’; a philosophy of consensus, respect and communal responsibility that seeks to harmonize national efforts with regional ambitions under the 2050 Strategy for the Blue Pacific Continent (Pacific Data Hub, 2025).

Despite some progress made, governance systems in the Pacific face persistent challenges. These include limited institutional capacity, uneven representation of women and youth in leadership, and tensions between customary authority and statutory law. Efforts to strengthen governance must therefore balance respect for traditional structures with the need for inclusive, accountable and transparent institutions (UNDP, 2024). The integration of traditional leadership into national and regional governance frameworks offers a culturally resonant pathway to sustainable development. By recognizing the legitimacy of customary systems and aligning them with democratic principles, PICTs can foster resilient, locally grounded governance structures and approaches that reflect the values and aspirations of their citizens.

### 6.3. Geopolitical dynamics

The PICTs have transitioned from peripheral actors to strategic focal points in global geopolitics, particularly amid intensifying competition between China and the United States. This shift reflects the region’s vast maritime zones, critical resources and geostrategic location within the Indo-Pacific. China’s expanding presence, marked by infrastructure investment, diplomatic outreach and security cooperation, has reshaped regional alignments. Recent initiatives, such as the China-Cook Islands Comprehensive Strategic Partnership and the third China-Pacific Island Countries Foreign Ministers’ Meeting, underscore Beijing’s intent to position itself as the region’s preferred development and climate partner (CSIS, 2025a).

China’s engagement strategy emphasizes economic incentives with ostensibly minimal political conditions, appealing to some PICTs seeking immediate development support. However, concerns persist over sovereignty, transparency, debt burden and environmental risk issues. The inclusion of law enforcement cooperation and maritime infrastructure in bilateral agreements has also raised alarm among traditional partners, such as Australia and New Zealand (CSIS, 2025a).

The United States has sought to recalibrate its Indo-Pacific strategy, emphasizing security cooperation and climate resilience. However, implementation has been uneven. The Pacific Pledge and broader Indo-Pacific Strategy have faced delays and budgetary constraints, while strategic ambiguity and political turnover have undermined regional perceptions of US reliability (*The Diplomat*, 2025a). The Biden administration’s whole-of-government approach has struggled to match China’s pace of engagement, and the return of President Trump has introduced a more transactional, security-focused posture with reduced emphasis on development aid (Abe and Mishra, 2025).

The region’s fragmented geography and diverse political affiliations complicate unified responses to great-power competition. Smaller island states face strategic vulnerability, balancing offers of aid and infrastructure against long-term sovereignty and governance concerns. Public protests in Cook Islands

and cautionary statements from leaders in Micronesia reflect growing awareness of the risks associated with external influence (Abe and Mishra, 2025; CSIS, 2025b). To sustain influence, traditional partners must deliver coherent, culturally attuned and economically meaningful engagement. This includes supporting climate adaptation, maritime sovereignty and inclusive development, while respecting the agency of Pacific nations. The evolving security architecture, shifting from a U.S.-centric ‘hub-and-spoke’ model to a more distributed ‘lattice-work’ of regional partnerships – a more distributed, interconnected network of bilateral, trilateral, minilateral and multilateral arrangements – signals a reconfiguration of power in the Pacific (*The Diplomat*, 2025b).

## 6.4. Section summary

Achieving lasting peace in the Pacific requires a holistic approach that integrates human rights, inclusive governance and regional solidarity. Addressing structural inequalities, empowering marginalized groups and reconciling traditional authority with democratic principles are essential to building resilient communities. As the region navigates complex geopolitical dynamics and climate-related pressures, strengthening institutional capacity and fostering culturally attuned partnerships will be critical. The Pacific’s commitment to peace, rooted in the ‘Pacific Way’ of consensus and respect, offers a compelling model for inclusive and sustainable development.

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## 7. Partnership

Partnerships are central to advancing sustainable development across PICTs. Given the region's structural vulnerabilities, geographic dispersion and limited domestic resources, effective partnerships – spanning bilateral donors, multilateral institutions, civil society and the private sector – are essential to mobilize finance, deliver services and build resilience. This section examines the evolving landscape of development cooperation in the Pacific, highlighting the roles of foreign aid, United Nations engagement and emerging frameworks, such as the Multidimensional Vulnerability Index (MVI) in shaping inclusive and responsive partnerships.

### 7.1. Foreign aid

Foreign aid remains a foundational component of development finance for PICTs. Given their various structural constraints – including small economies, geographic isolation and heightened exposure to climate and economic shocks – external assistance is essential to support infrastructure, social services, climate resilience and governance capacities (UNDP, 2025). Australia continues to be the single largest bilateral donor across the region, allocating over AUD 2.1 billion in official development assistance (ODA) for the 2024–25 financial year, with 42 per cent directed to Pacific island countries (DFAT, 2025a). New Zealand channels approximately 60 per cent of its development funding to the region, although recent budgetary adjustments have reduced climate finance allocations (DFAT, 2025b). Japan has revised its aid framework to prioritize climate change, poverty alleviation and human rights (World Bank, 2025).

Despite nominal increases in aid budgets from some donors, real-term growth remains modest or negative when adjusted for inflation. Global ODA declined by seven per cent in 2024, with further reductions projected in 2025 ranging from 9 to 17 per cent (UNDP, 2025). Aid volatility, driven by shifting donor priorities, domestic political constraints and geopolitical competition, complicates national planning and threatens programme continuity. Recent shifts in U.S. foreign aid policy have introduced additional uncertainty. While the Biden administration launched the US-Pacific Partnership Strategy and pledged over USD 7.2 billion in new funding, implementation has been adversely impacted by political turnover and budgetary constraints (US Department of State, 2024). The new U.S. administration has enacted aid freezes and proposed withdrawals from multilateral institutions, raising concerns about the sustainability of U.S. commitments in the Pacific (Devpolicy Blog, 2025).

Emerging donors, including China, India, the Republic of Korea, Saudi Arabia and Qatar, have expanded bilateral aid, sometimes linked to geo-strategic interests. China's engagement combines infrastructure investment, economic diplomacy and civil society initiatives, thereby reshaping aid dynamics in the Pacific, and raising concerns in some quarters over transparency and governance (RFA, 2025). Aid dependency, defined as a high reliance on external financial assistance, has several implications for PICTs. When aid exceeds 30 to 40 per cent of GDP, it can constrain economic sovereignty and limit national autonomy in setting development priorities (UNDP, 2025). Fluctuating aid flows undermine budget stability and programme continuity, while fragmented donor relationships strain institutional capacity (Lowy Institute, 2022). High aid inflows may also disincentivize domestic resource mobilization as well as expose recipient countries to geopolitical pressures (World Bank, 2025).

To enhance aid effectiveness, PICTs require improved coordination mechanisms, strengthened institutional capacity and strategic prioritization. Stable, transparent and aligned aid flows, complemented by domestic resource mobilization and regional cooperation, are essential to advancing sustainable development, resilience and sovereignty. The Sevilla Commitment, a landmark outcome of the fourth International Conference on Financing for Development, held in Sevilla, makes the mobilization and management of domestic public resources a core pillar. The Commitment calls

on developing countries to strengthen national fiscal policies and tax systems to fund their own development priorities. It explicitly sets a global target for countries to achieve a 15 per cent tax-to-GDP ratio, aiming to ensure countries can sustainably finance essential services, reduce aid dependency and increase economic sovereignty.

## 7.2. United Nations engagement in the Pacific

The United Nations maintains a significant multi-country presence across 14 PICTs. This engagement is coordinated through three Multi-Country Offices (MCOs) located in Fiji, Micronesia and Samoa, each led by a United Nations Resident Coordinator and supported by joint United Nations Country Teams comprising various resident and non-resident United Nations agencies (UNDP, 2023). The Fiji MCO covers Fiji, Solomon Islands, Tonga, Tuvalu and Vanuatu; the Micronesia MCO serves FSM, Kiribati, Marshall Islands, Nauru and Palau; and the Samoa MCO supports Cook Islands, Niue, Samoa and Tokelau. These offices facilitate integrated programming across humanitarian, development and human rights domains, tailored to the unique needs of small island developing States (United Nations Pacific, 2023).

The United Nations' strategic engagement is guided by the United Nations Sustainable Development Cooperation Framework (UNSDCF) for the Pacific (2023–2027), which outlines four core outcome areas (United Nations Pacific, 2023):

- I. Planet: Climate change adaptation, environmental sustainability and disaster risk reduction;
- II. People: Health, education, gender equality and social protection;
- III. Prosperity: Inclusive economic development, digital transformation and skills enhancement; and
- IV. Peace: Governance, human rights, social cohesion and justice.

Country Implementation Plans (CIPs), developed biennially in consultation with national governments and stakeholders, operationalize the UNSDCF at the country level. These plans emphasize national ownership, participatory monitoring and alignment with regional priorities under the 2050 Strategy for the Blue Pacific Continent (UNFPA, 2023). The United Nations' contributions in the Pacific focus on climate resilience, gender-based violence prevention, health and education access, digital innovation and inclusive governance. Initiatives such as South-South cooperation, evidence-based policymaking and the deployment of UNDP Accelerator Labs support innovation and foresight in addressing complex development challenges (UNDP, 2023).

Despite notable progress, United Nations operations in the Pacific continue to face persistent challenges that are not too dissimilar to the PICTs themselves, including geographic dispersion, limited institutional capacity, climate vulnerability and coordination complexity (ReliefWeb, 2023). Nevertheless, the United Nations' regionally coordinated approach enables it to respond effectively to the diverse and evolving needs of PICTs. By fostering inclusive partnerships and aligning with national and regional frameworks, the United Nations plays a pivotal role in advancing sustainable development, resilience and equity across the Blue Pacific.

## 7.3. Multidimensional Vulnerability Index

The United Nations Multidimensional Vulnerability Index (MVI) represents a significant milestone in assessing structural vulnerabilities of countries, beyond income-based classifications. Adopted by the UN General Assembly in August 2024, the MVI establishes an international quantitative benchmark to measure structural vulnerability and lack of resilience across multiple dimensions of sustainable development. Its adoption is a major step towards ensuring that access to concessional finance is

determined not just by traditional income-based assessments, but by a country’s multifaceted vulnerabilities, therefore enabling more targeted, effective and equitable support for those most in need. The MVI incorporates economic, environmental and social dimensions to provide a comprehensive measure of structural vulnerability and resilience (see box 3). It allows assessing countries’ vulnerability to external shocks, including economic downturns, climate events and health crises, along with the capacity to respond and recover from such disruptions.

**BOX 3: AN OVERVIEW OF THE MULTIDIMENSIONAL VULNERABILITY INDEX (MVI)**

The MVI consists of a two-tiered structure comprising:

- I. A universal quantitative assessment: A common methodology applied to all countries measuring *structural vulnerability* and *resilience* across three dimensions, economic, environmental and social, which in turn consist of a range of indicators representing specific factors related to vulnerability and resilience.
- II. Vulnerability-resilience country profiles (VRCs): Country-owned, in-depth analyses that complement the quantitative assessment by capturing specific national resilience factors, including those not reflected in structural indicators. VRCs support planning and cooperation by aligning with instruments such as National Development Plans (NDPs), Integrated National Financing Frameworks (INFFs) and Voluntary National Reviews (VNRs).

Table 5 provides an overview of the MVI structure, including its pillars and their definitions.

**TABLE 5: THE VULNERABILITY AND RESILIENCE PILLARS OF THE MVI**

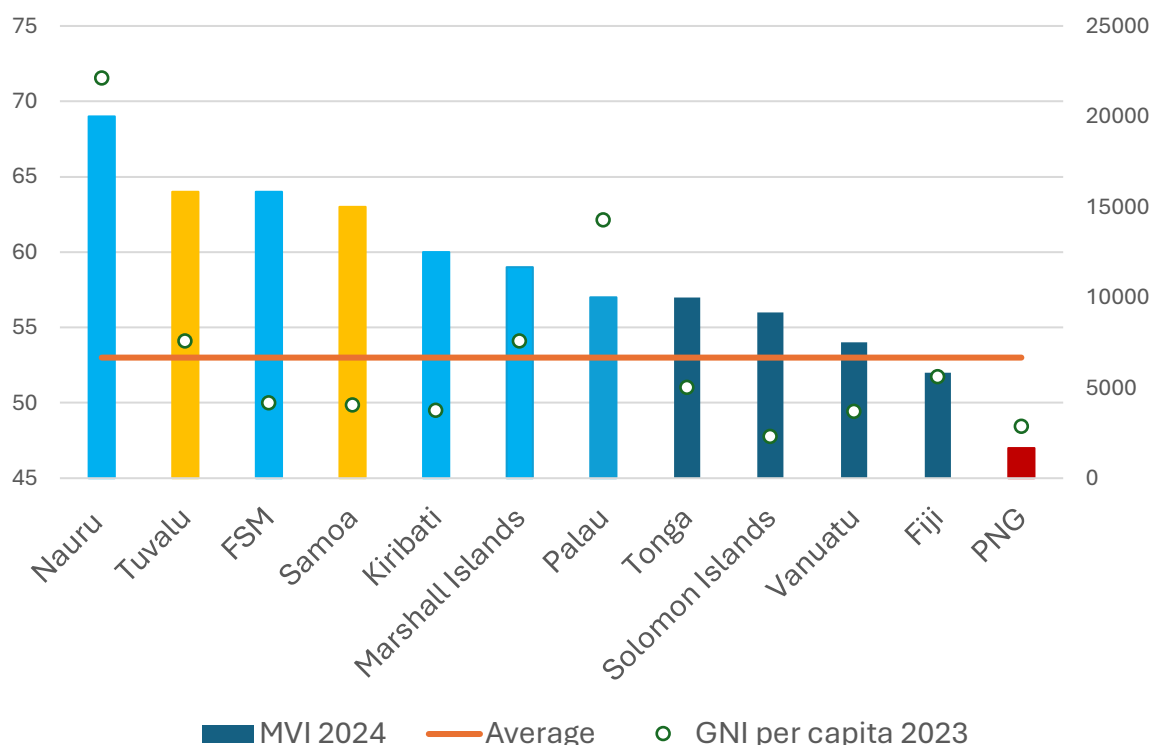
Component	Vulnerability	(Lack of) Resilience
<b>Economic</b>	The risk that a country's economic development is disrupted by adverse external economic shocks. These exogenous shocks and related economic instability may have both short-term and long-term negative impacts on economic growth, ultimately undermining sustainable development.	A country's inherent economic strengths and resources enhance its ability to withstand and recover from adverse events. It includes factors such as sound institutions, well-functioning markets, economic diversification and adaptable frameworks, all of which contribute to minimizing the impact of shocks and ensuring quicker recovery.
<b>Environmental</b>	The risk of harm caused by exposure to natural hazards, which may arise from structural vulnerabilities linked to climate change or anthropogenic and socio-natural shocks. These hazards and stressors are impacting a country's ability to sustain environmental stability and development.	A country's natural resources, infrastructure and ecological systems help reduce its vulnerability to environmental challenges.
<b>Social</b>	The risk of harm due to social shocks and stressors, which can affect the ability to anticipate, cope with and recover from adverse impacts	A country's inherent social strengths including social cohesion, institutions, demographics, and human capital.

SOURCE: BASED ON THE UNITED NATIONS PRESIDENT OF THE GENERAL ASSEMBLY'S HIGH-LEVEL PANEL. FINAL REPORT

Evidence shows that PICTs are experiencing a decline in concessional financing as a share of their total external debt. Consequently, non-concessional debt (i.e., typically with higher interest rates and shorter repayment periods) now makes up a larger portion of their total borrowing. This is increasing fiscal risks and putting additional pressure on their budgets. As noted earlier, PICTs face compounded challenges that distinctively set them apart from other middle- or high-income countries, including remoteness, economic concentration, dependence on external flows such as remittances and tourism, and heightened exposure to climate-related shocks. Indeed, the COVID-19 pandemic further underlined the economic fragility of these small countries, underscoring their economic and debt challenges as well as the inadequacy of traditional eligibility criteria for concessional financing (UNDP, 2021; UNDP SIDS Platform, 2023).

The MVI underscores that SIDS in general present higher structural vulnerability than other developing countries. SIDS are even more vulnerable than other "countries most in need," including least-developed countries (LDCs), fragile contexts and landlocked developing countries (see figure 6). Furthermore, 90 per cent of PICTs rank in the top 50 per cent of global vulnerability (United Nations, 2024). In this context, the Sevilla Commitment encourages the consideration of the MVI as a tool to guide development cooperation policies and practices, particularly to enhance SIDS' access to concessional finance.

FIGURE 6: MVI VERSUS NATIONAL INCOME IN THE PACIFIC



Sources: Developed based on the United Nations (2024) and World Bank (2024)

Notes: PNG stands for Papua New Guinea. The latest MVI report excludes Cook Islands, Niue and Tokelau. The data produces: average: 52.9, median: 52.8, standard deviation: 8.4. After factoring in its 30 per cent population drop in the past decade, FSM's GNI per capita must be close to the level of Marshall Islands.

## 7.4. Section summary

Strengthening partnerships in the Pacific requires a coordinated, transparent and context-sensitive approach that respects national sovereignty and cultural diversity. As the region navigates complex challenges, from climate change and aid dependency to geopolitical competition and institutional capacity constraints, collaborative mechanisms must evolve to ensure coherence, equity and long-term impact. The integration of innovative tools such as the MVI, alongside regionally aligned frameworks like the 2050 Strategy for the Blue Pacific Continent, offers a pathway to more targeted and transformative cooperation. Sustained commitment from all partners will be key to realizing the Pacific's development aspirations.

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## 8. Conclusion: Development Risks and Recommendations

PICTs face a rapidly evolving development landscape shaped by intersecting environmental, economic, social and geopolitical risks. As small island states, they are particularly vulnerable to external shocks, whether from climate change and natural disasters or economic volatility and strategic competition. Addressing these multi-dimensional challenges requires coordinated, inclusive and forward-looking responses and strategic decision-making from national governments, regional organizations and development partners, including the United Nations system.

### 8.1. Emerging development risks

Climate change remains the most pressing development risk, exacerbating sea-level rise, coastal erosion, biodiversity loss and extreme weather events. The region is projected to temporarily exceed 1.5° Celsius warming above pre-industrial levels within the next five years, intensifying ecological and socio-economic vulnerabilities. Environmental degradation, including deforestation, unsustainable mining and marine pollution, further undermines resilience and livelihoods. Natural disasters, such as tropical cyclones, floods and volcanic eruptions, continue to cause significant economic losses and infrastructure damage. Geographic isolation and limited emergency preparedness capacities constrain effective disaster risk reduction and recovery efforts.

Economic challenges include slowing post-pandemic growth, fiscal tightening and limited diversification. High dependence on tourism, remittances and external aid heightens exposure to global shocks. Gender disparities in labour force participation and persistent poverty further impede inclusive development. Geopolitical competition, particularly between China and the United States, has introduced strategic pressures that influence aid flows and development priorities. Pacific nations must navigate these dynamics while safeguarding sovereignty and ensuring alignment with national interests.

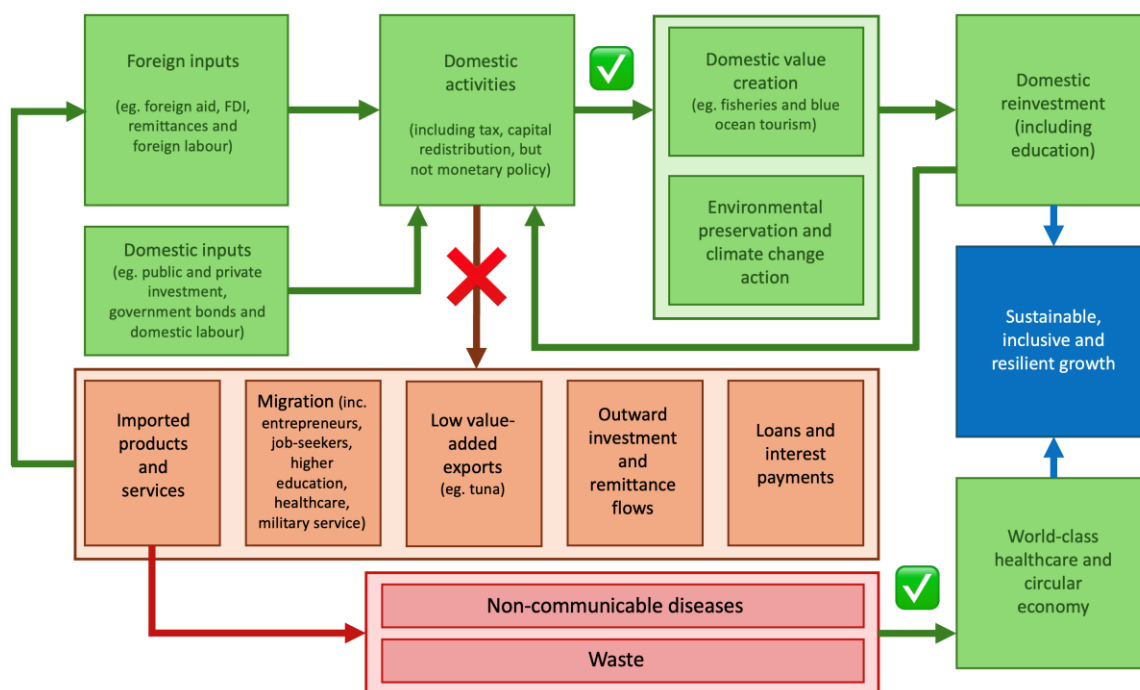
Social and health risks persist, including high burdens of NCDs, mental health challenges and limited access to quality healthcare. Gender-based violence and human rights concerns remain prevalent, particularly in remote and underserved communities. Institutional capacity constraints, including limited administrative resources and fragmented governance systems, hinder effective policy implementation and aid coordination. Strengthening institutional frameworks is essential to enhancing resilience and accountability.

### 8.2. The vicious cycle of value loss

Asset and monetary flows in the Pacific underscore the critical importance of creating and retaining domestic value to achieve sustainable development. Migration and low-value-added exports, such as tuna, logs and minerals, have generated limited returns, while substantial outflows through imports, outward remittances and investments in neighbouring countries have led to a net loss for local economies. Retaining human, tangible and financial resources within the region is essential to enable reinvestment and support a more virtuous cycle of inclusive and sustained growth.

Figure 7 depicts PICTs' simplified value creation or value-losing chains, framing five critical policy implications.

FIGURE 7: SIMPLIFIED VALUE CREATION OR VALUE-LOSING CHAINS IN THE PACIFIC



Source: The UN Micronesia (2024).

### 8.3. Policy implications and recommendations

The findings of this report underscore the need for a strategic shift towards value retention, resilience-building, and inclusive development across the PICTs. To break the cycle of value loss and foster sustainable growth, the following policy implications are proposed:

- Advance education and health system transformation: Develop world-class education systems and healthcare services by expanding access to schools and quality care, investing in resilient infrastructure, and cultivating a skilled health workforce that remains in the region.
- Prioritize domestic and subregional value creation: Investment should focus on strengthening productive capacities across agriculture, fisheries, light industry, services, infrastructure, education, environmental protection, climate adaptation, and digitalization. This will reduce reliance on imports and enhance local economic resilience.
- Mitigate value outflows: Implement targeted measures such as import substitution, migration management, regulatory reforms, taxation incentives, and institutional capacity-building to retain human and financial capital within the region.
- Safeguard natural capital: Protect the Pacific’s unique ecosystems and biodiversity through climate-responsive infrastructure and sustainable sector development, including circular economy initiatives and improved waste management.
- Mobilize innovative finance: Leverage financial instruments – such as thematic bonds, climate risk disclosures, and debt-for-climate swaps – within supportive policy frameworks to unlock funding for climate mitigation, adaptation, and sustainable development. Regional collaboration can amplify their impact.

To operationalize these implications, PICTs should adopt a holistic development framework that strengthens domestic capabilities, aligns with the SDGs, and transforms extractive models into inclusive, sustainable growth pathways.

In addition, eight strategic policy recommendations are proposed to address the region's interconnected development challenges:

- I. Strengthen social systems  
Enhance education, health, and social protection to reduce inequality, expand service coverage, and address emerging health needs.
- II. Promote inclusive economic growth  
Increase women's participation in the workforce, diversify economic sectors, and support sustainable resource management.
- III. Build climate resilience  
Invest in adaptation infrastructure, nature-based solutions, and the integration of traditional ecological knowledge.
- IV. Enhance disaster preparedness  
Expand early warning systems, strengthen resilient infrastructure, and reinforce regional coordination mechanisms.
- V. Navigate geopolitical shifts  
Strengthen regional diplomacy, forge strategic partnerships, and align external engagement with Pacific priorities.
- VI. Develop institutional capacity  
Invest in public administration, data systems, and inclusive governance to improve policy implementation and accountability.
- VII. Leverage UN support  
Utilize integrated programming, South–South cooperation, and equitable access to climate finance to advance development goals.
- VIII. Reform development Strategies  
Apply a value-retention lens to identify sectors for local economic enhancement and shift away from unsustainable or extractive practices.

These recommendations reflect the urgency of addressing long-standing structural constraints – geographic isolation, limited fiscal space, socioeconomic vulnerabilities, colonial legacies, and intensifying geopolitical competition. By embracing coherent, inclusive, and forward-looking strategies, and with sustained support from development partners, PICTs can chart a resilient and equitable path towards a sustainable future.

## Annex: An economic overview of PICTs, including Papua New Guinea

Country	Population 2024 data	Migration Stock (% of Population) Indicates what percentage of the population is represented by immigrants who entered (immigrant) and left (Emigrant) the country. (2024 data)  1-2  >=15%		Remittance (%) Indicates the percentage of GDP overseas remittances represent Remittance>=15%	Aid (%) Indicates what percentage of the government budget the amount of foreign aid corresponds to. Aid>=35%	Bureaucracy It shows how many times GDP is the national budget. The higher this number, the larger the private sector. Bureaucracy<3	GNI/capita (Atlas Method US\$)		Tourism It shows how many times the number of tourists per year is compared to the country's population. Tourism>=1	Composition of GDP by sector of origin (%) Agriculture>=15% Industry >=20% Service >=70%			EEZ sizes (square KMs)	Fisheries (tunas, bonitos and billfishes) caught in the national waters (2021 data)						
		Immigrant	Emigrant	Year	Year	Year	Year	Year	Year	Agriculture	Industry	Service	Year	Tonnes	Value (US\$)					
Papua New Guinea	10,576,502	0.29	0.33	0.01	2024	11.03	2023	4.90	2024	2,940	2024	0.01	2022	17.15	37.17	41.46	2024	2,396,575	201,149	412,355,450
Fiji	928,784	1.55	19.49	7.37	2024	12.51	2023	3.23	2024	5,680	2024	0.69	2022	8.36	14.14	56.21	2024	1,281,703	3,209	6,578,450
Solomon Island	819,198	0.30	1.02	5.41	2024	59.83	2022	2.49	2023	2,080	2024	0.00	2021	33.76	18.66	47.32	2022	1,596,464	37,180	76,219,000
Vanuatu	327,777	1.01	4.64	12.49	2024	47.45	2023	2.43	2024	3,940	2024	0.10	2022	24.88	7.55	60.45	2022	827,626	59,029	121,009,624
Samoa	218,019	1.76	54.73	26.43	2024	42.02	2023	3.86	2023/24	4,650	2024	0.23	2022	11.00	10.95	72.48	2024	131,535	782	1,603,100
Kiribati	134,518	2.45	4.69	4.76	2024	40.29	2023	1.02	2024	3,620	2024	0.02	2022	27.84	9.86	65.69	2022	3,437,132	233,768	479,224,400
FSM	113,160	2.56	11.99	4.95	2024	196.47	2020	1.69	2022	4,250	2024	0.16	2019	23.28	5.03	69.25	2023	2,992,415	149,460	306,393,000
Tonga	104,175	3.44	51.1	49.98	2023	63.24	2023	2.11	2023	5,520	2023	0.17	2022	17.51	13.52	50.16	2023	664,751	205	420,250
Marshall Islands	37,548	8.81	1.07	12.29	2024	127.38	2020	1.52	2022	8,380	2024	0.00	2021	19.47	11.06	70.47	2023	1,992,022	70,085	143,674,250
Palau	17,695	29.45	15.11	0.79	2023	43.38	2020	1.64	2021/22	14,070	2023	1.03	2020	2.99	9.87	76.67	2023	604,253	8	16,400
Cook Islands	13,729	35.96	147.77															1,960,027	3,400	6,970,000
Nauru	11,947	21.33	20.79	0.58	2023	21.87	2020	0.76	2025	21,260	2024							308,506	102,961	211,070,050
Tuvalu	9,646	2.55	12.84	4.16	2023			0.84	2024	8,770	2023	0.00	2022	15.92	7.02		2015	751,672	47,810	98,010,500
Tokelau	2,506	51.16	27.45															319,049	50	102,500
Niue	1,819	32.33	272.40									0.00	2021					316,584	4	8,200

Sources: World Bank (2023). DataBank: World Development Indicators; FAO (2024) FAO Statistics, Fishery and Aquaculture Statistics Yearbook 2023; IMF (various years) IMF Article IV Staff Reports; and others.



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