

Proactive Release

Date: 15 December 2021

The following Cabinet paper[s] and related Cabinet minute[s] have been proactively released by the Minister of Foreign Affairs

Title	Reference
New Zealand's Pacific Engagement: Moving from COVID-19 Response to Recovery and Longer-Term Resilience – Minute of Decision	ERS-21-MIN-0033
Appendix – COVID-19 Impacts in the Pacific	
Report of the Cabinet External Relations and Security Committee 1-10-2021 - Minute of Decision	CAB-21-MIN-0401
New Zealand's Pacific Engagement: Moving from COVID-19 response to recovery and longer term resilience proposal	

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the OIA). Where this is the case, the relevant sections of the OIA that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to OIA redaction codes:

- 6(a): to avoid prejudicing the international relations of the New Zealand Government;
- 6(b): to protect the passing of information from another government on a confidential basis;
- 9(2)(g)(i): to protect the free and frank expression of opinions by departments;
- 9(2)(j): to avoid prejudice to negotiations.



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet External Relations and Security Committee: Period Ended 1 October 2021

On 4 October 2021, Cabinet made the following decisions on the work of the Cabinet External Relations and Security Committee for the period ended 1 October 2021:

ERS-21-MIN-0033 **New Zealand's Pacific Engagement: Moving from
COVID-19 Response to Recovery and Longer-Term
Resilience**
Portfolio: Foreign Affairs

CONFIRMED

Michael Webster
Secretary of the Cabinet



Cabinet External Relations and Security Committee

Minute of Decision

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New Zealand's Pacific Engagement: Moving from COVID-19 Response to Recovery and Longer-Term Resilience

Portfolio Foreign Affairs

On 28 September 2021, the Cabinet External Relations and Security Committee (ERS):

- 1 **noted** that the proposed approach for New Zealand's Pacific engagement, discussed in the paper under ERS-21-SUB-0033 (the Pacific Resilience Approach), includes five key resilience pillars:
 - 1.1 economic and fiscal resilience;
 - 1.2 climate change and disaster resilience;
 - 1.3 governance resilience;
 - 1.4 social resilience; and
 - 1.5 intergenerational and cultural resilience;
- 2 **agreed** that the Pacific Resilience Approach should shape New Zealand's engagements with Pacific governments and other stakeholders in the 2021/22 to 2023/24 triennium;
- 3 **agreed** that in the immediate short term, New Zealand's International Development Cooperation (IDC) activities should focus on economic and fiscal resilience and social resilience, s6(a);
- 4 **noted** that development activities falling under the other three resilience pillars (climate change and disaster resilience, governance resilience, and intergenerational and cultural resilience) will continue during the recovery period;
- 5 **agreed** that once borders open and the risks of immediate economic and fiscal crises ease, the emphasis of IDC activities in the Pacific should rebalance towards also promoting climate change and disaster resilience, governance resilience, and intergenerational and cultural resilience;
- 6 **directed** the Ministry of Foreign Affairs and Trade to report back to ERS on the use of the Pacific Resilience Approach by the end of September 2022;

- 7 **noted** that the Minister of Foreign Affairs is finalising New Zealand's international finance commitments on climate change that will help build the Pacific's resilience to climate change, which is likely to require an increased budget allocation;
- 8 **noted** that the future of the IDC budget envelope will need to balance the commitment referred to in paragraph 7 above with other commitments in the Pacific;
- 9 **noted** that if New Zealand is to continue providing emergency fiscal crisis support to the Pacific, a further budget appropriation may be sought^{s6(a)}

Janine Harvey
Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
Hon Grant Robertson
Hon Kelvin Davis
Hon Andrew Little
Hon David Parker
Hon Nanaia Mahuta
Hon Poto Williams
Hon Damien O'Connor
Hon Kris Faafoi
Hon Peeni Henare
Hon Kiri Allen
Hon Phil Twyford

Officials present from:

Office of the Prime Minister
Officials Committee for ERS

Proactively Released
by the Minister of Foreign Affairs



Cabinet External Relations and Security Committee

Summary

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

New Zealand's Pacific Engagement: Moving from COVID-19 Response to Recovery and Longer-Term Resilience

Portfolio

Foreign Affairs

This paper reports on New Zealand's COVID-19 response in the Pacific to date, and seeks approval of a Pacific Resilience Approach to guide future International Development Cooperation (IDC) spending in the Pacific. This approach transitions from providing emergency funding and health support in response to COVID-19, to promoting economic recovery and longer-term resilience.

The proposed Pacific Resilience Approach includes five key resilience pillars: economic and fiscal resilience; climate change and disaster resilience; governance resilience; social resilience; and intergenerational and cultural resilience.

Examples of resilience initiatives by country are outlined in **Appendix 1**.

Appendix 2 provides a summary of the economic and fiscal impacts of COVID-19 on the Pacific, and New Zealand's response to date.

The Minister of Foreign Affairs recommends that the Committee:

- 1 note that the proposed approach for New Zealand's Pacific engagement, discussed in the paper under ERS-21-SUB-0033 (the Pacific Resilience Approach), includes five key resilience pillars:
 - 1.1 economic and fiscal resilience;
 - 1.2 climate change and disaster resilience;
 - 1.3 governance resilience;
 - 1.4 social resilience; and
 - 1.5 intergenerational and cultural resilience;
- 2 agree that the Pacific Resilience Approach should shape New Zealand's engagements with Pacific governments and other stakeholders in the 2021/22 to 2023/24 triennium;

- 3 agree that in the immediate short term, New Zealand's International Development Cooperation (IDC) activities should focus on economic and fiscal resilience and social resilience, s6(a)
- 4 note that development activities falling under the other three resilience pillars (climate change and disaster resilience, governance resilience, and intergenerational and cultural resilience) will continue during the recovery period;
- 5 agree that once borders open and the risks of immediate economic and fiscal crises ease, the emphasis of IDC activities in the Pacific should rebalance towards also promoting climate change and disaster resilience, governance resilience, and intergenerational and cultural resilience;
- 6 direct the Ministry of Foreign Affairs and Trade to report back to the Cabinet External Relations and Security Committee on the use of the Pacific Resilience Approach by the end of September 2022;
- 7 note that the already-stretched IDC budget envelope is coming under increasing pressure, and that the Minister of Foreign Affairs is in the process of seeking a budget allocation to meet a new climate change commitment to help build the Pacific's resilience to climate change;
- 8 note that if New Zealand is to continue providing emergency fiscal crisis support to the Pacific, a further budget appropriation may be sought s6(a)

Janine Harvey
Committee Secretary

Hard-copy distribution:

Cabinet External Relations and Security Committee
Minister for Disarmament and Arms Control

Proactively Released
by the Minister of Foreign Affairs

Office of the Minister of Foreign Affairs

Cabinet External Relations and Security Committee

New Zealand's Pacific Engagement: Moving from COVID-19 response to recovery and longer term resilience

Proposal

- 1 This paper seeks Cabinet's approval of a Pacific Resilience Approach to guide Aotearoa New Zealand's International Development Cooperation (IDC) spending in the Pacific as the region recovers from the economic and fiscal effects of the COVID-19 pandemic and prioritises the promotion of longer term resilience.
- 2 The funding to implement the Pacific Resilience Approach is from within the existing aid programme appropriation. No new funding is sought at this stage.
- 3 However, the already-stretched IDC budget envelope is coming under increasing pressure, including with the prospect of the need to significantly scale up climate change commitments. s6(a)
- 4 This paper is consistent with, and sits within, the proposed refreshed approach for New Zealand's engagement in the Pacific outlined in the Cabinet paper *New Zealand's Pacific Engagement: From Reset to Resilience*.

Relation to government priorities

- 5 A focus on long term resilience in its many forms supports an enduring inter-generational approach to our Pacific partnerships, and is consistent with the Government's domestic policy agenda related to the Living Standards Framework and wellbeing approach. It is also consistent with the 2020 Labour Party Manifesto's commitments to working in the Pacific as a priority area and continuing to make progress towards meeting New Zealand's Official Development Assistance target.
- 6 Building resilience within our Pacific region also aligns with our international commitments. These include supporting the Pacific Islands Forum's 'Framework for Resilient Development in the Pacific 2017-30' and our international climate change priorities and obligations under the Paris Agreement, particularly as these relate to the provision of climate finance.
- 7 We have also committed, including through New Zealand's International Cooperation for Effective Sustainable Development Policy Statement in November 2019, to the Sustainable Development Goals (SDGs) as a common horizon. We work together with partners to prioritise those issues which matter most for our region, and to jointly focus our resources.
- 8 The Pacific Resilience Approach (the Approach) proposed in this paper provides greater detail about how we will pursue resilient, effective, inclusive and sustained development outcomes in the Pacific, particularly in response to COVID-19.

Executive Summary

- 9 Aotearoa New Zealand's engagement in the Pacific is steered by our desire for a peaceful, stable, prosperous, and resilient region in which New Zealand collaborates with others as a true partner. There is a significant overlap between the domestic and international impacts of our Pacific engagement, including on the acute challenges across our home region in response to the pandemic. Recognising this, the Cabinet Paper *New Zealand's Pacific Engagement: From Reset to Resilience* confirms a principles based approach to our engagement with the Pacific.
- 10 In this accompanying paper I report on New Zealand's COVID-19 response in the Pacific so far. I also propose a framing for our International Development Cooperation (IDC) programme that aligns with our refreshed Pacific engagement and that is fit for the time we are in. It will ensure that as we support the region to recover from the impact of the pandemic we also prioritise the promotion of longer term resilience.

IDC response to COVID-19

- 11 COVID-19 has had extensive economic and fiscal impacts across the Pacific, in addition to negative health experiences and social impacts in some countries. Closed borders have caused further economic hardship in tourism-reliant economies, s6(b)(i), s6(a)
- 12 New Zealand has taken a nuanced and targeted approach as we have built each of our COVID-19 responses with Pacific partners. Our COVID-19-related support for the region to date has focused on:
- Providing Personal Protective Equipment (PPE) and medical supplies;
 - Responding to COVID-19 outbreaks, funding health system preparedness and sharing our vaccine doses with the Cooks Islands, Niue and Tokelau, Polynesia and Fiji;
 - Preparing for quarantine-free travel;
 - Emergency budget support to reduce the risks of economic and fiscal crises in the most-affected economies;¹ and
 - Promoting a private-sector led recovery.

Moving from crisis management to longer term resilience

- 13 As Pacific economies and fiscal situations stabilise, our IDC programme will rebalance away from crisis support towards addressing longer term challenges such as climate change, social inequality, economic diversification and inclusion.
- 14 I have asked Ministry of Foreign Affairs and Trade (MFAT) officials to outline how the IDC programme in the Pacific will transition from providing emergency funding and health support to catalysing the post-COVID-19 economic recovery and then promoting longer term resilience.

¹ \$185.6 million to the end of the 2020/21 fiscal year, with a further \$30 million already approved by Cabinet for 2021/22.

- 15 This paper introduces the new Pacific Resilience Approach and uses it to position:
- Our immediate **response** to date;
 - Our emphasis on promoting an economic **recovery** as travel restrictions across the Pacific are lifted and tourism-reliant economies look to recover; and
 - Our proposed **resilience** focus for shaping the way we partner with Pacific countries as we work together on longer term resilience challenges.
- 16 These phases are not mutually exclusive. Some activities to promote longer term resilience, such as climate change infrastructure spending, also support short term economic resilience, and they continue to be funded.
- 17 Our Pacific engagement is also a key pillar of New Zealand's international identity, including through our investments in multilateral solutions to global challenges. We will continue to work with multilateral institutions and aligned donors to ensure our IDC support for the Pacific is appropriately targeted and leveraged, where possible.
- 18 I propose to draw on the Approach to support our wider narrative on Pacific engagement, and to inform my discussions with Pacific counterparts and domestic and international stakeholders, including Non-Governmental Organisations and civil society groups.
- 19 I also propose MFAT reports back to the ERS Committee by the end of September 2022 to provide an update on the Pacific's transition to recovery and then resilience.
- 20 s9(2)(j)
- 21 s6(a)
- 22 The IDC programme also faces significant additional demands related to climate change financing, replenishing multilateral donors' funds and supporting the global system's response to COVID-19 and preparation for future pandemics.

Trade-offs between short term fiscal resilience and longer term economic resilience

- 23 If the economic and fiscal situation across the Pacific deteriorates further, and health-related risks and costs rise, the estimated s9(2)(j) support is unlikely to be sufficient. s6(a)
- 24 I may need to seek additional budget to deliver planned development projects that aim to improve long term Pacific resilience, including the provision of further emergency fiscal crisis support beyond the current year.² Separately, and as a first step, I am in the process of seeking a decision from Cabinet for a budget allocation to meet a new climate finance commitment to help build the Pacific's resilience to climate change.

² Officials continue to assess the rapidly-changing economic and fiscal situation in the Pacific. They will be providing me with further advice on the potential need for further crisis support funding in coming weeks.

25 s6(a)

26 Our strength and success as a region relies on Pacific countries acting together. New Zealand's long term interest in a safe, stable and prosperous home region requires a concerted effort to 'change up' the way in which we partner, co-invest and advocate a Pacific Resilience Approach.

Background

27 On 13 April 2021 I updated the ERS Committee on the economic and fiscal situation across the Pacific.

28 Following that discussion, Cabinet agreed to provide \$40 million of additional emergency fiscal crisis support to Fiji (CAB-21-MIN-0122). In addition to this, on 11 May 2021 a further \$30 million to the Cook Islands (CAB-21-MIN-0159) was approved, to be disbursed in the 2021/22 fiscal year.

29 That decision took our total COVID-19 emergency fiscal crisis support for the Pacific to \$185.6 million across the 2019/20 and 2020/21 fiscal years, funded from within existing IDC resources from contingency funding and deferring and downsizing planned activities.

30 The ERS Committee also expressed a desire to understand what happens next for the IDC programme in the Pacific. This paper responds to that request.

31 This paper should be considered alongside *New Zealand's Pacific Engagement: From Reset to Resilience*, which outlines the principles guiding our Pacific engagement as we move from a 'Reset' to a 'Resilience' approach. The principles provide the 'how' to this paper's 'what'.

32 These principles are:

- Tātai Hono – the recognition of deep and enduring whakapapa connections;
- Tātou Tātou – all of us together;
- Whāia te Taumata Ōhanga – the journey towards a circular economy;
- Turou Hawaiiki – navigating together;
- Arongia ki Rangiātea – focus towards excellence.

Introducing the Pacific Resilience Approach

33 Resilience is commonly defined as the ability to recover quickly from difficulties. As one of its four development principles (Effective, Inclusive, Resilient, and Sustained), MFAT defines resilient development as investment that "strengthens the environment, economy, and societies to withstand shocks and manage crises while protecting future well-being".³

34 Resilient development is vital for Small Island Developing States, given their inherent vulnerabilities – a lack of scale and economic diversification, geographic isolation,

³ MFAT. 2019. 'New Zealand's International Development Principles'. <https://www.mfat.govt.nz/assets/Aid-Prog-docs/Policy/New-Zealands-International-Development-Principles.pdf>

vulnerability to the impacts of climate change, susceptibility to natural disasters and limited access to global financial markets.

- 35 Improving resilience in the Pacific through our IDC spending has several benefits:
- Over time, it leads to greater Pacific self-determination and sovereignty to drive Pacific-led well-being improvements;
 - We seek to be a responsive development partner in the Pacific, as resilience is raised often as a priority outcome when we speak with our Pacific partners;
 - It reduces the vulnerability of the Pacific region to external shocks such as pandemics, tropical cyclones and global economic downturns; and to longer-term risks such as climate change-induced sea level rises;
 - s6(a)
 - It supports our ability to meet our Paris Agreement obligations to provide climate finance, demonstrating our support for an effective multilateral global response to climate change.
- 36 The **Pacific Resilience Approach** (the Approach) outlines five key resilience pillars for our IDC spending in the Pacific:
- Economic and fiscal resilience
 - Climate change and disaster resilience
 - Governance resilience
 - Social resilience
 - Intergenerational and cultural resilience.
- 37 As we articulate what a more resilient Pacific looks like (Table 1) we see this approach connects seamlessly to the UN Sustainable Development Goals (SDGs) (Figure 1).
- 38 The mapping of the SDGs to resilience pillars is indicative only and designed to highlight that the Approach is consistent with our UN commitments. The SDGs are interconnected and will contribute to multiple resilience pillars. For example, activities to promote climate action (SDG 13) will support economic and fiscal resilience, climate change and disaster resilience, social resilience and intergenerational and cultural resilience.
- 39 Investment over the long term is required to achieve impact. We will measure our success by whether we have supported our partners to resume a positive path towards achieving the SDGs which they prioritise.
- 40 We continue to fund and support the region to collect and use SDG-related data and statistics to monitor progress. Non-Governmental Organisations and civil society groups will also have an important role to play in monitoring and reporting our on-the-ground impact on resilience.

Table 1 Defining resilience in the Pacific

Resilience pillar	What does success look like?
Economic and fiscal	<ul style="list-style-type: none"> Pacific economies become more diverse and experience smaller economic declines following external shocks. They can bounce back more quickly from growth slowdowns, driven by private sector activity and improved trade capacity, without significant scarring to the labour market. Integrated economies that promote labour mobility, improved and diversified trade flows across the region, private sector resilience and unified skills training frameworks. Development procurement supports on-the-ground capability building. Pacific government accounts have stronger balance sheet strength and flexibility to adjust to economic downturns without accruing unsustainable levels of debt or s6(a) s6(a)
Climate change and disaster	<ul style="list-style-type: none"> Efficiencies are achieved by pursuing a more integrated approach to climate change adaptation, decarbonisation and disaster risk reduction. s6(a) decreased net emissions of greenhouse gases, and enhanced resilience of energy infrastructure. Disaster preparedness, response and recovery initiatives prevent undue human losses and suffering, and minimise adverse consequences for national, provincial, local and community economic, social and environmental systems. Sustainable resource management allows oceans and fisheries to promote environmental resilience.
Governance	<ul style="list-style-type: none"> Pacific institutions responsible for ensuring democratic process, the rule of law and access to justice, and public policy and service delivery are robust enough to withstand political, economic, climate change, conflict-related and other shocks; s6(a) Pacific citizens have confidence in their government's ability to deliver on these and other good governance and public policy outcomes.
Social	<ul style="list-style-type: none"> Pacific communities and societies are healthy, safe and inclusive. Their well-being and prosperity is supported through a human rights based approach to development with Pacific governments taking steps to progressively realise human rights for all. Pacific communities and societies have access to formal and informal social protection measures that promote inclusive human development and prioritise those most at risk of being left behind.
Intergenerational and cultural	<ul style="list-style-type: none"> Each Pacific country's unique cultural identity is preserved and celebrated regardless of where the country is on its development path. Longer term investments are made to improve education, skills and knowledge, promote inclusion and enhance physical infrastructure. Intangible heritage values are protected in the event that the land connected to that heritage is no longer inhabitable.

Figure 1 Overview of the Pacific Resilience Approach and its relation to the UN SDGs

Economic & fiscal resilience	Climate change & disaster resilience	Governance resilience	Social resilience	Intergenerational & cultural resilience
<ul style="list-style-type: none"> • Output & export diversification • Infrastructure development • Private sector-led growth • Jobs & livelihoods • Aid for Trade • Managing debt • Recognising Pacific expertise in procurement • Broadening the tax base • High quality fiscal spending • Labour mobility 	<ul style="list-style-type: none"> • Embedding climate change in decision-making • Mitigation plans • Access to finance • Physical protection from climate change impacts & disasters • Robust food systems & ecosystems • A transition away from fossil fuels • Sustainable oceans management 	<ul style="list-style-type: none"> • Public sector accountability • Anti-corruption initiatives • Democratic governance • Supporting NGOs & civil society groups • Lifting institutional capabilities • Justice for all 	<ul style="list-style-type: none"> • Durable & inclusive peace • Long term investments in education & skills • Unified qualifications framework • Protecting the vulnerable • Promoting human rights • Gender inclusion • Health sector strengthening 	<ul style="list-style-type: none"> • Improving physical capital • Maintaining a sense of self & place; protecting heritage values • Indigenous knowledge & languages • Indigenous cooperation • Retaining fiscal space so fiscal burdens not placed on next generation



A Resilience Approach to partner with the Pacific

- 41 The Approach will shape our conversations with Pacific countries, appreciating that there is no single path to Pacific resilience. The Approach is flexible in that it recognises each Pacific country will have a different starting point and priorities for each resilience pillar. And those needs will change over time.
- 42 Discussions around support for resilience will start from where each Pacific partner is now and drive towards where they want to go, rather than a one-size-fits-all approach to financing development. We will adopt a posture of accompaniment, rather than taking a transactional approach.
- 43 Resilient development therefore will be informed by local and context-specific information. The emphasis will be on co-designing activities targeted at each country's needs, sustainably supporting wellbeing outcomes.
- 44 MFAT uses Four-Year Plans and Ten-Year Strategies for each Pacific country to capture these priorities. Each Four-Year Plan is consulted and shared with partners, guides our investment decisions, and makes us accountable for them. I consider that these plans, when co-designed well, form a development template for other partners to consider co-investment opportunities.
- 45 The next three sections use the Approach to position the three phases of New Zealand's development approach to COVID-19 in the Pacific:
 - i. Our **response** to the impacts of COVID-19
 - ii. Preparing for **recovery**
 - iii. Towards a **resilience** approach.

Our response to the impacts of COVID-19 in the Pacific

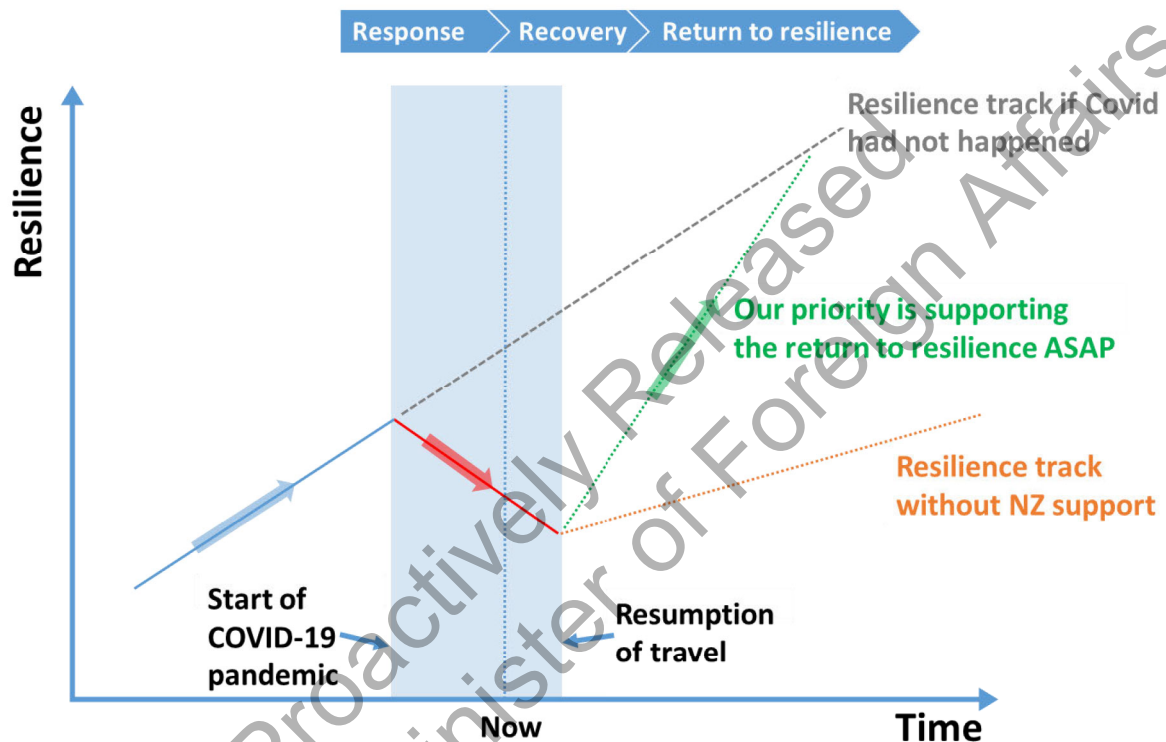
- 46 The COVID-19 pandemic has knocked several Pacific economies off their long term resilience paths (see Figure 2 overleaf). Our IDC efforts in the **response** phase have therefore focused on supporting Pacific health sectors and providing funding to prevent
s6(a)
- 47 Our immediate priority is working with the most affected Pacific governments, along with other bilateral and multilateral donors, to ensure this is a temporary, rather than permanent, deviation from the long term resilience trend. Appendix 1 illustrates the additional support that has been provided by donor partners to countries in the Pacific, to support responses to COVID-19.
- 48 According to the OECD, investments made in the early part of the pandemic on mitigating health and economic impacts are likely to be small relative to the costs of inaction s6(a) ⁵
- 49 Note that we have continued to fund development activities that target longer term resilience during this response phase. Funding for climate change initiatives, for example, can provide short term stimulatory impacts for economies in recessions, as well as promoting longer term resilience for communities.

⁴ s6(a)

⁵ s6(a)

- 50 One area we are particularly mindful of is the additional debt many Pacific countries are taking on in order to fund COVID-19-related social expenditure and finance fiscal shortfalls. New Zealand provides development grants rather than loans, so does not hold any developing country debt. However we support global debt relief initiatives that have been put in place in response to COVID-19. Appendix 2 indicates Pacific countries' current levels of debt, and notes countries with high debt levels.
- 51 The impacts of COVID-19 have been particularly severe on economic and fiscal resilience in the Pacific. s9(2)(g)(i)

Figure 2 Stylised representation of the impacts of COVID-19 on Pacific resilience



- 52 Our response to the pandemic in the Pacific has centred on:
- Providing emergency economic and fiscal grant funding. We rapidly disbursed \$62 million of COVID-19 budget support in 2020, and approved a further \$123.6 million to be delivered in the 2020/21 financial year;
 - Responding to COVID-19 outbreaks and working with Pacific governments to prepare their health systems (social resilience) for COVID-19 outbreaks;
 - Delivering immediate and direct business advisory and financial support to Pacific businesses and underwriting local Pacific banks to help firms 'keep the lights on' and pivot toward more sustainable business models;
 - Assisting the Pacific to access safe and effective vaccines at the earliest possible time, including:
 - Offering full vaccination coverage and rollout assistance to Polynesia (the Cooks Islands, Niue, Tokelau, Tuvalu, Samoa and Tonga);

- Providing up to \$2 million for each of Fiji, Vanuatu, Solomon Islands and Kiribati to support their National Deployment and Vaccination Plans; and \$3 million to UNICEF in Papua New Guinea to support vaccine rollout;
 - Donating 1.668 million doses of the AstraZeneca vaccine from New Zealand's COVAX allocation back to the COVAX AMC for distribution to the wider Pacific, and supporting broader Pacific vaccine access and rollout through contributions to UNICEF;
 - Donating AstraZeneca doses from New Zealand's vaccine portfolio to the COVAX AMC in August, with doses earmarked to Pacific countries that have requested them (Fiji, Tonga, Solomon Islands, and Vanuatu); and
 - Facilitating two border exceptions that have enabled more than 2300 Recognised Seasonal Employer (RSE) workers to come to New Zealand, supporting social resilience for Pacific communities and families.
- 53 Funds for the IDC response to date have come from using contingency funds and reprioritising across the IDC fiscal allocation for the 2018/19 to 2020/21 triennium. Some IDC projects were scaled down due to COVID-19; others were deferred.

Pacific transition to recovery

- 54 I consider that as borders start to re-open, tourism revenue starts to flow and the global economy hopefully bounces back, the Pacific can start its economic **recovery**. Yet it is difficult to predict how long a full recovery will take as there are several external factors influencing a positive rebound for the Pacific.
- 55 The focus of our IDC spending in the 2021/22 fiscal year, in terms of any discretionary spending, will remain supporting economic and fiscal resilience. This in turn will promote social resilience by preventing labour market scarring that would disproportionately damage the most vulnerable parts of communities.
- 56 In May 2021 Cabinet approved a further \$30 million of emergency fiscal crisis support for the Cook Islands (CAB-21-MIN-0159), which was disbursed in late July 2021.
- 57 Using IDC funds to encourage wage subsidies and business support programmes will reduce the risk of workers becoming dislocated from the labour market. We have also partnered with the Pacific's regional tourism body to fund independent research to support Pacific tourism policymakers and commercial operators to 'build back better' and re-orientate their offerings and resources.
- 58 I want to emphasise that development activities falling under the other three resilience pillars (climate change and disaster resilience, governance resilience, and intergenerational and cultural resilience) will continue during the recovery period. However they are generally somewhat longer term in nature and offer more flexibility in terms of re-scoping or deferring spending, if required.
- 59 It is challenging to predict with accuracy the scale of additional funding that may be required to support economic and fiscal resilience and social resilience. Much will depend on the speed of borders re-opening, how quickly international tourism bounces back and the ability of Pacific health systems to keep out COVID-19 or respond to further outbreaks. These are all **highly uncertain** at this stage.

60 s9(2)(j)

61 These estimates are based on available forecasts of the Pacific economic and fiscal outlook, expected border opening dates, the absorptive capacity of Pacific economies, s6(a) and the likely responses from other bilateral and multilateral donors. However, s6(a)

62 As I advised the ERS Committee on 15 April 2021, the priority countries for additional budget support will be those most reliant on tourism: s6(a)

63 s6(a)

64 The majority of the funding for economic and fiscal resilience will continue to be delivered through emergency fiscal crisis support.⁷ But as the region moves towards recovery, greater emphasis will be placed on initiatives to support a **private sector-led recovery**.

65 Boosting Pacific economic integration, including through the enhancement and full implementation of PACER Plus, will be a key tool to unlocking economic resilience in the medium term. PACER Plus is first and foremost an economic development agreement, designed to support economic prosperity and resilience across its members.

66 While implementation of the agreement is only at an early stage, opportunities have been identified to drive this work forward in the following areas: trade facilitation, new labour mobility arrangements and integrated qualifications frameworks.

67 s9(2)(g)(i)

68 Other examples of activities targeting the private sector include:

- The Pacific Small- and Medium Sized Enterprise (SME) Finance Facility that is supporting SMEs with access to capital for stabilisation, recovery, and growth in response to the COVID-19 crisis;

⁶ s6(a)

⁷ Budget support is New Zealand's preferred approach to providing emergency funding to support economic and fiscal resilience as it can be disbursed rapidly and used however partner governments see fit, depending on their country-specific development priorities.

- Pacific Trade and Invest New Zealand is a trade and investment promotion agency that facilitates business opportunities in New Zealand for Pacific based businesses;
- The Pacific Private Sector Development Initiative, a multi-donor programme that focuses on reducing the constraints to doing business in the Pacific and developing the enabling environment for private sector activity; and
- InvestPacific, a proposed New Zealand-based private investment fund for the Pacific. The fund will target primarily social investors and support mid-size investments that generate inclusive employment and sustainable development outcomes, with an initial focus on agriculture, tourism, and social infrastructure opportunities.

69 Our health sector and vaccine roll-out initiatives will also promote social resilience by significantly reducing the health risks associated with COVID-19.

70 We have been working closely with the International Financial Institutions (IFIs) on the immediate support needed for fiscal and economic resilience. In the recovery phase, the IFIs will continue to provide finance on a scale that is needed, as well as global and regional convening power, and a depth of development expertise.

71 s9(2)(g)(i)

The return to longer term resilience

72 Beyond early 2022, the focus of our IDC spending in the Pacific will be rebalanced away from emergency support for economic and fiscal resilience and social resilience towards addressing challenges related to climate change and disaster resilience, governance resilience and intergenerational and cultural resilience.

73 The precise timing of this shift towards building longer term resilience is difficult to predict with any confidence, but will be characterised by the widespread opening of borders across the Pacific, completed vaccination roll-outs and the stabilisation of Pacific economies' fiscal situations.

74 Development programmes necessarily work to long horizons when addressing resilience challenges. Our activities will seek to create the necessary conditions for ongoing investment alongside other donors, host governments, the private sector and civil society in promoting longer term resilience across the Pacific.

75 We will continue to partner with Pacific countries to co-design initiatives to promote economic and fiscal resilience and social resilience, but the types of activities will move from emergency fiscal support towards longer term, intergenerational investments in the underlying drivers of productivity growth and well-being improvements.

76 Initiatives will include institutional capability building, private sector development, infrastructure and human capabilities improvements, and reducing greenhouse gas emissions.

77 We will also work with likeminded partners where they can add value in ways that advance our shared aspirations alongside our Pacific partners.

78 Specific examples of resilience initiatives by country are provided in Appendix 3.

Funding implications of the Pacific Resilience Approach

79 The IDC budget is under significant pressure for the next triennium due to unprogrammed demands related to replenishing IFIs' funds, climate change financing commitments and contributing to the World Health Organization's COVID-19 response.

80 s9(2)(j)

81 s6(a), s9(2)(j)

82 s6(a)

Implementation of the Pacific Resilience Approach

83 The new triennium of IDC funding from July 2021 presents an opportunity to shape conversations with host governments and other donors around the five resilience pillars of the Approach. The triennium also provides a degree of flexibility to adjust activities in responses to changing demands from the Pacific.

84 Officials will use the Approach in their advice to me, particularly in requests for funding approval, including information on the SDG-linked impacts we are seeking and how these will be monitored.

85 As we support Pacific countries in their recovery from COVID-19, our commitment to multilateralism, including climate change agreements, will be an essential component of building resilience. We will continue to work closely with other donors and the IFIs to ensure that funding is directed towards the Pacific's resilience needs. MFAT will draw on the Approach to shape these discussions.

86 I propose MFAT reports back to the ERS Committee in September 2022 to provide an update on how the Pacific Resilience Approach is being used and whether any adjustments need to be made to it.

Financial Implications

87 The Pacific Resilience Approach itself does not require additional funding at this stage.

- 88 However, see paragraphs 79 to 82 above that outline the various pressures on the IDC triennium funding.

Consultation

- 89 The New Zealand Treasury and the Ministry for Pacific Peoples have been consulted on this paper. DPMC has been advised.
- 90 I presented an overview of the Approach to a meeting of Non-Governmental Organisations on 3 June 2021. They were supportive of the five resilience pillars.

Communications

- 91 I will draw on the Approach in my engagements with Pacific counterparts and discussions with stakeholders, including Pacific businesses in New Zealand, Non-Governmental Organisations and civil society groups.

Proactive Release

- 92 I intend to release this Cabinet paper, or parts of it, proactively within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister of Foreign Affairs recommends that Cabinet:

- 1 **agree** that the Pacific Resilience Approach should shape our engagements with Pacific governments and other stakeholders in the 2021/22 to 2023/24 triennium;
- 2 **agree** that in the immediate short term, our IDC activities should focus on economic and fiscal resilience and social resilience, in order to contribute to maintaining regional stability in the Pacific and protecting the most vulnerable groups in Pacific communities;
- 3 **note** that development activities falling under the other three resilience pillars (climate change and disaster resilience, governance resilience, and intergenerational and cultural resilience) will continue during the recovery period;
- 4 **agree** that once borders open and the risks of immediate economic and fiscal crises ease, the emphasis of IDC activities in the Pacific should rebalance towards also promoting climate change and disaster resilience, governance resilience, and intergenerational and cultural resilience;
- 5 **agree** that officials should report back to Cabinet on the use of the Pacific Resilience Approach by the end of September 2022;
- 6 **note** that I am finalising New Zealand's international finance commitments on climate change that will help build the Pacific's resilience to climate change, which is likely to require an increased budget allocation;
- 7 **note** that the future of the IDC budget envelope will need to balance the commitment in Rec 6 with other commitments in the Pacific;

8 s6(a)
















Authorised for lodgement

Hon Nanaia Mahuta



Minister of Foreign Affairs / Te Minita o Te Manatū Aorere

Proactively Released
by the Minister of Foreign Affairs

Pacific COVID-19 Impacts and New Zealand Response to date

		Context				Economic Impact		Economic Support					
		Population, 2021	COVID-19 Cases in last 30 days	Total COVID-19 cases	% of eligible population received first dose	% of eligible population fully vaccinated	Current Border Status with NZ	Estimated Fiscal Balance NZD 2021	GDP growth, %, 2021	COVID-19 Budget Support disbursed in 2020, NZD	COVID-19 Budget Support committed in 2021, NZD	Other Support - Employment, SME finance	Labour Mobility
	Cook Islands	15,342	-	-	100%	97%	2 way QFT (currently suspended)	-\$78.2m	-26.0%	\$22.0m	\$50.0m	\$2.48m SME Finance Facility	
	Niue	1,549	-	-	97%	97%	1 way QFT	-\$3.4m	N/A	\$10.0m	\$9.0m		
	Tokelau	1,501	-	-	99%	99%	Closed	-\$0.7m	N/A	\$3.0m			
	Samoa	199,853	-	1	81%	41%	Closed (Under discussion)	-\$35.5m	-9.2%	\$5.5m	\$14.5m	\$672k SME Finance Facility \$490k Māori/Pacific Tourism Partnership	775 RSE workers entered New Zealand in February.
	Tonga	99,532	-	-	67%	43%	Closed (Under discussion)	-\$11.7m	-5.3%	\$4.0m	\$8.0m	\$624k SME Finance Facility	
	Tuvalu	10,679	-	-	93%	45%	Closed	-\$2.7m	2.5%	\$2.0m			
	Fiji	898,402	2,087	50,080	97%	56%	Closed	-\$803.7m	-5.0%	\$3.0m	\$40.0m	\$2.7m SME Finance Facility	70 RSE workers entered New Zealand in February.
	Papua New Guinea	9,122,994	692	18,968	2%	1%	Closed	-\$180.4m	2.5%	\$3.0m		\$2.1m SME Finance Facility	
	Solomon Islands	728,041	-	20	21%	6%	Closed	-\$106.9m	1.0%	\$3.0m	S6(a) \$5.95m disbursed	\$1.6m SME Finance Facility	
	Vanuatu	301,295	-	3	21%	7%	Closed (Under discussion)	-\$72.7m	-3.0%	\$3.0m	\$8.5m	\$768k SME Finance Facility	1,166 RSE workers entered New Zealand in February. 450 RSE workers entered New Zealand in July and August.
	Kiribati	120,740	-	-	31%	11%	Closed	-\$36.9m	-0.2%	\$3.0m		\$624k SME Finance Facility	
	Nauru	11,832	-	-	100%	91%	Closed	\$29.2m	1.5%	\$0.5m			
	Federated States of Micronesia	105,754	-	-	67%	57%	Closed	-\$19.0m	-1.8%				
	Palau	17,957	3	5	100%	89%	Closed	-\$52.5m	-7.8%		\$8.6m		
	Marshall Islands	54,516	-	4	73%	63%	Closed	\$1.9m	-1.4%				
Pacific Regional												\$4.39m for Pacific Tourism Organisation	A further 300 RSE workers have been approved to enter New Zealand each month between July 2021 and March 2022.

Pacific COVID-19 Impacts and New Zealand Response to date

		Health Support		Vaccines - Bilateral Support	Vaccines - Other Support	Support for Vaccine Rollout
		Pandemic Preparedness and Response				
	Cook Islands	\$1.06m to support lab testing capacity and health system strengthening.		\$246k each to the Health Corridors Programme Preparedness & Response Workstream.		Full rollout to be supported. Costings tbc.
	Niue	\$750k for lab testing capacity and health system strengthening.				
	Tokelau	\$1.25m for container laboratory, health sector equipment, staff recruitment and training for COVID-19 testing.				
	Samoa	\$800k for PPE and medical supplies.			25,000 New Zealand-contributed doses allocated through COVAX.	
	Tonga	\$1.0m for COVID-19 preparedness. \$100k to the Tonga Ministry of Health for a medical waste collection truck. \$1.6m to construct new Central Pharmacy Warehouse.			4,800 New Zealand-contributed doses allocated through COVAX.	
	Tuvalu	\$340k to COVID-19 preparedness and response.			4,800 New Zealand-contributed doses allocated through COVAX.	
	Fiji	\$25.01m for COVID operations, PPE, hospital preparedness and high flow oxygen machines, household rations and poverty mitigation, hospital consumables, psycho-social counselling support, PCR testing, emergency vehicles, and nurse training. Deployment of two New Zealand/Australia Medical Assistance Teams, which sent 60 New Zealand personnel to Fiji.		100,000 AstraZeneca doses from Swain funded by New Zealand. \$6(a) for 12-17 year olds from New Zealand to be delivered in October.	2,400 New Zealand-contributed doses allocated through COVAX.	\$2m contribution each to National Deployment and Vaccination Plan.
	Papua New Guinea	Approx. \$11m including support to vaccination roll-out, PPE, medical equipment, logistical support and living hours.			146,400 New Zealand-contributed doses allocated through COVAX.	
	Solomon Islands	\$362k for refurbishment of hospital ward, x-ray machine, extraction kits, and PPE.			28,800 New Zealand-contributed doses allocated through COVAX.	\$6.5m to UNICEF to procure vaccines.
	Vanuatu	\$1.28m for assistance with isolation facilities, PPE, consumables, improving sanitation systems, health and hygiene kits, and psychological training.				
	Kiribati	\$500k in funding for the health sector to support preparedness, co-funded a containerised lab for COVID-19 testing.				
	Nauru	\$800k redirected to COVID-19 response including hygiene facilities in schools.				
	Federated States of Micronesia	Approx. \$3.3m (\$1.1m each) approved to support each country's COVID-19 pandemic plan for resilience and recovery phase.				
	Palau					
	Marshall Islands					
Pacific Regional		Established a PPE stockpile for the Pacific - PPE stocks can be rapidly released from the Auckland stockpile and provided to Pacific countries affected by COVID-19 outbreaks. Established an agreement with a laboratory to allow Pacific countries to send samples to New Zealand for COVID-19 confirmation testing/genome sequencing. Supported WHO-led Joint Incident Management Team (JIMT) regional plans (phase 1 and 2) for COVID-19, enabling UNICEF, WHO, the Pacific Community (SPC) and others to support of Pacific Island national health responses to the COVID-19 pandemic through a coordinated health sector response. Provided support to WHO for the purchase and distribution of GeneXpert cartridges for COVID-19 testing and diagnosis.		Remaining 1.4 million doses contributed by New Zealand to COVAX will be allocated to the Pacific later in the year through COVAX's usual allocation rounds.		