

Pacific Economic Monitor

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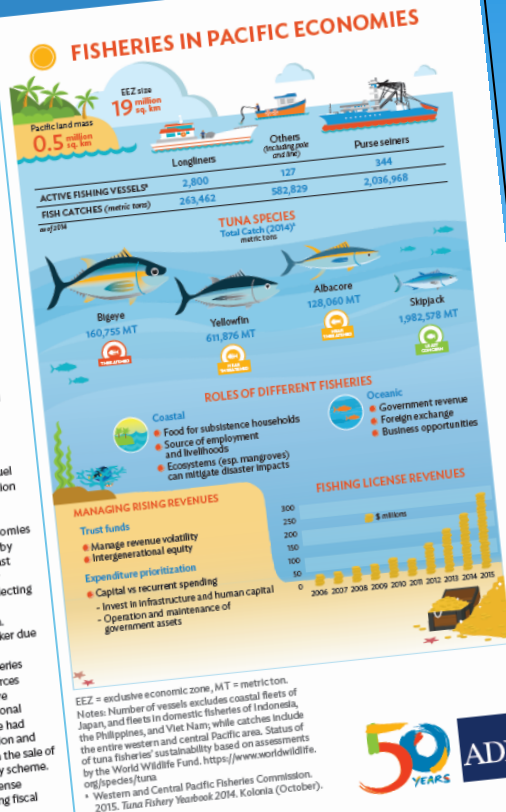
July 2016

The Monitor provides an update of developments in Pacific economies and explores topical policy issues.

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Highlights

- Weaker global outlook.** Global growth forecasts for 2016 have been lowered to 3.1%. Although prospects for the People's Republic of China have improved modestly, developments following the United Kingdom's decision to exit the European Union suggest that there are significant risks to the global economic outlook. Low prices for energy and nonfuel commodities are supporting a low-inflation environment globally.
- Smaller Pacific economies support subregional growth.** Most Pacific economies are unlikely to be significantly affected by global uncertainty and growth is forecast at 3.9% for 2016. Prospects for smaller economies have improved slightly, reflecting stronger than expected performance in tourism, fisheries, and construction. In contrast, the outlook for Fiji is weaker due to the impact of Cyclone Winston.
- Harnessing fisheries resources.** Fisheries are among the most important resources for smaller island economies and have been heavily exploited. Through regional cooperation, Pacific economies have had some success in fisheries conservation and generating increased revenues from the sale of fishing licenses under the vessel day scheme. Prudent management of fishing license revenues has involved strengthening fiscal buffers and deposits to trust funds.



Rising fisheries license revenues in the Pacific

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for coauthors Robin Boumphrey,
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19 July 2016
Suva, Fiji



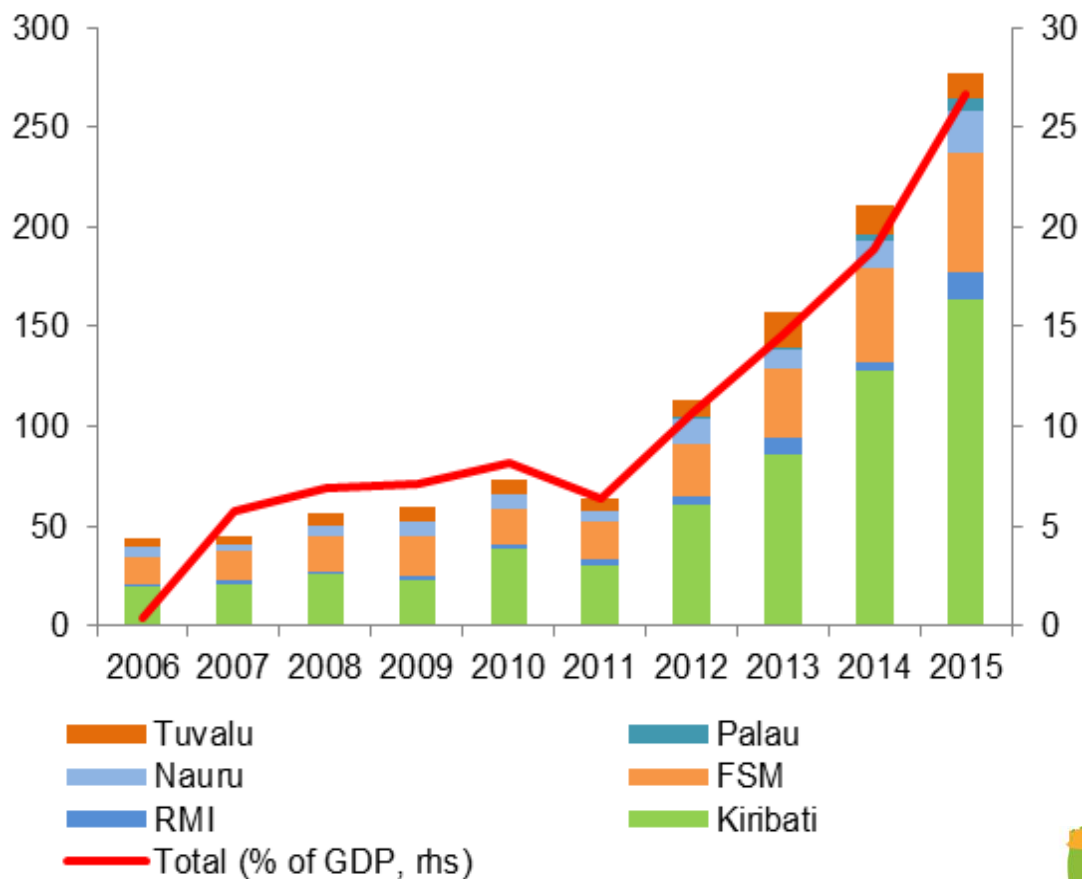
Natural resource exploitation in the Pacific

- * Pacific natural resources yield “windfall” revenues
 - * Phosphate, oil and gas
- * The special case of fisheries: a renewable resource

The Parties to the Nauru Agreement

- * **1982:** Nauru Agreement
- * **1992:** Palau Arrangement
- * **2008:** Vessel Day Scheme (VDS) begins
- * **2012:** VDS fully implemented

Fishing License Revenues, Select PNA Members (\$ million)



Source: ADB estimates based on data from national sources.



Fishing License Revenues, Select PNA Members (% of GDP)

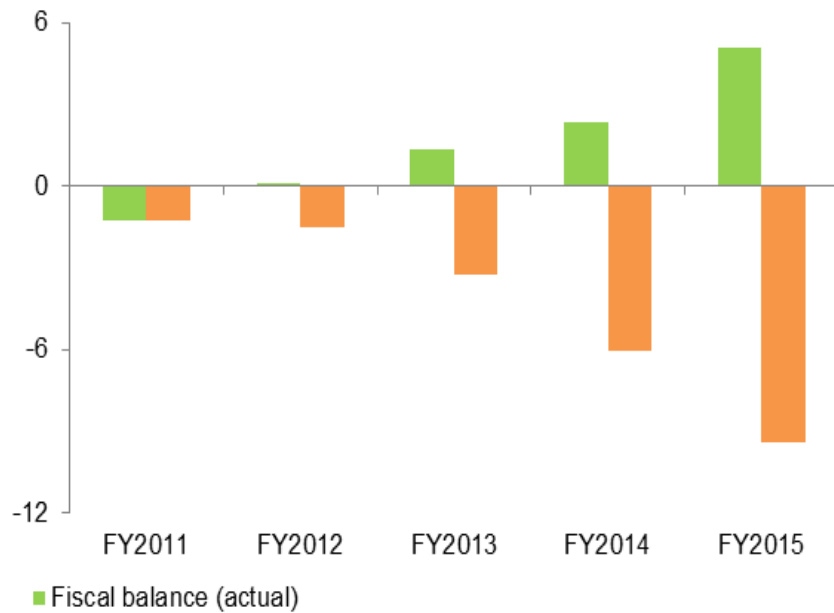
	2008-2011 (average)	2012-2015 (average)
Kiribati	19.6	61.4
RMI	1.2	4.0
FSM	6.3	13.6
Palau	0.2	1.0
Tuvalu	20.9	35.9

Source: ADB estimates based on data from national sources.



Improved fiscal positions

Fiscal balance: Federated States of Micronesia (% of GDP)

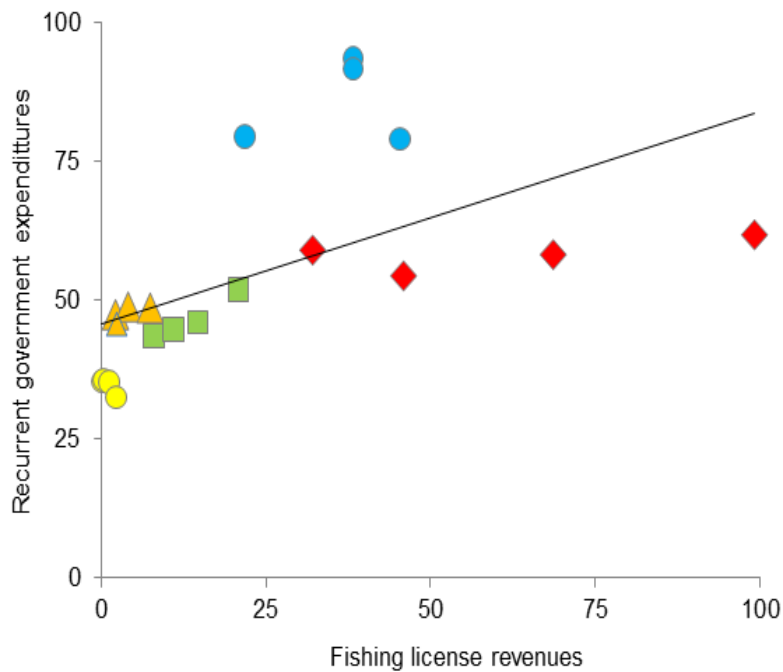


Source: ADB estimates based on data from national sources.

- * Reversed deficits into rising surpluses
 - * Expenditure constraint a factor
- * Stabilized fiscal performance
- * Boosted prevailing surpluses

Increased recurrent spending

Fishing license revenues vs. recurrent spending, 2012-2015 (% of GDP)



Source: ADB estimates based on data from national sources.

- * Broadly tracked fishing license revenue growth in most countries reviewed
 - * Wages and subsidies
 - * Human capital investment

Enabled trust fund deposits

- * From net withdrawals to net deposits
 - * Kiribati Revenue Equalization Reserve Fund
 - * Tuvalu Trust Fund
- * Steps toward long-term fiscal sustainability
 - * Compact Trust Funds
 - * FSM Trust Fund
- * Established new trust funds
 - * Nauru Trust Fund



The way forward

- * Manage harvest rates to promote sustainability
 - * Regional cooperation
 - * Fisheries conservation

- * Invest and save efficiently
 - * Human capital, strategic infrastructure
 - * Operations and maintenance of public infrastructure
 - * Properly managed trust funds



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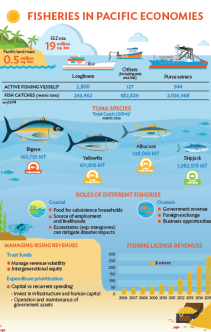
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Pacific small-island coastal fisheries: Some options for enhancing the coastal fishery 28

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Highlights

- **Weaker global outlook:** Global growth forecasts for 2016 have been lowered to 3.5%. Although prospects for the Pacific Region of China have improved recently, slower growth following the United Kingdom's decision to leave the European Union suggest that there are significant risks to the global economic outlook. Low price for energy and natural commodities are supporting a low-inflation environment globally.
- **Smaller Pacific economies support subnational growth.** Most Pacific economies are unlikely to be significantly affected by global uncertainty and growth is forecast at 3.5% for 2016. Prospects for smaller economies have improved slightly, reflecting stronger than expected performance in tourism, housing and construction. In contrast, the outlook for FR is weaker due to the impact of Cyclone Winston.
- **Harvesting Blue Pacific resources:** Fisheries are among the most important resources for smaller island economies and have been heavily neglected. Through regional cooperation, Pacific economies have had some success in fisheries conservation and generating increased revenues from the sale of fishing licenses under the regional fishery management (RFM) scheme. Prudent management of fishing license revenues has involved strengthening fiscal buffers and depends to great extent...



USD = million or chronic base, MY = metric ton. Source: Fisheries and Aquaculture Department of ADB and Pacific Islands Bureau of Statistics, Fiji, Kiribati, and Vanuatu, which also includes the revenue under the regional fishery management (RFM) scheme. Revenue based on assessments by the World Bank and Pacific Islands Bureau of Statistics. ^a Includes and Central Pacific Fisheries Commission, 2015. ^b Based on World Bank (2016). ^c Kiribati (2016).



Thank you!

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