



International Centre for
Democratic Partnerships

THE BLUE ECONOMY: CHALLENGES AND OPPORTUNITIES

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DISCLAIMER: This report summarises the proceedings of the Dialogue 'The Blue Economy: Challenges and Opportunities', held online on 26 September 2024 by the International Centre for Democratic Partnerships (ICDP). The report represents a range of views and interests of the individuals participating in the event. They are personal opinions that do not necessarily reflect those of the organisers and sponsors of the Dialogue.



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Executive Summary

On 26 September 2024, the International Centre for Democratic Partnerships (ICDP) hosted a collaborative online Dialogue/*talanoa* on the Blue Economy and opportunities it offers to the Pacific region in terms of economic growth, improved livelihoods and healthier ocean ecosystems.

The Blue Economy is a relatively new term that describes the sustainable use of oceans and inland water resources for social, economic and environmental progress. The Dialogue brought together 26 participants from across the Pacific, including the opening speaker Taholo Kami, a strategic advisor on oceans and Pacific Expert at the UNSW Global Ocean Accounts Partnership. The panel of invited contributors included Suva Hub coordinator Salote Waqairatu-Waqainabete, *Less than Container Load* project lead James Kana and director of NZ tech company Ackama Josh Forde.

The event, facilitated by ICDP Director Catherine Fritz-Kalish AM, explored the economic and social opportunities presented by the Blue Economy in the Pacific Islands. Discussions emphasised the need to develop new sustainable small and medium-sized enterprises (SMEs) in the region to diversify local ocean-based economies beyond 'tuna and tourism'. Participants suggested innovative business and financing models to achieve this aim, including co-ops and a new finance aggregation facility.

The meeting was briefed on the progress of *Less than Container Load* in Solomon Islands to address small-volume export challenges for local firms, the impact of COVID-19 on market demand in Fiji through a case study of a Fijian landscaping business, and ways to leverage digital technology for sustainable business growth.

Further discussion underscored the importance of community-driven solutions and the need for partnerships to foster economic resilience and growth. The work of organisations such as ICDP in the region to support women-led Pacific enterprises, particularly in digital literacy – an area of growing relevance in the Pacific Islands – was seen as crucial in creating sustainable commercial solutions for local challenges.

Ideas and recommendations from the Dialogue will inform the presentation that Catherine Fritz-Kalish AM will deliver at the upcoming Green Rio conference in Brazil on 31 October 2024.

The ICDP Dialogue *'The Blue Economy: Challenges and Opportunities'* was supported by the ICDP Foundation and its corporate donors DLA Piper and Pyne & Partners.



Welcome & Introductions

Catherine Fritz-Kalish AM, Director of the International Centre for Democratic Partnerships (ICDP) and Managing Director of Global Access Partners (GAP)



Catherine Fritz-Kalish AM opened the Dialogue by acknowledging the traditional custodians of the Gadigal land from which she was presenting. She then welcomed participants from eight nations – Australia, Fiji, New Zealand, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu – and hub coordinators from the ICDP Pacific Network, and thanked the sponsors ICDP Foundation, DLA Piper and Pyne & Partners for their support.

The World Bank defines the 'Blue Economy' as the sustainable use of ocean resources to benefit economies, livelihoods and ocean ecosystem health. Ms Fritz-Kalish invited participants to discuss their experience of building strong, sustainable, locally owned businesses in the region in that context, as recent studies have suggested a potential fivefold yield for investments in this sector.

She said the Dialogue's insights will be shared at the Green Rio conference in Brazil, to be held from 31 October to 2 November 2024 in the lead-up to the G20 Leaders' Summit. That presentation will also outline the role of ICDP as a catalyst to encourage business collaboration and women-led enterprises in the Pacific, outline best practice, emphasise the region's unique characteristics and highlight barriers to further development of the Islands' 'blue economies'.

Ms Fritz-Kalish then invited Taholo Kami, the Principal Partner in Kami Pasifiki, to deliver the opening address.

Blue Economy from a Global Perspective

Taholo Kami, Pacific Expert with UNSW Global Ocean Accounts Partnership and Principal Partner at Kami Pasifiki



Mr Kami opened his address with a traditional Pacific welcome to participants. The development of sustainable ocean-based economies will be an ongoing challenge for Pacific Island nations, and progress over the next decade will require ever-stronger partnerships with Australia and New Zealand as well as within the 16-member Pacific Islands Forum.

Small island nations might better be termed 'Large Ocean States', given the rich resources of the Pacific, but the economic fortunes of the eight member nations of the **tuna** partnership – the Parties to the Nauru Agreement (PNA) – depend heavily on those fisheries. The ocean economies of Kiribati, Tuvalu and Solomon Islands need to expand beyond tuna, given the threat of climate change forcing the fish into international waters, while non-tuna nations such as Vanuatu, Fiji and Tonga should look at developing new income streams in alternative fisheries, locally owned tourism, agriculture and other industries.

Most ministerial meetings in the region are still dominated by the tuna industry, as it currently generates 75% of the tuna partnership's wealth, but building viable as well as vibrant Large Ocean States will require economic diversification and official representation from local communities as well as tuna industry interests. The sea cucumber – *bêche-de-mer* – is a billion-dollar market in China, for example, and could be one of several high value fisheries developed in the Pacific over the next 10 years. However, care should be taken to avoid a 'boom and bust' cycle in which short-term revenue from unconstrained exploitation is pursued at the expense of long-term management.



Despite the COVID-19 interregnum, **tourism** remains the region's other major industry, and Cook Islands, Fiji, Samoa and Palau offer high-performing examples of success. Fiji is now exploring ways to shift the focus from highly commercial, Western-owned cruise lines to 'small house' stays which benefit local communities and allow more people to experience the natural beauties of these islands. 'Hub'-based tourism could see Fiji create 2,000-3,000 new tourist rooms and huts owned by local Fijians in the next few years, with scope for 10,000 more locally owned rooms across the Pacific.

Local, regional, and international **shipping and transportation** offer another avenue for growth, and Vanuatu and Tuvalu are already encouraging the use of non-fossil fuels for marine transportation, ferries and fishing boats. Most small boats still rely on simple two-stroke engines, and international assistance to adopt more efficient four-stroke and eventually electric motors will help drive this transformation.

Growing geopolitical rivalries in the region put Pacific Island nations in a stronger position to leverage partnerships and attract investments in ways which were not possible five or ten years ago. While securing investment without surrendering sovereignty will be a balancing act, there is an increasing international willingness to fund sustainable development and climate projects to counterbalance the growing influence of China.

While the loss of **Pacific labour** to higher paying jobs in Australia and New Zealand must also be discussed, such workers often return to benefit their Pacific communities with additional skills, contacts and experience. Australian and New Zealand **technology** firms could also be encouraged to partner with Pacific retailers to expand their products and services to Pacific markets.

Pacific Blue Economy: Challenges & Opportunities

Panel of Contributors

Salote Waqairatu-Waqainabete, Managing Director of
Landscaping Solutions and ICDP Hub Coordinator for Suva, Fiji



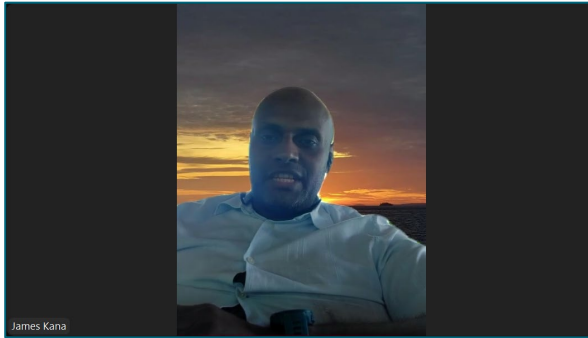
The ICDP Hub Coordinator for Suva, Salote Waqairatu-Waqainabete, offered a case study of a landscaping business she launched with her husband in 2016. The company now employs five additional staff. As well as producing and selling their own produce and garden soil supplements, Landscape Solutions undertakes construction and maintenance projects and runs a plant nursery. Its garden health products include compost and mulches produced from green waste, reducing landfill.

The couple lacked business skills and experience when founding the company but were able to join an accelerator programme and access funds from a development bank. While many Fijian businesses suffered during COVID-19, Landscaping Solutions benefited from increased demand, as people spent more time gardening and rediscovered their need for green spaces.

The company had already developed a new product for launch as the pandemic struck, and the couple used their marketing and technical connections to boost demand. They are now looking into tourism opportunities and working with large retailers and hoteliers, although such contracts can create cashflow problems for SMEs if larger firms are slow to pay their bills. They also understand the importance of digital literacy beyond online marketing, but balancing business compliance, new technology and financial probity with traditional obligations and priorities remains an issue, as they feel obligated to meet local criteria of success as well as Western measures.



James Kana, Managing Director of the Ueniusu'unu Agribusiness Group in Solomon Islands



James Kana is the Managing Director of the Ueniusu'unu Agribusiness Group in Solomon Islands, which began as a small firm servicing rural farmers who might otherwise have moved to urban centres for work, given the difficulties of accessing agricultural supplies and marketing their produce in towns. His business now links these small-scale farmers to wholesalers and retail markets and encourages them to adopt environmentally sustainable production methods while optimising the output of their land.

Mr Kana has also worked with the ICDP Hub in Honiara to develop the *Less than Container Load (LCL)* project to help small firms and farmers pool their exports of premium agricultural goods to foreign markets to reduce transport costs. Five containers of imports arrive in the Solomons for every container of goods which are exported, and *LCL* is developing a digital platform to help organise and aggregate small farmers' produce to increase scale and balance this trade.

New 'carbon mile' standards require the tracking of emissions associated with goods transportation, and so standardising and improving the efficiency of the supply chains should have a positive environmental impact as well as reducing the costs of transporting agricultural produce from inland farms to the docks, and then on to foreign markets.

LCL continues to expand its network of contacts with entrepreneurs, donors, civil officials and other partners, and is looking for further opportunities with local government and international partners as well as the private sector.

The Blue Economy offers additional scope for growth, given Solomon Islands' status as a large island state. The sheer size of the Pacific was once a barrier to trade, but now the resources in its vast expanse offer new economic opportunities. The

Solomons can become a maritime hub, for example, connecting ocean transport and logistics.

Eighty per cent of the economic activity in Solomon Islands remains in the informal sector, but its government is looking to formalise more of these firms to include them in government functions and link them with development partners and support.

The Ueniusu'unu Agribusiness Group is also looking at opportunities within the 'circular economy' and the renewable energy sector and is partnering with an Israeli company to produce biogas from organic waste generated by farmers growing organic produce.

Josh Forde, Director and Head of Business Development at Ackama, New Zealand



Josh Forde introduced his digital consultancy firm Ackama in New Zealand, which had operated in the Pacific for the last seven years. The company sees ample opportunities for its services in developing the region's Blue Economy. Rather than focus on geopolitical and governance concerns, the company believes that recent investment in better broadband links across the Pacific will help businesses and communities connect with each other and take advantage of these new opportunities in agile ways more quickly than countries chained to legacy infrastructure.

The region's lack of business investment capital will force firms to use digital technology in smarter ways, and Mr Forde hoped that his company would be able to focus on partnerships with private enterprise, as funding for development projects from philanthropic donors or governments tends to be time limited.



Many Pasifika people in New Zealand retain close links with other Pacific Island communities, but New Zealand must also look to broker long-term partnerships with the region to create sustainable, affordable solutions. Ackama is already working with James Kana's *LCL* project in Solomon Islands and investing in relationships with other local consultants looking to use new technology and generate positive change.

Ackama recognises the importance of building long-term relationships with its new Pacific clients, in keeping with New Zealand's well-respected business culture. It must understand the needs of their clients, rather than focus on short-term sales generated by traditional marketing. It is also sensitive to the diverse cultures and economic environment across the region, as well as its commonalities. Successful technology consultancy depends on developing trusted partnerships with local firms and communities, as well as helping Western aid programmes improve the outcomes of education, tourism and agricultural initiatives.

Western businesses tend to focus on economic transactions, which may then lead to lasting relationships, whereas traditional societies expect trusted relationships to be established first before transactions can be contemplated. This difference of approach can create tension when Western firms and traditional communities interact, given the pressure on Western firms to generate immediate returns from their efforts at relation building.

Western donors and businesses therefore need to adapt to the Pacific context when working in the region, rather than the other way round, as well as appreciating the factors of geographical size, isolation and vulnerability to natural disasters facing Pacific islanders.

COVID-19 interrupted Ackama's visits to the region from New Zealand and Australia for a time, but the company's regional business relationships were maintained through the ICDP network. Fijian tech firms are now expanding into New Zealand and Australian markets, and reciprocal partnerships across the region have increasing scope for success. Collaboration can prove more productive than competition, as new firms expand the size of the market rather than vie for the same slice of the pie.

Pacific nations may lack the resources to invest in artificial intelligence and its associated technology, but they can use these techniques to monitor and manage their resources, fisheries and agriculture in smarter, cheaper and more efficient ways by partnering with Australian and New Zealand technology firms.

Group Discussion

Facilitator – **Catherine Fritz-Kalish AM**



Participants underlined the need for capital investment to be directed towards smaller firms in local communities. Pacific SMEs also need help with marketing and delivering their products to wider regional and international markets.

Major industries such as tourism are dominated by Western operators, and so new models to develop local firms and opportunities to channel more revenue into the local communities are required. **Cooperatives** have proved a successful way of bringing people and small firms together, with or without external capital.

One participant noted the greater scales in which development partners and commercial investors tend to operate, compared to the relatively small investments required by small Pacific firms. Investment companies and development agencies looking for major financial or impact returns from deals worth hundreds of millions are not interested in Pacific firms looking for \$150,000. The Pacific needs **smaller, earlier investments** to generate long-term results, but these SMEs may lack the scope to grow beyond their local niche and so will not attract that investment, even though it would satisfy local needs.



An Australian company Red Hat Impact has recently partnered with ICDP to explore the creation of an aggregation facility that can attract large volumes of investment capital or international orders and distribute it to many smaller firms as required. An order for \$100,000 of a particular product might be turned into 50 invoices for \$2,000 for 50 local firms, for example, which the facility could organise and ship collectively. This intermediary could also distribute investment funds from banks, investors or development agencies to Pacific SMEs in both the formal and informal sector. This approach would offer security to the investors and convenience to these smaller firms, many of which are owned by women who cannot access loans from banks by traditional means.

The meeting discussed how the small scale and traditional structures of financial systems in small island states tend to prevent large capital flows from larger firms and development agencies accustomed to dealing with much larger sums and entities. It was suggested presenting the idea of an entity breaking down multi-million funds into appropriately sized investments for Pacific SMEs, entrepreneurs and micro-businesses at the Green Rio conference.

Financing this type of **innovative finance framework** could also help cooperatives of smaller firms develop into de-facto larger businesses, as they did in Western countries two hundred years ago. Such cooperatives can expand to a much larger size while maintaining their membership model, and retooling this historic Western model could create new opportunities in the Pacific today.

Participants contrasted the demands of large industries such as tourism and tuna with the needs of micro-businesses such as female-owned grocery stores. One member related the story of an entrepreneur who developed a community coffee business into a hotel and property concern but retained his village hut and position as a respected elder, underlining the importance of cooperatives remaining in touch with their members.

Scaling up agricultural or fisheries businesses with better infrastructure and technology is always possible, but care must be taken to ensure that their markets are sustainable, as small communities can take a decade to recover from business failure.

Working with the Department of Foreign Affairs and Trade, Westpac and several regional banks, Mastercard have launched a new mobile payment acceptance solution¹ for micro-business owners that allows customers to pay with an app on their mobile phones. This approach allows informal transactions to flourish while

¹ <https://dua.me/>

documenting these interactions in formal ways banks can account for. This data then builds trust between banks and micro-businesses, increasing their access to investment capital.

A participant who had worked closely with the Fiji Council of Social Services on their own business micro-finance scheme noted their largely female clientele sometimes struggled to invest their profits productively. Other clients of the scheme were satisfied with their current scale if it fulfilled their immediate needs or preferred a community-based or cooperative business model. Some successful women suffered violence at the hands of their less successful husbands, and so participants were cautioned to take such social factors into account, as not every business in the region is looking to grow like their Western equivalents.

Red Hat Impact has also accounted for a high rate of deferrals and defaults to account for gender-based violence and cultural call on capital elements in its Trade Finance Vehicle (TFV) for women entrepreneurs in the Pacific.

Participants discussed the intersection of economic and environmental resilience in the Pacific, and the intertwining of traditional informal patterns of fishing and agriculture with the modern economic pressures of sustaining a formal livelihood. Government structures struggle to encompass traditional ways of managing the land and ocean resources in rural areas, and so multi-stakeholder mechanisms will be required to recognise and integrate these different factors and practices. Just as small businesses can learn entrepreneurial skills and financial literacy from more experienced mentors, so public servants and larger firms can learn from traditional techniques and approaches. Creating a conducive enabling environment for multi-stakeholder mechanisms could be the key to drive impact at every level.



Recommendations for Green Rio 2024

The ideas and insights from the Dialogue will be incorporated into a presentation at Green Rio in October 2024. Participants were invited to express their interest in joining a potential 'Second Track' taskforce to work on proposed approaches after the conference. GAP taskforces² bring multi-disciplinary groups of people with a stake or common interest in a problem to discuss, develop and implement practical solutions.

Participants again expressed interest in cooperative models to protect and add value in agricultural and fishery supply chains in the Pacific. There are also opportunities for Pacific communities to benefit from carbon credit schemes while improving biosecurity and protecting local workers from exploitation and modern slavery.

Forestry and native vegetation regenerative schemes, for example, benefit from local knowledge as well as Western ecological expertise. New Zealand understands the problems caused by small domestic markets and extreme distance from international trading partners and can help the Pacific Islands develop their own trading links, as well as advising and investing in regional small businesses.

It was agreed that the key points to be presented at Green Rio will be shared with Dialogue participants to ensure accurate representation of their views. ICDP will canvas the idea of a taskforce to progress solutions and develop relationships discussed at the Dialogue with relevant stakeholders.

Vote of Thanks

Catherine Fritz-Kalish AM thanked participants for their insights and contributions and promised to consult with them further before the Green Rio event. She then thanked the ICDP Foundation and corporate donors DLA Piper and Pyne & Partners for their ongoing support of ICDP's activities and networks in the Pacific, and brought the Dialogue to a close.

² <https://globalaccesspartners.org/>