

CHAPTER V

The way forward

The Pacific region is still in the early stages of its digital transformation. For the region to fully realize the benefits of the digital economy, it will be important for countries to enhance their capacities in a number of areas and to consider policies that would facilitate the capture of the value that emerges from this broad economic transformation. Overarching digital governance and regulatory frameworks will also be important to ensure that digitalization leads to inclusive and sustainable outcomes. This is an immense challenge given that the digital economy has implications across many policy areas and is increasingly inseparable from the functioning of the economy as a whole.

As highlighted in the *Digital Economy Report 2021* (UNCTAD, 2021b), policymakers and stakeholders are often poorly prepared to tackle the emerging policy challenges related to the digital economy. This chapter provides recommendations and pathways to support Pacific policymakers as they seek a way forward that maximizes the benefits and minimizes the risks of the digital era.

Towards an inclusive digital economy in the Pacific



Effective solutions requiring collaboration across:



Need to be able to **participate effectively** in processes and meetings related to the digital economy, including at the **regional and international levels**

Any **global consensus** will need to incorporate the **unique circumstances of SIDS**

Digital development as part of a **broader development agenda**

Digital governance will need to address **digital gender divides**

Research on data & digital platforms and their potential impact on value creation and capture in the region is needed to inform:

Broader vision

2030 Agenda for Sustainable Development

Narrow lens

Digital development: more people and businesses using the Internet and buying and selling online

economic
social
cultural
human rights

digital gender inequalities exacerbate existing gender divides



- **policy-making**
- **development programmes**
- **regional cooperation initiatives**

...and help to document **benefits and costs of digitalization** in Pacific SIDS

A. CAPACITY-BUILDING FOR DIGITALIZATION

Countries in the Pacific find themselves at different levels of readiness to engage in and benefit from e-commerce and the digital economy. Some countries have e-commerce platforms and moderate levels of digitalization of business processes, while other countries are still focused on closing the digital divides related to Internet access and affordability. Building capacity for digitalization, particularly for LDCs in the region, will help address this regional divide and position countries to benefit from the digital economy.

1. Digital infrastructure

While significant progress has been made in upgrading the digital infrastructure in the region – notably the expansion of the submarine fibre-optic cable network and mobile network infrastructure – more investment is needed to ensure this infrastructure is strengthened and reaches rural areas and remote islands. This is particularly important because digital infrastructure lies at the core of the digital economy. Without access to affordable, reliable, high-capacity broadband access for all people and businesses in the region, development of the digital economy will remain constrained (see table V.1).

Appropriate investments in digital infrastructure will be tailored to country contexts but will require a mix of public and private investment as well as support from multilateral development banks and other development partners. Leveraging the Pacific Region Infrastructure Facility could be one avenue for generating this support, in addition to the potential establishment of new regional funds focused on digital infrastructure. Support from bilateral partners and multilateral development banks will likely be necessary to expand the submarine cable network in the region. Investments should be prioritized for those Pacific SIDS that are not connected to an international submarine cable (Nauru, Timor-Leste and Tuvalu).¹⁴¹

To bring connectivity to less profitable markets, including remote rural areas with small populations, direct government support will likely be needed to complement private sector investment. For countries already benefiting from access to submarine cables, this could include expanding connectivity to more areas through domestic backbone networks (submarine cables to outlying islands and terrestrial cables and telecom towers on land). Setting up supply-side and demand-side incentives would be needed (PIFS, 2021) to expand the 4G network and Wi-Fi connectivity in the region. Sharing of infrastructure between MNOs and maintaining existing satellite connectivity could also be explored, where appropriate, to reduce the financial risk of providing services in rural areas.

The growing importance of 5G technology in other parts of the world indicates that the Pacific region would benefit from laying the groundwork to understand how this technology could be deployed in the region. The *Pacific Regional E-commerce Strategy and Roadmap* recommends conducting a regional study to understand the requirements and implications for deploying 5G in the region, including a comparative assessment vis-à-vis ongoing efforts to scale up 4G connectivity. This study could be carried out by international organizations such as ITU, UNCTAD and UNCDF in partnership with regional organizations and MNOs.

The cost of Internet services for both consumers and businesses continues to be a barrier to digital development. As noted in chapter II, most countries still experience broadband costs above the target set by the Broadband Commission for Sustainable Development. Identifying the appropriate mix of investments in digital infrastructure to lower these costs will require further research. Although solutions will be context-specific, approaches that involve sharing network infrastructure, demand aggregation, enhanced competition and strengthening of universal access programmes could be considered (PIFS, 2021).

Investments in digital infrastructure should be complemented by policies promoting access to and the use of ICT, including policies aimed at improving the affordability of devices such as smartphones and laptops. Targeted subsidies or tax incentives could be considered to increase the affordability of devices and Internet packages. For example, governments could step in with incentives such as grants, monthly instalment payment options or non-collection of value added tax and related taxes (e.g. import duties) on entry-level smartphones.



Table V.1. Overview of selected indicators on digital infrastructure and ICT access and use, by selected country grouping and Pacific SIDS, 2017–2020

	Infrastructure of the digital economy						ICT access and use					
	Number of submarine cables	Access to electricity (% of population)	Population covered by 3G mobile network (%)	Population covered by 4G mobile network (%)	International bandwidth per Internet user (kbit/s)	Internet users (% of population)	Mobile broadband subscriptions (per 100 people)	Price data only mobile broadband 2GB (% of GNI per capita)	Smartphone adoption (% of all connections)	Price of the cheapest smartphone (% GNI per capita)		
World	..	89.7	91.3	80.9	121.5	51.9	71.1	1.3	60.0	23.4		
Pacific SIDS	1.5	68.1	72.9	49.8	29.9	21.2	29.6	4.9	30.0	17.3		
Fiji	4.0	98.8	95.2	77.0	34.0	67.3	85.3	2.6	43.0	13.3		
French Polynesia	3.0	100.0	87.6	80.9	47.6	72.7	64.4	..	49.0	..		
Guam	11.0	100.0	92.7	82.8	..	80.5	..	..	..	..
Kiribati	0.0	89.1	69.0	52.6	5.9	31.9	25.0	5.5	..	..
Marshall Islands	1.0	96.7	..	..	43.3	38.7	0.0	..	..	..
Micronesia (Fed. States of)	3.0	80.5	15.0	0.0	22.1	35.3	0.0	10.2	..	..
Nauru	0.0	99.9	98.0	30.0	..	62.4	33.2	2.3	..	..
New Caledonia	2.0	100.0	97.4	79.5	..	82.0	..	..	30.0	..
Papua New Guinea	4.0	57.5	64.4	50.0	38.9	11.2	10.7	10.5	22.0	13.4		
Samoa	3.0	99.0	91.0	49.0	10.0	33.6	18.1	4.4	..	..
Solomon Islands	1.0	68.1	40.0	22.3	11.7	11.9	18.2	15.1	31.0	21.3		
Timor-Leste	0.0	88.0	96.5	37.5	3.7	27.5	32.2	5.4	..	65.3		
Tonga	2.0	99.0	97.3	85.7	35.0	41.2	60.7	2.2	..	..
Tuvalu	0.0	99.3	48.0	0.0	10.1	35.2	0.0	..	..	..
Vanuatu	1.0	64.1	69.7	46.5	11.7	25.7	171.4	4.1	26.0	..		

Source: UNCTAD calculations, based on data used for figures and tables of this report, except World Bank, World Development Indicators, available at <https://datatopics.worldbank.org/world-development-indicators/> (for access to electricity, accessed 30 September 2022).

Notes: These are 2017–2020 averages, except for internet use and international bandwidth for Pacific SIDS as a group (2017) because of a lack of data after 2017. The numbers of submarine cables concern the situation up to 2020 and the price of the cheapest smartphone is based on 2020 data. While considering that internet use coverage in the Pacific has changed since 2017, this analysis was carried with the most recent available data at the time of writing of this report.

Country is below the Pacific SIDS average

Country is above the Pacific SIDS average

Country is above the global average

Legend: As there is no global average for submarine cables, colour coding only applies based on Pacific SIDS average.

2. Digital skills and entrepreneurship ecosystem

Enhancing digital literacy across populations – including for women, people living in rural areas and marginalized communities – will be key to building inclusive digital economies in the Pacific. This requires investment at all levels of the education system as well as initiatives aimed at businesses and consumers. As highlighted in UNCTAD (2021b), education policies should enhance data literacy, digital skills and data talent. Much of the digital knowledge in the region is currently acquired through peers and informal networks (UNCDF, 2021a). This knowledge is likely to be concentrated in urban areas among those who already have relatively high levels of education. It is thus important to roll out digital literacy initiatives to women, youth, people living in rural areas and MSMEs. The digital and financial literacy survey carried out by the PDEP in 2022 highlights that courses to enhance digital literacy could be developed by regional and international bodies such as the University of the South Pacific, the Pacific Community, the United Nations Children’s Fund, the International Labour Organization, Australia Pacific Training Coalition, UNCDF, and national technical and vocational education and training bodies (PIFS, 2021).

Strengthening the overall entrepreneurship ecosystem – which remains generally underdeveloped in the Pacific – will also be important to build digital economies. There are limited business support services for aspiring entrepreneurs and where services do exist they tend to be in urban areas (UNCDF, 2021a). Those living in rural areas are typically excluded. UNCDF recommends boosting support services for entrepreneurs by increasing the available co-working, incubation and business accelerator programmes in the region. Doing so will require support from governments, the private sector and regional and international donors. The Market Development Facility was instrumental in supporting the establishment of Greenhouse Coworking in Fiji, for example, and UNDP supported the establishment of the lumiWaka co-working space in Solomon Islands.

However, the *Digital Economy Report 2019* (UNCTAD, 2019b) reported that investments in these programmes can be a waste of resources if they remain unused due to bottlenecks such as limited market access or weak entrepreneurial advisory capacity. It will be crucial for governments and development partners to tailor actions and measures to the dynamics of the local market. For example, advice that may be useful for a market vendor wishing to advertise to a broader audience through social media would be of limited value to a mature digital business that is seeking legal advice or international investors. Given these challenges, the PDEP will continue to play a role in building the innovation ecosystem in the Pacific by providing support to local organizations and initiatives.

Building a vibrant entrepreneurship ecosystem from its current low base will require strong public–private collaboration. It is notable, for example, that entrepreneurship in the Pacific is generally associated with those who leave school early or who cannot secure jobs (UNCDF, 2021a). Changing mindsets and the negative stigma surrounding entrepreneurship will take time. Governments can invest at all levels of education and support entrepreneurship initiatives rolled out by the private sector. Starting points could be mentorship programmes and internships established by existing digital enterprises and entrepreneurs, including from outside the region. The UNCTAD eTrade for Women initiative could be rolled out in the Pacific region to support this aim.

The *Pacific Regional E-commerce Strategy and Roadmap* also recommends developing a regional distance learning programme for businesses interested in engaging in e-commerce, and a regional training and acceleration programme for Pacific companies in the digital economy sphere. This could be developed by a group of regional universities, development organizations and leading tech multinationals. Courses specifically designed to enhance the knowledge and awareness of policymakers on digital issues could be developed by UNCTAD, the International Trade Centre, ITU, PIFS, Pacific Community and regional universities (PIFS, 2021).

3. Digital economy statistics

Chapters II and III revealed significant data gaps for a number of indicators that are typically available for other regions. These data relate to ICT availability, access and use; levels of e-commerce engagement; and broad trends related to the digital economy. Information on e-commerce volumes, values, operators and regulations across the Pacific, as well as on available supporting programmes,



is not readily available. These challenges were also noted in the *Pacific Regional E-commerce Strategy and Roadmap*.

To assess progress and develop evidence-based policies, the regular collection and updating of statistics on Internet use, e-commerce and digital economy activities should be made a priority for policymakers. Robust data would support the planning, monitoring and evaluation of various ICT and e-commerce initiatives. Although some of this data collection could be carried out by national statistics offices, additional support from international development partners is likely to be needed to address capacity constraints in these institutions. UNCTAD is providing training courses on producing statistics on the digital economy. The training aims to provide policymakers with the knowledge and tools to measure e-commerce, ICT use by enterprises and international trade in digitally-delivered services. A course on this topic was delivered to policymakers in 14 Pacific SIDS in July 2022.¹⁴² The PDEP expects to provide follow-up support to strengthen the capacity of national statistics offices to collect statistics related to e-commerce and the digital economy. In addition, it could be worthwhile conducting a feasibility study on combining big data analytics with traditional statistical techniques for measuring and fostering the digital economy in the Pacific.¹⁴³

One example of effective regional cooperation in this area is the roll-out of the Pacific E-commerce Portal that was developed as one of the priority measures of the regional e-commerce strategy. The Pacific E-commerce Portal is intended to become a one-stop shop for information on e-commerce in the Pacific. Resources include information on e-commerce and ICT statistics; a repository of national and regional e-commerce assessments and strategies; toolkits for businesses in the Pacific that wish to sell products and services online; information on development programmes and projects related to the digital economy; and general news on e-commerce development in the Pacific.¹⁴⁴ The statistics section of the Pacific E-commerce Portal represents the first-ever regional database on the e-commerce enabling environment and was developed as a joint effort by PIFS, Pacific Community and UNCTAD. The Pacific E-commerce Portal is also modelled on and links to the global eTrade for all platform,¹⁴⁵ showing how synergies between global and regional portals can be leveraged.

4. Research on the digital economy

Limited institutional research capacity on digital economy issues in the Pacific became apparent while preparing this report. As noted in chapter III, the digital economy has implications for areas as diverse as competition, consumer protection, employment, social affairs, public governance and trade. In the context of the evolving digital economy, research in these areas is extremely limited or non-existent in the region, highlighting the need for more capacity-building with universities and research institutions. Governments and development partners could support researchers and professors in the region to seek fellowships in universities outside the region with a strong focus on digital development. Likewise, universities in the region could invite visiting professors with expertise in these areas. In the medium term, courses at regional and national universities could be developed on relevant topics such as digital financial services, the digital economy and digital transformation in developing countries.

More in-depth research on data and digital platforms, and their potential impact on value creation and capture in the region, is needed to inform policymaking, development programming and regional cooperation initiatives. Research capacity on digital economy issues could also help document the benefits and costs accruing to Pacific SIDS from digitalization. One approach could be to establish an 'Institute for Pacific Digital Economies' in one of the leading research institutions in the region. This institute could work with development partners, researchers and non-governmental organizations to carry out research, organize capacity-building workshops and publish research findings on issues relevant to the digital economy in the Pacific. Academic institutions with a strong regional presence – such as the University of the South Pacific with campuses in 12 Pacific SIDS – would be well placed to carry out this type of research. The PDEP could play a role in establishing such a research body and could provide initial support to the host organization. One important area that could benefit from additional research by such an institute is the potential development implications of the digital economy for marginalized groups, including women and people living in rural areas, in the context of achieving sustainable and inclusive outcomes.



Other potential areas of further research include the impact of the absence of global B2C e-commerce platforms in the Pacific. It is possible that the absence of these global platforms is providing the space for local platforms to emerge with solutions tailored to the Pacific context. At the same time, the absence of these global platforms may be limiting opportunities for some MSMEs to access new markets. More in-depth research is needed to better understand these issues and inform policymakers, and this is expected to be a future area of focus for the PDEP.

The Pacific region's heavy reliance on social media platforms would also benefit from further study, particularly the implications of the vast amounts of data that consumers and businesses provide to global companies with seemingly little compensation. More research is also needed to understand the implications of the digitalization of economies in the Pacific for vulnerable groups, including women, marginalized communities and people living in rural areas.

5. National policymaking

As highlighted in the national e-commerce assessments carried out in the region, governments have limited capacity – in terms of both human resources and institutional processes – to establish policies that would strengthen the enabling environment for the digital economy. There may be a need to increase representation of technical and analytical communities in legislative and regulatory development processes and to enable more knowledge transfer between public and private sector stakeholders (UNCTAD, 2021b).

In addition to general capacity-building on digital economy issues, governments should put in place interministerial committees or bodies to increase awareness of the issues across different parts of government. Some countries including Kiribati, Papua New Guinea, Solomon Islands, Tuvalu and Vanuatu, are achieving this through the establishment of national e-commerce committees to support the development and implementation of national e-commerce strategies. These committees help achieve whole-of-government responses to opportunities and challenges related to e-commerce and the digital economy.

Policy coherence at the national government level could be enhanced by public–private dialogue and training for policymakers. Public–private dialogue could be formalized through the establishment of private sector working groups that feed into national policymaking in areas such as financial inclusion, digital literacy and education. These efforts could be supplemented at the regional level by the Pacific E-commerce Private Sector Sub-Committee that has been endorsed for establishment in 2023 as part of the Pacific E-commerce Initiative. Training for Pacific trade negotiators was organized and delivered by PIFS in April 2022 under the Pacific E-commerce Initiative. The aim of the training was to strengthen the capacity of Pacific governments to negotiate and implement future digital trade agreements and e-commerce provisions in free trade agreements.

ODA should be increased to help countries harness the benefits of digital transformation and should be tailored to specific country needs. UNCTAD (2021c and 2022f) noted that only a small share of ODA addresses the development implications of digital transformation. Data from OECD suggest that the share of aid for ICT in total aid for trade stood at 2.7 per cent in 2019 and 2020. Increased ODA would allow for more support to Pacific governments in relevant areas. As digital development in the region increases, such assistance may also be needed to develop national strategies for dealing with data flows. As highlighted in UNCTAD (2021b), countries will need to be able to participate effectively in processes and meetings related to the digital economy, including at the regional and international levels. This is particularly important for the Pacific region, which is underrepresented at regional and global dialogues on important digital development issues. The PDEP could potentially provide support in this area as part of its broader efforts to increase the capacities of government officials.



B. DIGITAL GOVERNANCE

Although digital technologies are reshaping how people live, work and trade, the impacts of these changes and their development implications are not well understood. An optimistic view is that digital transformation will lead to new jobs, higher productivity and more efficient regional and international trade. In this scenario, the benefits are equally shared between developed and developing countries. A more cautious take is that the benefits of widespread digitalization may be captured by a minority of highly skilled workers and large corporations, leading to more inequality and further entrenching digital divides. Without global consensus on how to navigate the implications of the digital economy, developing countries face the risk of bearing the burdens of digitalization but not reaping the full benefits.

In the Pacific, digital development should not be viewed within a narrow development lens where progress is measured solely in terms of more people and businesses using the Internet or participating in e-commerce. Digital development aims to stimulate economic growth, create jobs, boost innovation and increase regional and international trade. At the same time, digital development should be pursued in the context of the broader realization of economic, social and cultural rights, and all other human rights for the transformative changes envisioned in the 2030 Agenda for Sustainable Development. These rights include the right to education, the right to food, the right to health, the right to an adequate standard of living and the right to work.

In this context, common principles and approaches can help guide policymakers and other stakeholders. Inclusion should be central to approaches by policymakers aimed at strengthening the enabling framework for digital economies. All people and sectors should benefit from e-commerce and the digital economy, including rural populations, women, youth, persons with disabilities and indigenous communities. Digitalization of economies should reduce, not widen, existing income and wealth disparities. In the process of building enabling frameworks and implementing related policies, specific measures should be identified to promote the empowerment of women and people living in rural areas. Smartphone affordability, for example, can expand access to education and learning opportunities as well as to health services, information and employment for all. Inclusive digital economies carry profound implications for State obligations under international human rights law, including for the realization of women's human rights.

Issues related to digital governance are complex and discussions on how to achieve it will continue at the domestic, regional and international levels. This report highlights two elements of digital governance in the Pacific: value creation and capture, and the gender digital divide.

1. Value creation and capture

As described in chapter III, digitalization makes entirely new methods of value creation possible. With the digital economy in the early stages in the Pacific, there is limited evidence of its effects on value creation and distribution. As countries in the region pursue digital development, assessing and shaping how value is created and captured should be prioritized. Policymakers should have the understanding that digital development could have different possible outcomes. For example, it could lead to more inclusive and sustainable development or it could result in greater inequality. Policies that focus on capturing the value that emerges from the digital economy would improve the chances of an inclusive and sustainable outcome.

Although recommendations to create and capture value in the digital economy were covered in chapter III, the importance of building domestic productive capacity should also be highlighted. The adoption of digital technologies and related business models may become more of a requirement than a distinguishing factor in the Pacific. As highlighted in the *Digital Economy Report 2019* (UNCTAD, 2019b), this increases the importance of second-order benefits stemming from the development, management and distribution of digital technologies and services. Significant value in this context is likely to emerge from the monetization of large-scale digital data. This implies that the digitalization of firms, digital entrepreneurship, development of local digital content and the capacity to turn data into digital intelligence will increase in importance in the Pacific region.



Many countries are confronted with difficulties in striking the right balance between the digitalization process and ensuring a more equitable distribution of the value created by the digital economy. This is something policymakers, digital platform owners and users in the Pacific will have to grapple with in the near future, and an area where development partners can provide support. The PDEP will continue to support policymakers with technical assistance and capacity-building related to strengthening the enabling environment for the digital economy. The programme will also provide grants and loans to private sector partners with business models that demonstrate the potential to create and capture value from digitalization occurring in the region.

2. Gender divide

It is imperative that discussions on digital governance frameworks include the goal of closing the digital gender divide. Addressing this issue not only provides more opportunities for women and girls, but also contributes to broad socioeconomic progress. Digital technologies can reduce gender gaps in labour force participation by making work arrangements more flexible, connecting women to work, and generating new opportunities in online work, e-commerce and the sharing economy (World Bank, 2017).

As noted in chapter II, many women in the Pacific remain excluded from the digital sphere and are confronted with multiple barriers to mobile phone ownership and access to and use of the Internet. They also face unique barriers to digital entrepreneurship. These barriers are complex and diverse and include inequality in incomes, discriminatory gender norms, the education gap and digital skills gap. A significant proportion of MSMEs are led by women, who are often household heads. The economic benefits arising from e-commerce and the digital economy will therefore have a positive impact on the household, including through improved health and education outcomes for children, among other socioeconomic benefits. Greater economic participation of women in general, and women-led MSMEs in particular, further contributes to inclusive economic growth.

Closing the digital gender divide is therefore critical to ensuring that women-led MSMEs in particular can harness the benefits of digitalization and have increased opportunities for social and economic inclusion. The PDEP will continue to prioritize the inclusion of women-owned and women-led MSMEs within its work on building inclusive digital economies in the region. In all cases, actions taken in response to bridging the digital gender divide should be guided by international human rights norms and principles including equality, non-discrimination, inclusion, participation and the provision of effective remedies.

Reducing the digital gender divide should be a priority for public authorities. More resources should be allocated for research on structural barriers and drivers to inform policy responses that are needed to close the divide. The PDEP will continue to explore these issues within its broader research on policies and regulations related to the digital economy.

C. REGIONAL COOPERATION AND INTERNATIONAL SUPPORT

The Pacific region is well placed to begin putting in place policy frameworks that would maximize the benefits of digitalization and minimize the risks. The far-reaching impacts and complexity of policy solutions call for regional cooperation and more international support. Effective solutions in the digital era will require collaboration across governments, the private sector, academia, non-government organizations, community groups, research institutions, multilateral development banks and development partners. For many policy areas, there will be no simple or obvious solutions. The complexity of the challenges will require partnership, collaboration and innovative thinking. There is no one-size-fits-all approach in the Pacific region.

Fortunately, there is strong momentum in the region to address these concerns, at both the national and regional level. Many Pacific SIDS have completed e-commerce diagnostic studies and started formulating national e-commerce strategies. The diagnostic studies also provide a broad understanding of the digital development issues and stress the importance of interoperability and harmonization



within the Pacific on important issues such as the development of regional markets and trade relations. As noted in chapter IV, a total of 11 countries have benefited from diagnostic studies and five have developed national e-commerce strategies that provide road maps for strengthening their respective business, policy and regulatory environments.

In addition to national initiatives, the Pacific E-commerce Initiative and regional baseline assessment and strategy further demonstrate the momentum. The main challenge will be to set up effective governance structures to coordinate the implementation of national and regional strategies with different government agencies and other stakeholders. It will also be essential to monitor progress and coordinate financial and technical support from donors and development agencies. The Pacific E-commerce Committee will help address these issues.

The PDEP will also continue to support countries through its four workstreams. By working with public and private sector stakeholders, the programme has improved the capacity of policymakers to develop policies related to the digital economy, and has also supported digital finance providers, MNOs and MSMEs. Looking ahead, the PDEP will seek to expand its country coverage in the region and continue to focus on an integrated approach that includes capacity-building, technical assistance, research, partnership engagement and financial instruments (loans, guarantees, grants and blended finance).

The Pacific region can benefit from lessons learned from other regions or global initiatives. The region already benefits from the support of a wide range of development partners – including the Governments of Australia, China, Japan, New Zealand and the United States, as well as the European Union – that provide technical expertise and funding to national and regional initiatives. Long-term planning and continuity will benefit from both visibility and predictability of donor support. In addition, involving and seeking solutions from the private sector will be key to advancing the digital transformation of economies and societies in the Pacific.

While regional cooperation and allocation of domestic resources will be critical to addressing the emerging policy challenges of the digital economy, more financial and technical resources will also be needed. In some policy areas, regional leaders and development partners could work together on approaches that align with international best practices. International development partners will need to support the development and delivery of solutions tailored to the Pacific region. Any initiative should directly help reduce persistent digital divides, strengthen the enabling environment for value creation and build capacities in the public and private sectors.

Some policy challenges related to the digital economy may be more effectively addressed at the international level (UNCTAD, 2019b). Finding adequate solutions to cross-border data flows, taxation of global digital platforms and international trade, for example, will require international collaboration and policy dialogue. The full involvement of Pacific SIDS in these discussions will be critical and any global consensus will need to incorporate the unique circumstances of SIDS.

The characteristics of the Pacific region have led to the emergence of distinct trends, opportunities and challenges. The possibilities for building an inclusive digital economy in the region are great – yet not without difficulties. Significant gaps remain in terms of access to affordable, reliable, high-capacity and high-speed broadband connectivity. Other important factors affecting the region's prospects of harnessing digitalization for development include political realities, economic conditions, and social and cultural priorities.

This creates somewhat of a Pacific paradox. The unique barriers to digital development in the region also highlight the vast potential of e-commerce and the digital economy. For example, the huge distances between intraregional markets make delivery logistics inherently challenging. At the same time, e-commerce may be the only avenue for many MSMEs to access new markets. Geographically dispersed populations make last-mile delivery at the very least costly and time-consuming, if not completely infeasible. In this context, e-commerce offers perhaps the most efficient way to integrate rural and urban markets in the Pacific. For fragmented markets in the region, digital platforms may present an avenue for facilitating buyer–seller discovery and trade that is taken for granted in the large urban centres in other parts of the world.



The unique challenges of the Pacific paradox will require new ways of thinking and innovative solutions. Global models or experiences from other regions may not always fit in the Pacific context. Policy approaches and solutions in the region will need to be adapted to the unique cultural, economic, social and political characteristics of individual countries and the region as a whole. This underscores the importance of thoughtful national debate, regional cooperation and development support so that the digital economy works for all Pacific islanders.

