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The Parliament of the Commonwealth of Australia

# Australia's aid program in the Pacific

Joint Standing Committee on Foreign Affairs, Defence and Trade

September 2007  
Canberra

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# Contents

|                                       |      |
|---------------------------------------|------|
| Foreword .....                        | vii  |
| Membership of the Committee .....     | ix   |
| Membership of the Sub-Committee ..... | xi   |
| Terms of reference .....              | xiii |
| List of abbreviations .....           | xiv  |
| List of recommendations .....         | xvii |

## REPORT

|  |           |
|--|-----------|
| <b>1 Introduction .....</b>                              | <b>1</b>  |
| Referral .....   | 1         |
| <b>Conduct of the inquiry .....</b>                      | <b>2</b>  |
| Advertising .....  | 2         |
| Submissions and exhibits .....                           | 2         |
| Public hearings and private meetings .....               | 2         |
| Inspections .....  | 3         |
| Committee delegation to the Pacific .....                | 4         |
| <b>Scope of the inquiry .....</b>                        | <b>5</b>  |
| <b>Structure of report .....</b>                         | <b>7</b>  |
| Background .....   | 7         |
| Overview of Australia's aid program in the Pacific ..... | 7         |
| <b>2 Strengthening law and justice .....</b>             | <b>15</b> |
| Operational environment .....                            | 15        |

---

|   |           |
|---|-----------|
| <b>Department of Foreign Affairs</b> .....  | <b>17</b> |
| Inter-agency coordination.....  | 17        |
| <b>Attorney General's Department</b> .....  | <b>18</b> |
| Domestic politics and sensitivities .....   | 19        |
| Child abduction .....   | 20        |
| Legal training in Australia.....  | 21        |
| Civil society .....   | 21        |
| <b>Australian Federal Police</b> .....  | <b>22</b> |
| International Deployment Group .....  | 22        |
| Inter-operability with the ADF .....  | 23        |
| Operational Response Group.....   | 24        |
| Policing in the Pacific documentary.....  | 24        |
| Status of the Enhanced Cooperation Program.....                                     | 26        |
| Criticisms of RAMSI .....   | 27        |
| <b>Department of Defence</b> .....  | <b>28</b> |
| Patrol Boat Program.....  | 29        |
| Other assistance .....  | 29        |
| Aid effectiveness .....   | 30        |
| Illegal fishing .....   | 30        |
| Regional cooperation .....  | 31        |
| <br>  |           |
| <b>3 Improving economic management and public accountability institutions</b> ...33 |           |
| <b>Pacific Island economies and aid dependency</b> .....                            | <b>33</b> |
| <b>Economic development</b> .....   | <b>36</b> |
| Public administration and public sector investment.....                             | 37        |
| Private sector investment.....  | 37        |
| Microfinance.....   | 38        |
| Encouraging entrepreneurial culture .....   | 41        |
| Links with banks.....   | 42        |
| Creative ways to engage the private sector .....                                    | 43        |
| Australian Business Volunteers.....   | 44        |
| Seasonal labour mobility scheme.....  | 44        |
| Land tenure reform.....   | 46        |
| <b>Public transparency and accountability</b> .....                                 | <b>47</b> |

---

|   |           |
|---|-----------|
| Office of Development Effectiveness .....                                       | 48        |
| Good practice.....  | 50        |
| <b>4 Maintaining access to basic services (especially health).....</b>          | <b>51</b> |
| <b>Overview .....</b>   | <b>51</b> |
| <b>Health .....</b>   | <b>52</b> |
| HIV/AIDS.....   | 53        |
| Political leadership .....  | 57        |
| Community leadership .....  | 57        |
| Partnerships with private foundations .....                                     | 59        |
| Asia-Pacific Business Coalition on HIV/AIDS.....                                | 59        |
| Corporate leadership.....   | 61        |
| <b>Education.....</b>   | <b>63</b> |
| Social accountability.....  | 63        |
| Australia-Pacific Training College .....  | 64        |
| AusAID scholarships .....   | 64        |
| <b>Infrastructure.....</b>  | <b>67</b> |
| <b>5 Anti-corruption and good governance measures.....</b>                      | <b>69</b> |
| <b>Defining corruption.....</b>   | <b>71</b> |
| Forestry.....   | 72        |
| Watchdog agencies.....  | 74        |
| Asia Pacific Forum of National Human Rights Institutions.....                   | 75        |
| Building demand for democratic governance .....                                 | 77        |
| Coalitions for reform.....  | 78        |
| <b>6 Supporting peace-building and community and civil society development.</b> | <b>81</b> |
| <b>Overview .....</b>   | <b>81</b> |
| <b>Recognition of civil society.....</b>  | <b>82</b> |
| Media .....   | 85        |
| Small arms security.....  | 85        |
| <b>Building people-to-people links.....</b>                                     | <b>86</b> |
| Professional links .....  | 87        |

|  |           |
|--|-----------|
| Group partnership model .....                        | 88        |
| Centre for Democratic Institutions .....             | 89        |
| Office for Women - strengthening women's links ..... | 90        |
| Pacific expertise .....                              | 92        |
| Australian Youth Ambassadors for Development.....    | 94        |
| Pacific Islander Youth Ambassador Scheme .....       | 95        |
| <b>7 Committee comment and conclusion .....</b>      | <b>99</b> |

## **APPENDICES**

|  |            |
|--|------------|
| <b>Appendix A: List of Submissions and Exhibits .....</b>                  | <b>107</b> |
| Submissions.....   |            |
| Exhibits.....  |            |
| <b>Appendix B: Witnesses appearing at hearings.....</b>                    | <b>111</b> |
| Thursday 26 October 2006 - Brisbane .....                                  |            |
| Monday 27 November 2006 - Canberra.....                                    |            |
| Friday 9 February 2007 - Canberra.....                                     |            |
| Wednesday 2 May 2007 - Sydney .....  |            |
| <b>Appendix C: Australia's Overseas Aid Program Budget 2007-2008 .....</b> | <b>115</b> |
| <b>Appendix D: Executive summary of AusAID's White Paper .....</b>         | <b>121</b> |
| <b>Appendix E: Summary of Pacific 2020 report .....</b>                    | <b>133</b> |



## Foreword

Australia's aid program focuses on assisting countries in the Asia-Pacific region. A considerable proportion of our aid goes towards assisting our Pacific Island neighbours. In the 2007-2008 financial year \$872.5 million will be disbursed in the Pacific, with the majority directed to assist citizens of the Solomon Islands and Papua New Guinea. Each of the Pacific Island states has different development needs – some more complex than others – and the Australian aid program seeks to address a wide range of them. The Australian Government does so in partnership with, principally, national governments; but also other donors, non-government organisations and local communities.

In the course of the inquiry, the Committee heard from a wide range of government and non-government stakeholders with an interest in development in the Pacific – Australians and Pacific Islanders alike.

A key theme to emerge throughout the inquiry was the need for strong people-to-people links between Australians and Pacific Islanders – not only for development reasons but also to promote a deeper understanding and better appreciation of our respective cultures.

Concerns were raised by some that the people-to-people links between our nations (be they government-to-government, business, civil society or educational) have reduced in recent years. However, the Committee learnt that many opportunities for engagement exist and that these are increasing. For example, Australia is expanding its scholarship assistance through the Australian Scholarships Program and will double the total number of education awards offered to the region to over 19,000.

It was with their benefits in mind that the Committee recommends that the Australian Government consider establishing a Pacific Island Youth Ambassador Scheme (similar to and possibly linked with the Australian Youth Ambassador Scheme or AusAID Development Scholarships), whereby young skilled Pacific Islanders can apply for placements in an Australian host organisation workplace for the purpose of work experience and cultural exchange. It is the Committee's view that an exchange such as this will build further personal contacts and – in time – boost cooperative networks in Australia and the Pacific.

On behalf of my Committee colleagues I wish to thank all those who took part in the inquiry process, from providing written submissions and/or oral evidence at public hearings to meeting with the Committee on other occasions. The Committee valued the candid discussions it had with witnesses, who shared many anecdotal experiences and insights.

Aid and development is a complex area in which to work. The Committee acknowledges the efforts of Australians seeking to make a difference in this field, be they AusAID officials or public servants seconded to the Pacific from other government departments and agencies such as the Attorney-General's Department, Customs, Defence and the Australian Federal Police; church groups; non-government organisations; academics; volunteers or private citizens.

All are collaborating on a daily basis with counterparts in the Pacific, working towards common goals. In some parts of the region it is more a work in progress than in others – but their efforts to promote and enhance human rights and security in the region are something that Australians can be proud of and should continue to support.

Senator M A Payne  
Chair, Human Rights Sub-Committee





## Membership of the Committee

Chair            Senator M A Payne (*from 15/08/07*)

                  Senator A B Ferguson (*until 15/08/07*)

Deputy Chair   Hon. G J Edwards, MP

|         |  |                       |
|---------|--|-----------------------|
| Members | Senator Bartlett ( <i>from 09/12/05</i> )                        | Hon B G Baird, MP     |
|         | Senator P M Crossin ( <i>from 28/12/05</i> )                     | Mr P A Barresi, MP    |
|         | Senator A Eggleston  | Mr M Danby, MP        |
|         | Senator S Hutchins   | Mrs T Draper, MP      |
|         | Senator L J Kirk   | Mrs J Gash, MP        |
|         | Senator the Hon. J A L (Sandy) McDonald ( <i>from 08/02/07</i> ) | Mr S W Gibbons, MP    |
|         | Senator C M Moore ( <i>from 23/06/05</i> )                       | Mr B W Haase, MP      |
|         | Senator M A Payne  | Mr M J Hatton, MP     |
|         | Senator N Stott Despoja  | Hon. D F Jull, MP     |
|         | Senator R B Trood ( <i>from 23/03/07</i> )                       | Hon. J E Moylan, MP   |
|         | Senator R S Webber ( <i>from 23/06/05</i> )                      | Hon. G D Prosser, MP  |
|         | Senator M Fifield ( <i>from 17/08/07</i> )                       | Hon. B C Scott, MP    |
|         |  | Mr R C G Sercombe, MP |
|         |  | Hon. W E Snowdon, MP  |

Dr A J Southcott, MP (*from 08/02/06*)

Mr C P Thompson, MP

Ms M Vamvakinou, MP

Mr B H Wakelin, MP

Mr K W Wilkie, MP



## Membership of the Sub-Committee

Chair            Senator M A Payne

Deputy Chair   Ms M Vamvakinou, MP

|         |  |   |
|---------|--|---|
| Members | Senator A Bartlett ( <i>from 09/12/05</i> )  | Hon. B G Baird, MP                            |
|         | Senator P M Crossin ( <i>from 28/12/05</i> ) | Mr M Danby, MP                                |
|         | Senator L J Kirk                             | Hon G J Edwards, MP ( <i>ex-officio</i> )     |
|         | Senator C M Moore ( <i>23/06/05</i> )        | Mr R C G Sercombe, MP                         |
|         | Senator N Stott Despoja                      | Dr A J Southcott, MP ( <i>from 02/05/07</i> ) |
|         | Senator R B Trood ( <i>from 23/03/07</i> )   | Mr C P Thompson, MP                           |
|         | Senator M Fifield ( <i>from 17/08/07</i> )   |   |

## Committee Secretariat

|                         |                   |
|-------------------------|-------------------|
| Secretary               | Dr Margot Kerley  |
| Inquiry Secretary       | Ms Sara Edson     |
| Administrative Officers | Ms Jessica Butler |
|                         | Ms Emma Martin    |



## Terms of reference

The Human Rights Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade will review the impact of Australian aid to the Pacific in promoting and enhancing human rights and security in the region.

The inquiry will focus on:

- strengthening law and justice;
- improving economic management and public accountability institutions;
- maintaining access to basic services (especially health);
- anti-corruption and good governance measures; and
- supporting peace-building and community and civil society development.



## List of abbreviations

|        |  |
|--------|--|
| AAAPS  | Australian Association for the Advancement of Pacific Studies    |
| ABD    | Asian Development Bank   |
| ABV    | Australian Business Volunteers                                   |
| ACF    | Australian Conservation Foundation                               |
| ACFID  | Australian Council for International Development                 |
| ACPACS | Australian Centre for Peace and Conflict Studies                 |
| ACROD  | Australian National Industry Association for Disability Services |
| ADB    | Asian Development Bank   |
| ADDC   | Australian Disability and Development Consortium                 |
| ADF    | Australian Defence Force   |
| ADS    | Australian Development Scholarships                              |
| AFP    | Australian Federal Police  |
| AGD    | Attorney-General's Department                                    |
| ANU    | Australian National University                                   |
| APBC   | Australia Pacific Business Council                               |
| APBCA  | Asia-Pacific Business Coalition on AIDS                          |
| APEC   | Asia-Pacific Economic Cooperation                                |

|         |   |
|---------|---|
| APF     | Asia Pacific Forum of National Human Rights Institutions          |
| APTC    | Australia-Pacific Training College                                |
| ASPI    | Australian Strategic Policy Institute                             |
| AusAID  | Australian Agency for International Development                   |
| AUSTRAC | Australian Transaction and Analysis Centre                        |
| AVI     | Australian Volunteers International                               |
| AYAD    | Australian Youth Ambassador for Development                       |
| CDI     | Centre for Democratic Institutions                                |
| CIMIC   | Civil Military Cooperation Unit                                   |
| CUF     | Credit Union Foundation   |
| DEST    | Department of Education, Science and Training                     |
| DFAT    | Department of Foreign Affairs and Trade                           |
| ECF     | Enterprise Challenge Fund   |
| ECP     | Enhanced Cooperation Program                                      |
| EITI    | Extractive Industries Transparency Initiative                     |
| FaCSIA  | Department of Families, Community Services and Indigenous Affairs |
| FDC     | Foundation for Development Cooperation                            |
| HRSC    | Human Rights Sub-Committee  |
| ICEAPS  | International Centre of Excellence in Asia-Pacific Studies        |
| IDG     | International Deployment Group                                    |
| IFC     | International Finance Corporation                                 |
| IMF     | International Monetary Fund                                       |
| JSCFADT | Joint Standing Committee on Foreign Affairs, Defence and Trade    |

|       |   |
|-------|---|
| MOU   | Memorandum of Understanding                               |
| NGO   | Non-government organisation                               |
| ODA   | Overseas Development Assistance                           |
| ODE   | Office of Development Effectiveness                       |
| ORG   | Operational Response Group                                |
| PBP   | Patrol Boat Program                                       |
| PCRF  | Primary Casualty Reception Facility                       |
| PIF   | Pacific Islands Forum                                     |
| PITIC | Pacific Investment and Trade Investment Commission        |
| PMCF  | Pacific Media Communications Facility                     |
| PMI   | Pacific Media Initiative                                  |
| PNG   | Papua New Guinea  |
| PNGDF | Papua New Guinea Defence Force                            |
| PPD   | Political Party Development                               |
| PPF   | RAMSI's Participating Police Force                        |
| RAMSI | Regional Assistance Mission to Solomon Islands            |
| RAN   | Royal Australian Navy                                     |
| TI    | Transparency International                                |
| VIDA  | Volunteering for International Development from Australia |





## List of recommendations

### **3 Improving economic management and public accountability institutions**

#### **Recommendation 1**

The Committee notes the importance of financial services in the development of Pacific Island economies, and recommends that the Australian Government develop a focused strategy to encourage financial services development, including microfinance.

#### **Recommendation 2**

The Committee recommends that the Australian Tax Office, in conjunction with AusAID, consider and report on the merits and practicalities of Mr Roland Rich's proposal to amend the Australian tax rules to encourage companies to become directly involved in building private sector capacities in developing countries in the Pacific by allowing them to deduct from their taxable income the full costs incurred in providing such assistance.

#### **Recommendation 3**

The Committee notes the evidence of the importance to Pacific Island economies of access to developed economies for seasonal workers, and recommends an active and serious evaluation by the Australian Government of the possibility of such a scheme.

### **4 Maintaining access to basic services (especially health)**

#### **Recommendation 4**

The Committee supports the consideration of each of the issues raised by the students, and in particular recommends that the Australian Government conduct a regular review of the stipend rate for Pacific Island students on Australian Development Scholarships to ensure that it

remains commensurate with the cost of living, and is at a reasonable level for those students with accompanying dependents.

## **6 Supporting peace-building and community and civil society development**

### **Recommendation 5**

The Committee recommends that the Australian Government consider establishing a Pacific Island Youth Ambassador Scheme (similar to and possibly linked with the Australian Youth Ambassador Scheme, or AusAID scholarships), whereby young skilled Pacific Islanders can apply for placements in an Australian host organisation workplace for the purpose of work experience and cultural exchange.



## Introduction

### Referral

- 1.1 On 10 March 2006, the Australian Foreign Minister, the Hon. Alexander Downer MP, asked the Human Rights Sub-Committee (hereafter referred to as the HRSC or the Committee) of the Joint Standing Committee on Foreign Affairs Defence and Trade to inquire into and report on the impact of Australian aid to the Pacific in promoting and enhancing human rights and security in the region, with a focus on:
- strengthening law and justice;
  - improving economic management and public accountability institutions;
  - maintaining access to basic services (especially health);
  - anti-corruption and good governance measures; and
  - supporting peace-building and community and civil society development.

## Conduct of the inquiry

### Advertising

- 1.2 The Committee sought input to the inquiry in a variety of ways. Advertisements were placed in *The Australian* (on 5 April and 3 May 2006) and in *The Bulletin* (on 13 June 2006), outlining the inquiry's terms of reference and seeking submissions from the public. Press releases were distributed on 7 April 2006 and 5 July 2006 to a wide audience, including several Pacific Island media outlets. The inquiry was also advertised in the September 2006 edition of the House of Representatives' magazine *About the House*.

### Submissions and exhibits

- 1.3 Letters inviting submissions to the inquiry were sent to relevant Ministers, Commonwealth departments and agencies, embassies, and domestic and international organisations with an expected interest in Australia's aid program in the Pacific.
- 1.4 The Committee received 37 submissions and 18 exhibits from individuals and organisations. These are listed in Appendix A.
- 1.5 The submissions were placed on the Committee's website in order to further encourage public participation. Copies of the submissions are available from the website.<sup>1</sup>

### Public hearings and private meetings

- 1.6 The Committee heard from a broad range of witnesses throughout the duration of the inquiry, including academics, consultants, government officials, and representatives from non-government organisations (NGOs), think-tanks, and business. The Committee also invited Pacific High Commissioners in Canberra to a roundtable discussion.
- 1.7 Four public hearings were held in total: one in Brisbane on 26 October 2006; two in Canberra on 27 November 2006 and 9 February respectively; and one in Sydney on 2 May 2007. The witnesses for

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1 JSCFADT website,  
<http://www.aph.gov.au/house/committee/jfadt/pacificaid/subs.htm>

these hearings are listed in Appendix B. Copies of the hearing transcripts are available from the Committee's website.<sup>2</sup>

- 1.8 In addition, the Committee had a number of private meetings:
- at the University of Queensland on 25 August 2006, the Committee participated in a roundtable organised by the Australian Centre for Peace and Conflict Studies (ACPACS) on 'Australia's relationship with Melanesia', together with academics and consultants with expertise in the Pacific and the Consul-General for Papua New Guinea (PNG). The roundtable consisted of two sessions: the first on the ideal vision of Melanesia and the second on barriers to achieving this vision and possible solutions;
  - the Committee met with representatives from the Australian National University (ANU)'s Centre for Democratic Institutions (CDI) on 14 September 2006, to discuss the Centre's work in political party development and parliamentary strengthening in the region;
  - on 29 March 2007, the Committee hosted a forum with several returned AusAID Youth Ambassadors for Development (AYADs), and AusAID scholarship recipients from a range of Pacific Island countries undertaking studies at the ANU, to discuss their respective experiences of the schemes;
  - Mr Roland Rich briefed the Committee on 10 May 2007 on the prospects for stimulating private investment in the region, as outlined in his Australian Strategic Policy Institute (ASPI) paper titled, "Building Capacity in the South Pacific;"
  - on 30 May 2007, the Committee met with a visiting delegation from the New Zealand Parliament's Select Committee on Foreign Affairs, Defence and Trade (who are conducting an inquiry into New Zealand's relationships with South Pacific countries) to discuss assistance to the Pacific. One of the topics discussed was New Zealand's seasonal labour scheme for workers from Pacific island countries; and
  - the human rights advocate and village court magistrates trainer, Ms Robyn Slarke, made a presentation to Committee Members on 16 August 2006 about women's rights in PNG.

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2 JSCFDAT website,  
<http://www.aph.gov.au/house/committee/jfadt/pacificaid/hearings.htm>

## Inspections

- 1.9 In the current Parliament, the Committee has conducted a number of inspections of relevance to the inquiry topic, with visits to:
- the Australian Federal Police's (AFP) International Deployment Group (IDG) training facilities at Majura, ACT on 30 November 2005 (with an opportunity to revisit the complex on 13 August 2007);
  - the Australian Defence Force's (ADF) International Peacekeeping Centre at RAAF Base Williamtown, NSW on 2 May 2006;
  - the Civil-Military Cooperation Unit (CIMIC) at Deployable Joint Force Headquarters at Gallipoli Barracks, Enoggera Army Base, BNE on 25 August 2006; and
  - the Primary Casualty Reception Facility (PCRF) in the HMAS KANIMBLA at Fleet Base East, Wollomooloo, NSW on 2 May 2007.
- 1.10 During the IDG visit, the Committee was shown around the facilities and shown how AFP officers are trained to contribute to offshore law enforcement initiatives and capacity development programs within the law and justice sector in the Solomon Islands, Vanuatu, Nauru and Tonga.<sup>3</sup> At the International Peacekeeping Centre, the Committee was briefed on the training that ADF and AFP officers undergo prior to embarking on a multi-national peace operation such as the Regional Assistance Mission to the Solomon Islands (RAMSI).<sup>4</sup> At Enoggera, ADF officers relayed some of their recent CIMIC<sup>5</sup> experiences in a number of countries, including the Solomon Islands. Onboard HMAS KANIMBLA, the Committee viewed the ship's specialist medical facilities, and heard how officers had treated victims following the 2006 Boxing Day tsunami in Aceh, and that the ship was deployed prior to the 2006 coup in Fiji, in the event that assistance to and/or evacuation of expatriates was required.

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3 For more details on IDG activities see the AFP website, <http://www.afp.gov.au/international/IDG>

4 See Department of Defence website for more information, <http://www.defence.gov.au/adfwc/peacekeeping/index.htm>

5 The ADF defines CIMIC as "the *coordination and cooperation*, in support of the mission, *between the commander and civil actors*, including the national population and local authorities, as well as international, national and non-government organisations and agencies."

## Committee delegation to the Pacific

- 1.11 In considering its approach to conducting the inquiry, the Committee thought it would be valuable to visit some Pacific nations, to view first hand the impact of Australian aid in promoting and enhancing human rights and security in the region, and to add to the Committee's understanding of past achievements and challenges for the future.
- 1.12 After seeking and obtaining approval for a parliamentary delegation, the Committee discussed different combinations of countries to visit. Flying from one Pacific destination to another can be difficult given the infrequency of services and few direct connections from one island to another. After some consideration the Committee decided to visit the Solomon Islands and PNG for a number of reasons, including the fact that these two countries receive the bulk of Australia's aid to the Pacific, and the practicalities of being able to visit both countries in the space of a week, which was the time available to the Committee to travel.
- 1.13 Unfortunately the proposed trip had to be postponed on different occasions. The Committee does however hope that a trip will be possible in the new Parliament. In that event, a separate delegation report will be tabled.

## Scope of the inquiry

- 1.14 The Committee has an ongoing interest in aid and development issues in the Pacific region.
- 1.15 In addition to regular briefings from the Department of Foreign Affairs and Trade (DFAT) and the Australian Agency for International Development (AusAID) and meetings with visitors from the Pacific, the Committee has previously conducted reviews of the aid program,<sup>6</sup> and more recently, completed an inquiry into human rights and good governance education in the Asia Pacific region.<sup>7</sup>

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6 See JSCFADT website for two earlier reports on the aid program, Report no. 70, *The Australian Aid Program, Report on Proceedings of a Seminar* (September 1996) and Report no. 79, *Sharpening the Focus: Report on a Seminar on the Simons Committee Report*, October 1997.

7 See JSCFADT website for a copy of the Committee's 2004 report, *Human Rights and Good Governance Education in the Asia Pacific Region*.  
<http://www.aph.gov.au/house/committee/jfadt/reports.htm>



- 1.16 Committee Members have visited the region recently. At the end of 2003, a Committee delegation went to the Solomon Islands to observe support provided to RAMSI.<sup>8</sup> Over the years, Committee Members have acted as electoral observers, in the Solomon Islands and other Pacific nations and participated in many fora.
- 1.17 The inquiry was a timely opportunity to review Australia's ongoing commitment to development in the Pacific for a number of reasons.
- 1.18 In September 2005, the Australian Prime Minister, the Hon. John Howard MP announced the doubling of Australia's aid budget – the majority of which is devoted to the Asia-Pacific region – from 2004 levels to \$4 billion annually by 2010.<sup>9</sup>
- 1.19 Subsequent to that announcement, in May 2006, the Australian Government released its first White Paper on aid titled, *Australian Aid: Promoting Growth and Stability*<sup>10</sup> which provides a strategic framework to guide the direction and delivery of the Australian aid program over the next 10 years.
- 1.20 Shortly after the launch of the White Paper, AusAID published a report, *Pacific 2020: challenges and opportunities for growth*,<sup>11</sup> which was intended to stimulate discussion on actions needed to accelerate broad based economic growth in the region.
- 1.21 Both the White Paper and the Pacific 2020 report highlight major development challenges facing the Pacific region. In addition to low economic growth, these include rapid population growth, social and political instability, and health and environmental issues such as HIV/AIDS and climate change.
- 1.22 The Committee wanted to learn more about these challenges, to discover what the most successful elements of the Australian aid

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8 See JSCFADT website for delegation report,

<http://www.aph.gov.au/house/committee/jfadt/reports.htm>

9 Prime Minister of Australia, The Hon. John Howard MP, Media release, *Increase in Overseas Aid*, 13 September 2005,

[http://www.pm.gov.au/media/release/2005/media\\_Release1561.cfm](http://www.pm.gov.au/media/release/2005/media_Release1561.cfm)

10 A copy of the White Paper can be obtained from AusAID and/or downloaded from the AusAID website,

[http://www.ausaid.gov.au/publications/pubout.cfm?ID=6184\\_6346\\_7334\\_4045\\_8043&Type=](http://www.ausaid.gov.au/publications/pubout.cfm?ID=6184_6346_7334_4045_8043&Type=)

11 A copy of the Pacific 2020 report can be obtained from AusAID and/or downloaded from the AusAID website,

[http://www.ausaid.gov.au/publications/pubout.cfm?ID=219\\_173\\_9143\\_7522\\_6433&Type=](http://www.ausaid.gov.au/publications/pubout.cfm?ID=219_173_9143_7522_6433&Type=)

program are, and also to gauge the response of the wider community to the White Paper, in particular, but also the Pacific 2020 report.

- 1.23 It was not the Committee's intention to review the aid program to the Pacific in its entirety, in every country to which Australia provides assistance (the Committee has neither the resources nor the expertise to do this), but rather to consult and engage with a broad range of stakeholders on some of the priorities and debates shaping the aid and development agenda in the region.
- 1.24 For the purposes of the inquiry and report the 'Pacific region' is defined as the 11 countries categorised by AusAID as constituting the South Pacific (namely, the Cook Islands, Fiji, Kiribati, Micronesia, Nauru, Niue and Tokelau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu),<sup>12</sup> with the addition of Papua New Guinea. The inquiry does not include Timor-Leste which AusAID defines as part of East Asia.<sup>13</sup>

## Structure of report

- 1.25 The report contains seven chapters. This introductory chapter has outlined the inquiry process, and will provide some background information on Australia's aid program in the Pacific. Chapters 2 through 6 focus on the five terms of reference and the main themes that emerged in each of these areas during the course of the inquiry. The last chapter ends with some Committee comment and conclusions.

## Background

### Overview of Australia's aid program in the Pacific

#### AusAID

- 1.26 The Australian Agency for International Development (AusAID) is an administratively autonomous agency within the Foreign Affairs and Trade portfolio. It is the Australian government agency responsible

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12 <http://www.ausaid.gov.au/country/southpacific.cfm>

13 <http://www.ausaid.gov.au/country/eastasia.cfm>

for coordinating Australia's international development efforts. The stated objective of the Australian aid program is:

To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.<sup>14</sup>

- 1.27 AusAID's website provides a wealth of information on Australia's overseas aid program, including: budget statements; country programs and strategy papers, such as the Pacific Regional Aid Strategy 2004-2009; aid themes and hot topics; partner organisations; and research and publications, ranging from policy documents on subjects such as tackling corruption and strengthening national health systems to the AusAID magazine *Focus*, which showcases AusAID's aid activities.<sup>15</sup>
- 1.28 Each year AusAID publishes its annual report detailing the year's activities and expenditure, available from the Publications section of the AusAID website.<sup>16</sup> Section 2 of the most recent annual report (2005-2006) describes some of the main initiatives and achievements in sectors including health, education and infrastructure, in Papua New Guinea and the Solomon Islands, and the rest of the Pacific.<sup>17</sup>
- 1.29 The most recent Budget Statement Summary for 2007-2008 is provided at Appendix C. It provides a breakdown of where and how \$872.5 million will be disbursed in the Pacific in the coming year, in line with the scaling up of the aid program, as outlined in the White Paper. The majority of funds – as has been the case for a number of years – are directed toward programs in PNG and the Solomon Islands. In the coming year, \$355.9 million and \$223.9 million, respectively, will be spent on aid to these two countries. The full Budget Statement, also available from the Publications section of the AusAID website, provides a more comprehensive breakdown.<sup>18</sup>

## White Paper

- 1.30 The White Paper is central to Australia's approach to delivering aid to the Pacific, and the Executive Summary is provided in Appendix D. The Summary contains a useful one-page diagram of the strategic

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14 White Paper, p. x.

15 See the AusAID website for details, <http://www.ausaid.gov.au/>

16 AusAID website, <http://www.ausaid.gov.au/>

17 AusAID Annual Report 2005-2006, see pages 30 - 63.

18 AusAID website, <http://www.ausaid.gov.au/budget/budget07/default.cfm>

framework for Australia's aid program on p. xvi, and a section on important lessons that the Agency has learnt about aid delivery.<sup>19</sup>

- 1.31 In its White Paper, the Australian Government sets out its aid program, which is organised around four themes:
- accelerating economic growth;
  - fostering functioning and effective states;
  - investing in people, and
  - promoting regional stability and cooperation.
- 1.32 The White Paper stipulates that the government will seek to make Australian aid more effective through an enhanced program to tackle corruption and the establishment of an Office of Development Effectiveness within AusAID.<sup>20</sup>
- 1.33 Infrastructure, health and education initiatives are described as key features of the White Paper.<sup>21</sup>
- 1.34 According to the White Paper, Australia will strengthen national education systems and focus on getting more children into school, for longer and to achieve a better quality education.<sup>22</sup>
- 1.35 In addition, Australia will spend nearly \$1.4 billion over the next five years on a major Australian scholarships initiative which will double to 19,000 the number of education scholarships on offer in the Asia-Pacific region. This will include a new type of scholarship (Australian Leadership Awards) which will help future leaders of partner countries to develop and maintain links with Australia.<sup>23</sup>
- 1.36 The White Paper outlines an approach to increased health assistance which focuses on basic services for women and children and on tackling major diseases such as HIV/AIDS and malaria.<sup>24</sup>

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19 White Paper, pp. 16-17.

20 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031\\_8290\\_6026\\_2566\\_5173](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031_8290_6026_2566_5173)

21 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031\\_8290\\_6026\\_2566\\_5173](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031_8290_6026_2566_5173)

22 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031\\_8290\\_6026\\_2566\\_5173](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031_8290_6026_2566_5173)

23 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031\\_8290\\_6026\\_2566\\_5173](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031_8290_6026_2566_5173)

24 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031\\_8290\\_6026\\_2566\\_5173](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=5031_8290_6026_2566_5173)

- 1.37 To encourage better governance in the region, Australia will aim over time to allocate up to 10 per cent of the aid program in incentive funding for countries that demonstrate improved performance.<sup>25</sup>
- 1.38 Australia will pursue new partnerships in aid through the increased involvement of the broader Australian community including professional groups, local government, schools, business and other organisations.<sup>26</sup>
- 1.39 Australia will also untie its aid – removing restrictions to enhance competition and gain better value for money through new aid program contracts.<sup>27</sup>

## Pacific 2020

- 1.40 A summary of the Pacific 2020 report and its key findings is supplied in Appendix E. Although the AusAID website states that the report does not represent Australian aid policy, it is described as a ‘call for action’ and intended as a resource for governments of the region.<sup>28</sup>
- 1.41 Based on consultation with regional experts and practitioners, Pacific 2020 presents different Pacific economic growth scenarios to the year 2020, and offers policy guidance on managing challenges and realising opportunities in nine areas:
- four ‘growth factors’ – investment (or capital), labour, land and political governance, and
  - five ‘productive sectors’ – agriculture, fisheries, forestry, mining and petroleum, and tourism.

## Whole-of-government approach

- 1.42 In recent years, the Australian aid program has been characterised by a ‘whole-of-government approach’. Given that development issues have become increasingly interlinked with broader Australian and international policy priorities (such as regional security, economic integration, and the transboundary threats posed by HIV/AIDS and
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25 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=4696\\_2977\\_1016\\_710\\_2650](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=4696_2977_1016_710_2650)

26 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=4696\\_2977\\_1016\\_710\\_2650](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=4696_2977_1016_710_2650)

27 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=4696\\_2977\\_1016\\_710\\_2650](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=4696_2977_1016_710_2650)

28 AusAID website,  
[http://www.aisaid.gov.au/hottopics/topic.cfm?ID=4696\\_2977\\_1016\\_710\\_2650](http://www.aisaid.gov.au/hottopics/topic.cfm?ID=4696_2977_1016_710_2650)

other communicable diseases), it is generally recognised that other government departments and agencies have skills and capabilities that can complement and support AusAID's work.<sup>29</sup> Therefore a range of departments contribute to Australia's international aid efforts including the Attorney-General's Department and the Departments of Defence, Treasury and Finance and Administration, together with agencies including Customs, and the Australian Federal Police. Some of the activities of these departments and agencies will be mentioned in the body of this report. However, it is worth mentioning up-front two key initiatives which best illustrate Australia's inter-agency approach; RAMSI and ECP.

### Regional Assistance Mission to the Solomon Islands

- 1.43 RAMSI was deployed on 24 July 2003, with a mandate approved by the Solomon Islands National Parliament, to help the Solomon Islands Government restore law and order, strengthen government institutions, reduce corruption and re-invigorate the economy.<sup>30</sup>
- 1.44 Fifteen Pacific countries contribute personnel to the mission<sup>31</sup>, including police officers, military personnel and civilians, namely public service officers from the governments of contributing countries.<sup>32</sup>
- 1.45 Australia plays a lead role in RAMSI. Australians head the Office of the Special Coordinator – the mission's main coordinating body, RAMSI's Participating Police Force (PPF), and the Combined Task Force – RAMSI's military component. Australian civilian advisers are working in various government ministries and RAMSI supported projects. Over 100 police from the Australian Federal Police and state police forces are part of RAMSI's PPF, and military officers from the Australian Defence Force are deployed on a rotational basis as part of RAMSI's military component.<sup>33</sup>

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29 AusAID Annual Report 2005 - 2006, p. 10,  
<http://www.ausaid.gov.au/anrep/rep06/s1.html#ao02>

30 RAMSI website, <http://www.ramsi.org/node/5>

31 Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Tonga, Tuvalu, & Vanuatu.

32 RAMSI website, <http://www.ramsi.org/node/5>

33 RAMSI website, <http://www.ramsi.org/node/5>

- 1.46 RAMSI's first priority in July 2003 was to restore security and law and order, and stabilise finances.<sup>34</sup> The first phase was deemed largely successful with thousands of illegal weapons taken out of the community. Now, the focus is on longer term and more difficult matters: bettering the machinery of government; creating a more prosperous economy, and strengthening law and justice (rebuilding the Royal Solomons Island Police Force (RSIP), capacity-building in key justice agencies and the courts, and improving correctional facilities and services).<sup>35</sup>
- 1.47 Further details about how RAMSI operates, what it has achieved to-date and how it is evolving can be found on the RAMSI website.<sup>36</sup> The website also contains information on measuring the performance of the program, through community consultation processes as well as external review bodies.<sup>37</sup>

### Enhanced Cooperation Program

- 1.48 Australia and PNG agreed in December 2003 to an Enhanced Cooperation Program to help address PNG's development challenges in the areas of law and order, justice, economic management, public sector reform, border control and transport security and safety.<sup>38</sup>
- 1.49 A treaty to implement the Program – the Joint Agreement on Enhanced Cooperation – was signed on 30 June 2004 by Australia's Minister for Foreign Affairs, Alexander Downer, and PNG's then Minister for Foreign Affairs, Sir Rabbie Namaliu. The PNG Parliament passed enabling legislation on 27 July 2004.<sup>39</sup>
- 1.50 By the end of 2005 the ECP was to have deployed a total of 210 Australian police to work with PNG's police force and 64 officials to work in line and advisory positions in other key PNG agencies.<sup>40</sup>
- 1.51 Following the PNG Supreme Court decision of May 2005 ruling that aspects of the legal basis for the deployment were unconstitutional,

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34 RAMSI website, <http://www.ramsi.org/node/5>

35 RAMSI website, <http://www.ramsi.org/node/16#law>

36 RAMSI website, <http://www.ramsi.org/>

37 RAMSI website, <http://www.ramsi.org/node/14>

38 AusAID website, ECP, <http://www.dfat.gov.au/geo/png/ecp2004.html>

39 AusAID website, ECP, <http://www.dfat.gov.au/geo/png/ecp2004.html>

40 AusAID website, ECP, <http://www.dfat.gov.au/geo/png/ecp2004.html>

the Australian Department of Foreign Affairs led negotiations with PNG on revised arrangements to ensure the program's continuity.<sup>41</sup>

- 1.52 During the 2005-2006 year, 44 Australian Government officials worked in a variety of positions in PNG government agencies under ECP: 28 in economic and public sector administration agencies, seven in law and justice agencies (non-policing) and nine in border management and transport security agencies.<sup>42</sup>
- 1.53 In June 2006, Australia and PNG agreed that ten senior Australian police advisers would be deployed to PNG to assist in key roles related to police reform, organised crime, terrorism and corruption.<sup>43</sup>

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41 DFAT Annual Report 2005 - 2006, p. 71.

42 AusAID Annual Report 2005 - 2006, p. 34.

43 DFAT Annual Report 2005 - 2006, p. 71.





## Strengthening law and justice

- 2.1 The joint DFAT/AusAID submission refers to the importance of strengthening law and justice in the Pacific:

Effective law and justice systems promote human, national and regional security. Australian aid to law and justice in the Pacific supports the rule of law and helps to realise broader development goals. An effective justice sector promotes better livelihoods for the poor and provides necessary protection of economic and social as well as civil and political rights. It also protects against corruption and the arbitrary use of state power, while at the same time increasing international confidence and helping to attract foreign investment.<sup>1</sup>

### Operational environment

- 2.2 Law and justice challenges in the Pacific have detracted from the region's stability in recent years. In addition to the factors that led to the establishment of RAMSI in the Solomon Islands and ECP in PNG in 2003, there have been a series of events throughout the duration of this inquiry that, at the February 2007 hearing, DFAT referred to as 'a period of some difficulty.' These include:
- the coup in Fiji in December 2006 and subsequent allegations of human rights abuses by the military (the coup resulted in a suspension by Australia of elements of Australia's aid such as the Defence Cooperation Program);

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1 Submission No. 6, DFAT and AusAID, p. 3.

- riots in the business district of the capital of Tonga in November 2006 which led to a request for assistance from Australia and New Zealand to help stabilise the situation;
- the flight of Mr Julian Moti (the then suspended Solomon Islands Attorney-General) from PNG to Solomon Islands, assisted by the PNG Defence Force at a time when Australia had made a request to PNG for Mr Moti's extradition to Australia;
- riots in Honiara in April 2006 that destroyed Chinese businesses, and the Solomon Island Government's action banning the Police Commissioner, an Australian, from re-entering the country; and
- concerns by Australia about the wishes of the Solomon Islands Government to re-arm part of its police force, given the role that the police played before 2003 in the problems in the Solomon Islands.<sup>2</sup>

2.3 Subsequent to the February hearing, other events have transpired: the NZ High Commissioner was expelled from Fiji<sup>3</sup>, Mr Moti was reinstated as the Solomon Islands' Attorney-General overriding his suspension by the Solomon Islands' Public Service Commission,<sup>4</sup> and national elections in PNG have been held, which 'have gone better than the previous, chaotic election in 2002'<sup>5</sup>, but nonetheless been marked by a high security presence, especially in the Highland provinces,<sup>6</sup> and concerns about vote rigging.<sup>7</sup>

2.4 Despite the multifarious challenges in parts of the region, DFAT told the Committee that the Pacific was very much 'a mixed picture' and there was 'a positive side of the ledger', particularly with respect to the RAMSI intervention which has broad support:

There is peace in the Solomon Islands at the moment, which contrasts with the situation in 2003. I do not think it is an exaggeration to say that there are people in the Solomon Islands now who would have been dead if RAMSI had not intervened in 2003. We have had strong support for RAMSI from the Pacific Islands Forum meeting in October 2006.<sup>8</sup>

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2 Transcript, 9 February 2007, DFAT, p. 4.

3 <http://www.beehive.govt.nz/ViewDocument.aspx?DocumentID=29732>

4 <http://tvnz.co.nz/view/page/423466/1094508>

5 The Economist, *Left behind by Asia's rise*, 19 July 2007,

[http://www.economist.com/world/asia/displaystory.cfm?story\\_id=9514363](http://www.economist.com/world/asia/displaystory.cfm?story_id=9514363)

6 <http://abc.net.au/news/stories/2007/06/28/1964245.htm>

7 <http://www.radioaustralia.net.au/news/stories/s1969898.htm>

8 Transcript, 9 February 2007, DFAT, p. 4.

- 2.5 DFAT also emphasised that opinion polls conducted in the Solomon Islands indicated that the RAMSI presence was ‘deeply appreciated’ by the Solomon Islanders.<sup>9</sup>
- 2.6 DFAT stressed to the Committee that governance was a long-term effort that involved setbacks and difficulties but required persistence:
- It is an effort that will take time ... you do not say “it’s too hard and walk away.”<sup>10</sup>
- 2.7 The Australian Government devotes considerable resources to the long-term strengthening of law and justice in the Pacific via a ‘whole-of-government’ approach (outlined in Chapter 1).

## Department of Foreign Affairs and Trade

### Inter-agency coordination

- 2.8 At the hearing, the Committee asked DFAT to characterise its management of Australia’s whole-of-government response, and to comment on the extent to which Australia’s response may occur in ‘silos’. DFAT described the cooperation that exists between departments and agencies:

DFAT chairs committees on both RAMSI and ECP in PNG which meet weekly, and they consider all the issues that are currently before RAMSI, from the day to day issues of visas and the like, to the broad strategic issues of what threats is RAMSI under, how are we going to deal with it. That takes a great deal of time and effort, but I have to say that the cooperation of all other departments – and there is a broad range of departments involved in both RAMSI and ECP – is outstanding. I really do not think there is a great problem with whole-of-government coordination. I am confident, from where I sit, that the silos do not exist independently and work independently of each other. We certainly, in DFAT, spend a great deal of time and effort in making sure that that is not the case. In addition to the weekly processes, we would call ad hoc

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9 Transcript, 9 February 2007, DFAT, p. 18.

10 Transcript, 9 February 2007, DFAT, p. 4.

interdepartmental groups together on big issues, small issues, whatever, almost on a weekly basis I would think.<sup>11</sup>

- 2.9 From its perspective, the Attorney-General's Department (AGD) said that regional assistance on law and justice is most effective when the work of AusAID, the AFP and AGD is integrated.<sup>12</sup>

## **Attorney General's Department**

- 2.10 The AGD submission sets out the activities undertaken by the Department to address some of the important challenges in the region's law and justice sectors. One portfolio agency, the AFP, made a separate submission (see below), however other contributing agencies provided information to AGD to include in its submission. These agencies include the National Judicial College of Australia, the Federal Court of Australia, the Federal Magistrates Court, the Australian Transaction and Analysis Centre (AUSTRAC), the Australian Customs Service and the Commonwealth Director of Public Prosecutions.<sup>13</sup> AGD later tabled a supplementary submission with updates to its original submission.<sup>14</sup>

- 2.11 As AGD's submissions indicate, the Department's engagement in the Pacific is extensive. The assistance provided by the AGD portfolio contributes directly to the second key focus area identified by the White Paper, namely fostering functioning and effective states. At the hearing the Department canvassed the breadth of its activities:

- the Anti-Money Laundering Assistance Team provides training and advice to Pacific Island countries on how to establish systems to combat money laundering and terrorist financing (through regional workshops followed by in-country mentoring);
- the National Judicial College of Australia runs courses on judgement writing, sentencing and court craft;
- the Pacific Legal Knowledge Program delivers legislative drafting training (there is a shortage of drafters in the Pacific and AGD also helps fill that gap);

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11 Transcript, 9 February 2007, DFAT, pp. 4 -5

12 Transcript, 9 February 2007, AGD, p. 29

13 All of these agencies have their own websites with information about their functions and activities.

14 See Supplementary Submission No. 33, AGD.

- staff are provided to work in-line in law and justice agencies in the region. Australian prosecutors, legal policy advisors and customs officers work in PNG under the ECP, undertaking key functions themselves whilst helping to build the capacity of their work colleagues and the institutions in which they work. Australian customs officers undertake similar work in the Solomon Islands. There is also a twinning program whereby PNG and Solomon Islands customs officers are given the opportunity to work in-line in Australia;
- a legal library twinning program operates in Samoa and Tonga whereby the AGD library offers computer-based legal research training for legal professionals in those countries;
- Pacific Island states are involved in regional counter-terrorism exercises;
- database support is provided to Financial Intelligence Units in Fiji, the Cook Islands, Tonga, Vanuatu, Palau, Samoa and Solomon Islands; and
- assisting in developing the Australian Government's new Anti-Corruption for Development strategy.<sup>15</sup>

2.12 In discussions with the Committee, the Samoan High Commissioner to Australia, HE Dr Eteuati remarked that Australian aid had made a huge contribution to Samoa in respect of justice and law. For example, Australia was building the country's police headquarters and providing a major training program for police. Also, the country's customs service had been revamped with assistance from Australia and that had been 'an outstanding success.'<sup>16</sup>

## Domestic politics and sensitivities

2.13 At the hearing the Department stated that despite some political turmoil or flux in places like Fiji and the Solomon Islands, its work with financial intelligence units in both countries had continued to operate normally.<sup>17</sup> AGD highlighted the importance of maintaining continuity at the program level:

Our aim is to be able to influence particular sectors or sections of administrations or people within those administrations and hope that these things can take hold and continue to operate...despite

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15 Transcript, 9 February 2007, pp. 29-30.

16 Transcript, 27 November 2006, Samoan High Commissioner to Australia, p. 29.

17 Transcript, 9 February 2007, p. 31.

some of the problems that have occurred, including in the bilateral relationship, obviously.<sup>18</sup>

- 2.14 At the hearing the Committee asked AGD if it would comment further on the impact that domestic challenges in some of Australia's Pacific partner countries have on Australia's ability to deliver aspects of its aid program.<sup>19</sup>
- 2.15 AGD told the Committee that the impact depended on the particular program or aspect of aid delivery and its proximity to political events. For instance when part of the ECP program was deemed to be unconstitutional by PNG there were issues regarding whether AGD's prosecutors and correctional officers would continue to work in-line. Those issues were subsequently reconciled.<sup>20</sup>
- 2.16 The Committee commented that much of AGD's work – be it on police powers, counter- terrorism or anti-corruption – must have elements of domestic sensitivity and enquired how the Department approached that particular aspect of engagement.
- 2.17 AGD explained that its approach was consultative and based on international best practice, the UN and other international fora. The Department noted that it had worked closely with the Pacific Island Forum on the implementation of the Nasonini and Honiara Declarations (on counter-terrorism and transnational crime measures), both of which were based on existing international conventions or approaches to these issues.<sup>21</sup>

## Child abduction

- 2.18 In AGD's submission mention was made of an AusAID-funded project devised by AGD's International Family Law section to develop procedures in PNG for dealing with parental child abduction.<sup>22</sup>
- 2.19 At the hearing, the Committee was curious to learn to what extent parental child abduction was a significant issue in PNG.<sup>23</sup>
- 2.20 AGD replied that while the occurrence of child abduction in the Pacific was not on a par with countries like Australia and NZ, there had been some cases in Tonga and there were previously few procedures in place to

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18 Transcript, 9 February 2007, AGD, p. 31.

19 Transcript, 9 February 2007, p. 31.

20 Transcript, 9 February 2007, AGD, p. 31.

21 Transcript, 9 February 2007, AGD, p. 31.

22 Submission No. 15, AGD, p. 6.

23 Transcript, 9 February 2007, AGD, p. 32.

deal with these kinds of situations. Further, it was important to have systems in place before they happened. Moreover, it was part of a broader encouragement of Pacific partners to adopt the appropriate Hague conventions and develop family law.<sup>24</sup>

## Legal training in Australia

- 2.21 The Committee advised AGD that it had taken some anecdotal evidence that educational and professional links between Australia and the Pacific had declined in recent years. In this context, the Committee wished to learn what the statistics were for Pacific Islanders receiving legal training in Australia.<sup>25</sup>
- 2.22 Later AGD supplied data demonstrating that between 2002-2006 the number of Pacific students commencing legal studies in an Australian institution each year had been steady. The number of students enrolled in an Australian law school has fluctuated between 49 and 35 during that five year period.<sup>26</sup>

## Civil society

- 2.23 The Committee told AGD that it had discussed with DFAT and others the level of civil society development and engagement that Australia has in the region. Reiterating the importance of making connections beyond government-to-government ones, the Committee asked what emphasis AGD placed on these aspects of Australian aid.<sup>27</sup>
- 2.24 AGD responded that much of its work had an impact on civil society. In addition to that already mentioned, work in emergency management and disaster prevention was strengthening civil society capacity and this was an area of operation likely to grow.<sup>28</sup> AGD later supplied information on consultation processes that the Department had had with the wider community in the Pacific, including outreach programmes in Customs in Samoa and PNG, and engaging with law societies and NGOs in the community sector in Tonga and Fiji on diagnostics projects, run under the auspices of the Federal Court of Australia.<sup>29</sup>

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24 Transcript, 9 February 2007, AGD, pp. 32-33.

25 Transcript, 9 February 2007, p. 36.

26 Supplementary Submission No. 34, AGD, p. 3.

27 Transcript, 9 February 2007, p. 36.

28 Transcript, 9 February 2007, AGD, p. 37.

29 Supplementary Submission No. 34, AGD. The diagnostic projects are described in the Federal Court of Australia's Annual Report 2005-2006, p. 54.



## Australian Federal Police

2.25 At the hearing the AFP observed that the challenges of capacity building in the Pacific had ‘continued if not increased significantly’ in the time since the AFP had written its submission to the inquiry.<sup>30</sup> There were also a number of updates:

- a further 25 police officers had graduated from the Solomon Islands Police Force Academy, and another 30 were currently being trained;
- the promotion of three Solomon Islander executives who had completed the leadership program constructed by the AFP in partnership with the Australian Institute of Police Management;
- 300 graduates had completed driver training in the Solomons – important given the high incidence of road accidents in the country including those committed by police officers; and
- a new multi-agency centre had been opened – which includes a fire station at Noro in the Western province – increasing the capacity to fight crime and fires outside of Honiara.<sup>31</sup>

2.26 The AFP also reported that following the riots in Tonga last year, a joint scoping mission between the AFP and NZ Police, supported by AusAID and NZAid and DFAT would be sent to Tonga to ascertain what further assistance might be offered to the Tongan Police Force to boost their capacity. In the meantime, three AFP officers remained on the ground in advisory roles to help on a broad range of policing matters.<sup>32</sup>

## International Deployment Group

2.27 The International Deployment Group (IDG) was established in February 2004 to manage the deployment of Australian and Pacific Island police overseas. The purpose of the IDG is to contribute to regional stability and security on behalf of the Australian Government by:

- contributing to offshore law enforcement initiatives; and

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30 Submission No. 16, AFP.

31 Transcript, 9 February 2007, AFP, p. 40.

32 Transcript, 9 February 2007, AFP, p. 40.

- participating in capacity development programs within the Law and Justice Sector.<sup>33</sup>
- 2.28 In the Pacific, the IDG currently has members from both the AFP and state jurisdictions (appointed as special members of the AFP for the duration of their IDG service) deployed to the Solomon Islands, Tonga and Vanuatu.<sup>34</sup>
- 2.29 On 25 August 2006, the Australian Government announced its intention to substantially increase the IDG by 400 personnel to a total of 1200 at a cost of some \$493 million over the next five years. This will be the largest single increase in AFP staff since the force was established in 1979.<sup>35</sup>
- 2.30 At the hearing the AFP reported that the increase in resources had facilitated an expansion in capability, including a greater focus on human rights training, coaching and mentoring:

Our training curriculum has now extended from 15 to 35 days, with a much larger emphasis on cultural sensitivity and human rights training... From being invited to be an intervention force, our officers can quickly find themselves in the role of coach and mentor and our training curriculum now reflects that requirement.<sup>36</sup>

## Inter-operability with the ADF

- 2.31 At the hearing, the Committee asked the AFP to describe how it worked with the ADF on peacemaking and peacekeeping missions in the region. The AFP replied that over the last couple of years the relationship had evolved considerably owing to the requirement to respond to situations together or with one being led by the other. The AFP added:

We have a number of initiatives – joint exercises and the exchange of our officers within our two departments – now, so we are responding to what the environment is telling us is likely to be for the future. Our two agencies are much more compatible in our operational capabilities.<sup>37</sup>

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33 AFP website, <http://www.afp.gov.au/international/IDG.html>

34 AFP website, <http://www.afp.gov.au/international/IDG.html>

35 AFP media release, [http://www.afp.gov.au/media\\_releases/national/2006/a\\_stronger\\_afp\\_responding\\_to\\_regional\\_challenges.html](http://www.afp.gov.au/media_releases/national/2006/a_stronger_afp_responding_to_regional_challenges.html)

36 Transcript, 9 February 2007, AFP, p. 40.

37 Transcript, 9 February 2007, AFP, p. 42.

## Operational Response Group

- 2.32 The extra resources allocated to enhance the AFP's capacity to respond to international crises allow for the establishment of a 200-strong Operational Response Group (ORG), ready to respond at short notice to emerging international law and order issues and stabilisation operations.<sup>38</sup>

## Update

- 2.33 The Committee requested an update on the status of the ORG at the hearing. The AFP reported that building the capacity of the ORG was a priority and that infrastructure surrounding it was well underway. Recruitment had commenced in early 2007 and was progressing. As of 5 March 2007, the ORG had 40 members, including the Commander and Executive Assistant.<sup>39</sup> The AFP now has a dedicated section on its website about the various components of the ORG.<sup>40</sup>

## Role

- 2.34 At the hearing the AFP elaborated on the ORG's specific focus:
- It is about our offshore deployment, tactical capabilities in [complex, extended] missions [such as East Timor], [providing] security for our people who serve in those missions and the heightened level of capability required to provide that.<sup>41</sup>
- 2.35 The AFP emphasised that it only responded on invitation from the host country and of course, at the direction of the Australian Government.<sup>42</sup>

## Policing in the Pacific documentary

- 2.36 In early 2007 SBS television broadcast a four-part documentary series called Policing in the Pacific. The series provides a first-hand account of the experience of Australian police working in operations overseas. The first episode about the RAMSI intervention in the Solomon Islands covered the prevalence of rape and child abuse and how these sorts of crimes are seldom formally reported.

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38 AFP website, <http://www.afp.gov.au/international/IDG.html>

39 Supplementary Submission No. 29, AFP, p. 1.

40 AFP website, Operational Response Group, [http://www.afp.gov.au/international/IDG/operational\\_response\\_group.html](http://www.afp.gov.au/international/IDG/operational_response_group.html)

41 Transcript, 9 February 2007, AFP, p. 43.

42 Transcript, 9 February 2007, AFP, p. 44.

- 2.37 A recent UNICEF report noted a high level of sexual violence against children from five Pacific countries in which it conducted studies (Fiji, Kiribati, PNG, Solomon Islands and Vanuatu).<sup>43</sup>
- 2.38 Oxfam's submission suggested that the skills of women police should be developed further to help investigate cases of violence against women.<sup>44</sup>
- 2.39 At the hearing the Committee asked the AFP to elaborate on its role in partnership with local police to try and combat these terrible crimes.<sup>45</sup>
- 2.40 The AFP noted that an unwillingness to give evidence in such crimes remained a significant problem in the region. However, as the series showed, it was working hard on building trust again between locals and police in communities where previously there had been little. One of the AFP's approaches was to assign an AFP officer to a Royal Papua New Guinean policewoman and have them travel from village to village in the Solomon Islands to talk with people on the ground about how these kinds of crimes are unacceptable and how and why they should be reported:
- ...obviously the choice of having a senior Royal Papua New Guinean woman and an Australian officer working together was not coincidental. It really is about outreaching ... and reaching out into the communities in the provincial areas ...<sup>46</sup>

### Human rights training

- 2.41 In October 2006, Human Rights Watch issued a follow-up report to its earlier reports in 2004 and 2005 about police violence against children in PNG, stating that problems remain despite recent juvenile justice reform efforts. According to the report children and others in police custody are often raped and tortured.<sup>47</sup>
- 2.42 The Committee asked the AFP what role Australia could play to help combat these human rights abuses.<sup>48</sup>
- 2.43 The Assistant Commissioner told the Committee that:

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43 See UNICEF website for details, <http://www.unicef.org.au/mediaCentre-Detail.asp?ReleaseID=714>

44 Submission No. 8, Oxfam, p. 1.

45 Transcript, February 2007, p. 44.

46 Transcript, 9 February 2007, AFP, p. 44.

47 Human Rights Watch Report, *Still Making Their Own Rules: Ongoing Impunity for Police Beatings, Rape and Torture in PNG*, October 2006, <http://hrw.org/reports/2006/png1006/>

48 Transcript, 9 February 2007, p. 44.

Obviously wherever we are present, we would [try to] ensure that did not occur.<sup>49</sup>

2.44 The AFP said it had been developing a human rights training program specifically to raise the level of awareness of human rights issues with police counterparts around the region.<sup>50</sup>

2.45 Considerable thought and effort has gone into creating a program which is practical, flexible and effective:

Clearly, putting a manual before someone in the training room is not going to be the answer to the problem ... It is about trying to make our delivery relevant to that [particular] country and that culture...there is a considerable degree of flexibility ... We have found it to be more effective when you engage with NGOs, the national women's group and consultative council in the Solomons, for example.<sup>51</sup>

2.46 At the Sydney hearing, the Director of the Asia Pacific Forum of National Human Rights Institutions observed that he had been impressed with the ability of the AFP to operate on the ground in the Solomon Islands.<sup>52</sup>

## Status of the Enhanced Cooperation Program

2.47 According to the DFAT website:

A possible revised package of policing assistance to support reform and improve the effectiveness of the Royal PNG Constabulary is under consideration.<sup>53</sup>

2.48 At the hearing the Committee was interested to learn whether there had been any progress in reinstating the ECP in PNG.

2.49 The Committee was advised by the Assistant Commissioner that the matter is the subject of 'ongoing government-to-government discussions.'<sup>54</sup>

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49 Transcript, 9 February 2007, AFP, p. 44.

50 Transcript, 9 February 2007, AFP, p. 44.

51 Transcript, 9 February 2007, AFP, p. 44.

52 Transcript, 9 February 2007, APFNHRI, p. 54.

53 DFAT website, Enhanced Cooperation Program, <http://www.dfat.gov.au/geo/png/ecp2004.html>

54 Transcript, 9 February 2007, AFP, p. 45.

## Criticisms of RAMSI

2.50 In the course of the inquiry, some criticisms of RAMSI were brought to the Committee's attention. ACPACS suggested that the RAMSI intervention is characterised by a donor-recipient mentality rather than being a true partnership, and that Australia needs to be more 'cognisant of Melanesian values.'<sup>55</sup> Dr Brown said:

It is about talking with people ...<sup>56</sup>

2.51 Oxfam expressed similar sentiments, concerned that the Solomon Islands bureaucracy was being marginalised rather than strengthened by a reporting structure where Australian advisors are put in line positions and required to report back to an Australian bureaucracy rather than the Solomon Islands Government.<sup>57</sup>

2.52 The Committee noted that the terms of the RAMSI intervention were agreed to by the Solomon Islands Government and this approach was perhaps an alternative to previous approaches in the Solomon Islands that had not worked.<sup>58</sup> That said, the Committee wished to learn more about the review processes in train and the extent to which they were genuinely consultative.

## Reviews

2.53 DFAT informed the Committee that it welcomed the two review processes set up by the Pacific Islands Forum: the forum troika scheduled to meet on 12 February 2007 to discuss current issues, and a review with terms of reference [at that time] yet to be agreed to by the Solomon Islands. DFAT stated that:

We think that there is every benefit for RAMSI to be reviewed – RAMSI has got a good story to tell – and for the broader forum membership to be aware of the issues that RAMSI is currently working on.<sup>59</sup>

2.54 As of 22 June 2007 the Pacific Islands Forum Task Force set up to review RAMSI had completed its second phase of consultations. In a press release, the Task Force co-leaders commented on the level of interest of and contributions by stakeholders:

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55 Transcript, 26 October 2006, Dr Brown, ACPACS, p. 5.

56 Transcript, 26 October 2006, Dr Brown, ACPACS, p. 5.

57 Transcript, 2 May 2007, Oxfam, p. 23.

58 Transcript, 2 May 2007, p. 23.

59 Transcript, 9 February 2007, DFAT, p. 8.

Without prejudicing our report, it is no secret that there is overwhelming support for RAMSI to remain in Solomon Islands as it still has important work to do in the country. We will be considering a number of suggestions put to us as to how RAMSI and the Solomon Islands Government can further enhance their effectiveness as partners working together in such areas as law and order, justice, the economy and capacity building.<sup>60</sup>

2.55 Subsequent to the feedback, Pacific representation has been boosted:

We are encouraged by the goodwill shown recently through such actions as appointing a Solomon Islands Government Special Envoy to RAMSI, the demarcation between the development component of RAMSI and AusAID-funded projects and the appointment of the Pacific Island Forum's Representative to Solomon Islands.<sup>61</sup>

## Department of Defence

2.56 In 1973 the Department of Defence established a Defence Cooperation Program with Fiji. The program has since expanded to include 12 countries in the region. Its mandate is to develop security related capabilities:

Working with regional security forces and their defence organisations to build their capacity to contribute to their own national security and also to regional stability and security.<sup>62</sup>

2.57 In the last ten years, Defence's budget in the Pacific region has fluctuated between \$30-50 million per annum, with the majority of funds being directed towards PNG, by some margin. In 2006-2007 Defence will spend

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60 Media release, *Forum RAMSI Review Task Force Pleased with Consultations*, 22 June 2007, PIF website, <http://forumsec.org/pages.cfm/newsroom/press-statements/2007/forum-ramsi-review-tas>

61 Media release, *Forum RAMSI Review Task Force Pleased with Consultations*, 22 June 2007, PIF website, <http://forumsec.org/pages.cfm/newsroom/press-statements/2007/forum-ramsi-review-tas>

62 Transcript, 9 February 2007, Defence, p. 19.

\$46 million. Sixty-six ADF personnel are based in the Pacific and 148 Pacific region defence force members are being trained in Australia.<sup>63</sup>

## Patrol Boat Program

2.58 According to Defence, the Patrol Boat Program (PBP), which has delivered 22 boats to surrounding nations, is the centrepiece of activities in the Pacific. The primary focus is helping Pacific nations to monitor their exclusive economic zones and counter illegal fishing, and increasingly the capacity to combat transnational crime. The boats are also used for national tasks such as search and rescue operations, disaster relief, quarantine and policing tasks, and collecting ballot boxes during election periods.<sup>64</sup> Through life support arrangements include: crew training; in-country Royal Australian Navy (RAN) maritime surveillance advisors and technical advisors; continuing maintenance support; and in some cases, subsidies for the PBP's operating costs.<sup>65</sup>

## Other assistance

2.59 There are other means by which Defence builds capacity with regional defence forces including conducting extensive training programs in technical, military and governance skills, holding bilateral (with PNG) and also multilateral exercises. In addition, there is a strong focus on small arms security.<sup>66</sup> See Chapter 6 for further detail on the way that Defence fosters professional linkages, and seeks to control small arms in the region.

2.60 At the hearing, Defence pointed to some recent 'success stories', including:

- downsizing the PNG Defence Force from 3, 300 to a more sustainable level of 2, 000 personnel; and
- helping the PNG Defence organisation to produce its first annual report in 15 years as well as a 5-year Corporate Plan.<sup>67</sup>

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63 Transcript, 9 February 2007, Defence, p. 20.

64 Transcript, 9 February 2007, Defence, p. 19 and Supplementary Submission no. 30, Defence p. 4.

65 Supplementary Submission No. 30, Defence, p. 4.

66 Transcript, 9 February 2007, Defence, p. 19.

67 Transcript, 9 February 2007, Defence, p. 20.



## Aid effectiveness

- 2.61 The Committee wished to learn how Defence measures the effectiveness of its engagement and contributions. The Department said that Defence activities are by their nature fairly measurable:

When we conduct training programs, for example, members either pass or fail the skills that we are trying to impart ... We have [in-country] maritime advisors that ensure that boat patrols take place and that the target – about 50 patrols per year – is achieved ... the advisors [also] ensure that the vessels continue to be maintained and remain seaworthy.<sup>68</sup>

## Illegal fishing

- 2.62 The Committee asked Defence to expand on the extent to which the PBP capability was sufficient to combat the illegal fishing problem in the Pacific.<sup>69</sup>

- 2.63 Defence responded that:

The PBP represents a considerable capability and deterrent to illegal and predatory fishing practices, but [the boats] should not be considered a total solution.<sup>70</sup>

- 2.64 Defence said that while ‘many Pacific nations are achieving very good results’ there remain significant impediments to doing better. For instance, each patrol boat had to cover vast areas – nearly 1 million square kilometres per vessel. Also, while aerial maritime surveillance can cover greater area than surface vessels, most Pacific countries do not have their own aerial surveillance capability and have to rely on support from military aircraft from Australia, NZ and France.<sup>71</sup>

- 2.65 Defence outlined its efforts to improve the program’s effectiveness in these regards:

- encouraging Fisheries Forum Agency members to sign Niue Treaty Subsidiary Agreements to allow their vessels to patrol within each others exclusive economic zones and, if necessary, apprehend illegal fishing vessels; and

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68 Transcript, 9 February 2007, Defence, p. 21.

69 Transcript, 9 February 2007, p. 27.

70 Supplementary Submission No. 30, Defence, p. 4.

71 Supplementary Submission no. 30, Defence, p. 4.

- posting a RAN officer to the Pacific Islands Forum Fisheries Agency, whose role includes coordinating aerial support to regional operations.<sup>72</sup>

## Regional cooperation

2.66 At the hearing Defence outlined the goodwill that exists between national defence organisations in the Pacific region. Defence said that, despite challenges with RAMSI:

The fact that we were able to work with regional countries to bring together a regional force to assist our neighbours says a lot about the training that we have done over the period with the military forces.<sup>73</sup>

2.67 Defence acknowledged the contributions of the PNGDF to the RAMSI mission:

The discipline and the professionalism that they have displayed has been terrific.<sup>74</sup>

2.68 Defence indicated that it had a good working relationship with both the NZ Defence Force and the Tongan Defence Force when troops were deployed to stabilise the situation in Nuku'alofa.<sup>75</sup>

2.69 The Department expanded on the extent of cooperation with New Zealand - Australia's 'first port of call' in the region:

In our recent deployments with RAMSI we teamed with NZ as lead and deputy lead of the military component of the mission. In Tonga we teamed together again ... but switched the lead.

2.70 Defence went on to explain that NZ officers are integrated into Australia's joint operations command, where the military operations are planned, there are numerous working groups that meet throughout the year and

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72 Supplementary Submission No. 30, Defence, p. 5.

73 Transcript, 9 February 2007, Defence, p. 20.

74 Transcript, 9 February 2007, Defence, p. 20.

75 Transcript, 9 February 2007, Defence, p. 20.

the respective defence attaché staff in the countries in the Pacific also have close working relationships.<sup>76</sup>

- 2.71 Defence also noted the degree of cooperation that Australia has with France and the United States in respect of the Pacific.<sup>77</sup>

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76 Transcript, 9 February 2007, Defence, p. 22.

77 Transcript, 9 February 2007, Defence, p. 22.



## Improving economic management and public accountability institutions

### **Pacific Island economies and aid dependency**

- 3.1 The Pacific 2020 report characterises the performance of Pacific Island economies in the following way:

The region has experienced low or negative growth in income per person. In the period 1990-2004, four of the five Micronesian countries had negative growth and, of the Melanesian countries, only Fiji achieved an average growth of more than 1 per cent a year. In general, the Polynesian countries have done better, but only when compared with the rest of the region. Their growth is well below the average for developing countries.<sup>1</sup>

- 3.2 In their joint written submission and oral evidence to the Committee, DFAT and AusAID endorsed this assessment, stating that economic growth in the Pacific at around 2-3% is much lower than the average for developing countries globally which is around 6-7%.<sup>2</sup>
- 3.3 The average income per person in the Pacific varies widely, from US \$700 or less in poorer countries like PNG and the Solomons to US \$

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1 Pacific 2020 report, p. 1.

2 Transcript, 9 February 2007, AusAID, p. 3.

6000 or more in countries like the Cook Islands. Most Pacific nations however, including Fiji, Tonga and Samoa, lie in the range of US \$1300-3500.<sup>3</sup>

- 3.4 At a public hearing, AusAID summarised the reasons why growth is so low: weak private sector investment due to high business costs; the need to build human capital and improve economic infrastructure; the need to address land tenure reform; and the need to improve the quality of governance.<sup>4</sup>
- 3.5 AusAID also noted that political instability in some countries in the region and, in particular, events last year (namely the riots in Honiara and Tonga and military coup in Fiji) had set back development prospects in those countries.<sup>5</sup> An estimated 80% of the main business district was destroyed in Tonga's capital, Nuku'alofa in November,<sup>6</sup> and the coup in Fiji in December resulted in a decline in tourist numbers.<sup>7</sup>
- 3.6 The economies of Pacific countries are more susceptible to fluctuations in market conditions than larger more developed countries. For instance, while PNG has benefited from high commodity prices in the mineral resource [and oil sectors], if these prices were to fall, growth rates would also fall.<sup>8</sup> And, Fiji's sugar, textile, clothing and footwear industries have been affected by eroding trade preferences and increased global competition.<sup>9</sup>
- 3.7 There are numerous infrastructure constraints to growth, especially in countries like PNG, with poor transport networks separating many rural and remote areas from urban markets.<sup>10</sup>
- 3.8 The region is also vulnerable to natural disasters which can have devastating impacts on small countries and small economies.<sup>11</sup> For example, in April this year a strong tsunami struck Gizo (the second

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3 Pacific 2020 report, Chapter 2, *Pacific Growth*, p. 17.

4 Pacific 2020 report, p. 3.

5 Transcript, 9 February 2007, AusAID, p. 3.

6 *Troops begin arriving in war-torn Tonga*, ABC News, 18 November 2006, <http://www.abc.net.au/news/newsitems/200611/s1791853.htm>

7 *Coup hurts Fiji's tourism industry*, ABC News, 11 December 2006, <http://www.abc.net.au/news/newsitems/200612/s1808361.htm>

8 Transcript, 9 February 2007, AusAID, p. 9.

9 AusAID website, <http://www.ausaid.gov.au/country/country.cfm?CountryId=15>

10 Australia's Overseas Aid Program 2007-2008, Budget Statement by Minister Downer, 8 May 2007, p. 1.

11 Transcript, 9 February 2007, AusAID, p. 9.

largest town in the Solomon Islands and one of the world's best tourist diving spots), killing 24 people and leaving more than 5,000 homeless.<sup>12</sup>

- 3.9 The demography of the Pacific compounds the economic challenges with young, rapidly growing [and underemployed] populations placing additional strains on publicly funded services such as education and health.<sup>13</sup>
- 3.10 Infectious diseases are another significant challenge. HIV/AIDS is of particular concern in PNG. These health issues place further burdens on fragile economies and struggling public services.<sup>14</sup> See Chapter 4 for more detail.
- 3.11 Corruption is a serious concern in some countries in the region and has a corrosive and undermining impact on economic development.<sup>15</sup> See Chapter 5 for more on the adverse effects of corruption, and ways that the Australian aid program is seeking to mitigate these.
- 3.12 At the hearing, AusAID said that economic growth was a mixed picture, and stressed that there had been solid growth performance in some countries in recent years, namely in the Solomons, Vanuatu and Samoa.<sup>16</sup>
- 3.13 For instance, AusAID noted that since the arrival of RAMSI in 2003, annual real GDP growth in the Solomons has averaged around four and a half percent, reversing the trend of the previous four years where GDP declined by an average of 6 per cent.<sup>17</sup> However, that may well be due to large amounts of donor aid pouring into the country to support RAMSI's work. That said, the reforms themselves are also creating wealth, for instance:

... fisheries revenue [has] increased over the period of RAMSI's deployment...from something like \$S14 million to

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12 *Australia offers to boost tsunami aid*, ABC News, 3 April 2007,

<http://www.abc.net.au/news/newsitems/200704/s1888880.htm>

13 *Australia's Overseas Aid Program 2007-2008*, Budget Statement by Minister Downer, 8 May 2007, p. 1.

14 *Australia's Overseas Aid Program 2007-2008*, Budget Statement by Minister Downer, 8 May 2007, p. 1.

15 *Australia's Overseas Aid Program 2007-2008*, Budget Statement by Minister Downer, 8 May 2007, p. 1.

16 Transcript, 9 February 2007, AusAID, p. 3.

17 Submission No. 6, DFAT and AusAID p. 5.

\$S30 million and work in customs is yielding corresponding results.<sup>18</sup>

- 3.14 Vanuatu's economy has similarly been boosted in recent years by large amounts of aid from the US Government.<sup>19</sup>
- 3.15 The Pacific 2020 report analyses the relative success of the three Pacific Island countries that have enjoyed the best growth rates in the last 15 years or so: Cook Islands, Samoa and Tuvalu. Contributing factors there include good governance and the effective use of economic opportunities – mainly aid, but also migration (resulting in remittances) and tourism. The Cook Islands and Samoa have long had good access to the New Zealand labour market. Further, Samoa has enjoyed political stability since the 1980s and has experienced the most diversified economic growth, in construction, manufacturing, agriculture, tourism and increased access fees for fishing.<sup>20</sup>
- 3.16 Dependency on foreign aid is likely to continue in the Pacific region for some time. Most submissions and witnesses who appeared before the Committee spoke of the need to place a greater priority on stimulating economic development in order to reduce this dependency.
- 3.17 This is important not least because, as one former Pacific diplomat, Mr Delaney, told the Committee, 'aid is not the panacea to [all] development problems:'

The attitude is: 'Unless the money comes in, this thing is not going to happen.' I hear this from time to time in my conversations with colleagues. Unfortunately, the more you announce that you are putting in an extra \$400 million here and another \$800 million there, its starts to distort the view of the recipients that: 'This is something that we can leave to Australian, Japanese or Chinese aid.'<sup>21</sup>

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18 Transcript, 9 February 2007, DFAT, p. 5.

19 The United States Government has allocated Vanuatu US \$65 million over five years from the performance-based Millennium Challenge Account rewarding the country for its commitment to reform. Source: White Paper, <http://www.ausaid.gov.au/publications/whitepaper/s4.htm>

20 Pacific 2020, Chapter 2, *Pacific Growth*, p. 21.

21 Transcript, 26 October 2006, Mr Delaney, pp. 18-19.



## Economic development

3.18 The White Paper states that generating broadly spread and sustainable economic growth is the single most important objective for the region over the next ten years. To this end, the Australian aid program will focus on:

- improving the policy environment for growth;
- promoting trade;
- the drivers of growth, i.e. infrastructure development, building skilled workforces (central to this is the establishment of an Australia-Pacific Technical College), and supporting private sector-led rural development; and
- addressing environmental challenges to sustained growth, including rising sea levels, pollution to fresh water sources and inshore fisheries, degradation of coral reefs, loss of forests and severe weather events.<sup>22</sup>

## Public administration and public sector investment

3.19 There is no doubt that:

... the environment that government policy creates across the region is probably the most significant [factor] in decisions on investment activity.<sup>23</sup>

3.20 Similarly, public sector investment is critical if well directed (to fill infrastructure gaps for example).<sup>24</sup>

3.21 However, it is private sector investment that will drive economic growth in the Pacific island countries:

Growth has to be driven by the private sector. [While] governments need to address the binding constraints to private sector development, such as infrastructure bottlenecks and thin credit markets ... developing countries cannot rely on governance reforms alone to drive reform. Reforms take a long time to deliver, and many of Australia's neighbours need to generate growth much sooner to provide

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22 White Paper, pp. 34-40.

23 Transcript, 9 February 2007, AusAID, p. 11.

24 Pacific 2020, p. 73.

employment for growing populations and to underpin stability.<sup>25</sup>

## Private sector investment

3.22 At the hearing in February 2007, the Committee asked AusAID officials what the agency was doing to encourage private sector investment. AusAID responded that Australia had recently contributed \$10 million to the Asian Development Bank (ADB) and \$12 million to the World Bank's International Finance Corporation (IFC) to support their projects (the Private Enterprise Partnership Pacific Facility and the Private Sector Development Initiative, respectively), it supports several small agencies to provide microfinance, and funds a Pacific Trade Commissioner, based at Austrade in Adelaide, whose job is to build linkages between Australian and Pacific investors.<sup>26</sup> AusAID added that it was also starting to use local contractors for activities like road maintenance. This approach had reaped benefits for local businesses and communities alike:

... [creating] opportunities for small companies to take out loans to buy basic plant and equipment so that they can win those small contracts.<sup>27</sup>

3.23 Later, AusAID supplied the Committee with more material on these areas (see Submission no. 32).<sup>28</sup>

3.24 In its supplementary submission, AusAID noted that Australia also provides core funds to the Pacific Islands Investment and Trade Commission (PITIC) in Sydney, a body which aims to contribute to the sustainable economic advancement of the Pacific Island Forum countries by supporting private sector development in the region. Businesses are assisted with marketing and product development, market analysis and tourism promotion. Further, Australia supports the Kula II Equity Investment Fund which is designed to elicit capital from major private and public institutional investors for investing in small and medium enterprises throughout the Pacific. And, in December 2006, Australia funded seminars on 'Attracting Equity to

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25 White Paper, p. 36.

26 Transcript, 9 February 2007, AusAID, p. 10.

27 Transcript, 9 February 2007, AusAID, p. 10.

28 See Supplementary Submission No. 32, AusAID, pp. 3-4.

the Pacific' for participants from Pacific Island countries responsible for investment attraction in their countries.<sup>29</sup>

## Microfinance

- 3.25 Professor Muhammad Yunus, winner of the Nobel Peace Prize in 2006 and founder of Grameen bank (provider of microfinance services to the rural poor in Bangladesh)<sup>30</sup> has raised the profile of microfinance over the years. Several submissions to the inquiry, including those of the Credit Union Foundation of Australia and RESULTS Australia, describe the potential of microfinance<sup>31</sup> for reducing poverty in the Pacific region.<sup>32</sup>
- 3.26 At the first public hearing, Dr Greener of the Brisbane-based international development think-tank, the Foundation for Development Cooperation (FDC), explained why people in the Pacific require better access to financial services:
- Poor people have a different set of needs, but they are not so very different [to others] ... Financial services are not themselves going to stimulate economic growth but they oil the machines...If you do not have that oil, the machine is likely to grind to a halt. In the Pacific, financial services are very shallow. The large majority of people do not have access to them ... There is a need for insurance and savings in particular [as well as] an urgent need for transference of remittances.<sup>33</sup>
- 3.27 Dr Greener believes that the Australian aid program should include a more focused microfinance development strategy.<sup>34</sup> The Credit Union Foundation (CUF) submission (to which the FDC was a signatory) proposes an AusAID Regional Microfinance Support Facility that would provide targeted support to emerging and expanding microfinance institutions that have potential for growth

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29 See Supplementary Submission No. 32, AusAID, p. 2.

30 For information on the Grameen Bank visit the website, <http://www.grameen-info.org/>

31 Microfinance is defined as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their microenterprises. Source: ADB website, <http://www.asiandevbank.org/Documents/Policies/Microfinance/microfinance0100.asp?p=policies>

32 See Submission No. 10 and Submission No. 14.

33 Transcript, 26 October 2006, FDC, p. 50.

34 Transcript, 26 October 2006, FDC, p. 51.

and sustainability.<sup>35</sup> Dr Greener told the Committee that in June 2006 the FDC had launched a Microfinance Pacifika network in Port Vila, Vanuatu, comprising 20 microfinance institutions that are committed to supporting microfinance services in the Pacific.<sup>36</sup> Dr Greener said that the network:

... is gathering speed fairly well ... [in fact] we found more enthusiasm from the Pacific than from our Asian network.<sup>37</sup>

3.28 The Committee enquired about the reception that the CUF's proposal had met with from the Australian Foreign Minister or AusAID.<sup>38</sup>

3.29 In Dr Greener's view, AusAID had to-date perceived microfinance as something on the periphery and more like social welfare than an essential economic service.<sup>39</sup>

3.30 Dr Greener emphasised that he did not necessarily view microfinance as 'the silver bullet that would solve poverty', but rather as 'one useful weapon in the armoury.'<sup>40</sup>

3.31 At the hearing, the Committee and Dr Greener discussed examples of microfinance initiatives trialled in the region that had met with little success, as well as those that were meeting with greater success.<sup>41</sup> For instance, in PNG the costs of service delivery to small and widely dispersed populations on previous occasions had proved unsustainable. Dr Greener said that while there is a common misconception that cultures in the Pacific are less suited than say Bangladeshis to microfinance ventures, in his experience, this was not the case. In recent years, some of the Grameen replica programs in Samoa and Vanuatu had proved viable, and a specialist microfinance bank called PNG Microfinance was also operating well.<sup>42</sup>

3.32 Dr Greener said that engendering the support of commercial banks (such as the ANZ who were branching out into rural banking, particularly in Fiji), was crucial. He acknowledged that Westpac had funded the Microfinance Pacifika launch.<sup>43</sup>

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35 Submission No. 14, CUF.

36 Transcript, 26 October 2006, FDC, p. 52.

37 Transcript, 26 October 2006, FDC, p. 53.

38 Transcript, 26 October 2006, FDC, p. 52.

39 Transcript, 26 October 2006, FDC, p. 55.

40 Transcript, 26 October 2006, FDC, p. 55.

41 Transcript, 26 October 2006, FDC, p. 55.

42 Transcript, 26 October 2006, FDC, p. 53.

43 Transcript, 26 October 2006, FDC, p. 54.

- 3.33 In its supplementary submission, AusAID indicated that it had spent \$80 million in the microfinance area over the last eight years, and had offered its support to groups like the Microfinance Pacifika network. AusAID is also currently funding a research program, 'Evaluating the Effectiveness of Microfinance Ventures in the Pacific' that aims to assess the viability of commercial microfinance programs versus not-for-profit ones.<sup>44</sup>
- 3.34 The Australian Volunteers International (AVI) submission noted that AusAID is supporting their PNG Ginigoada Microfinance Project, a 2-year pilot business training and microenterprise skills development program operating in Moresby South, an area of urban disadvantage. AusAID provides funding to support operations and a technical advisor. AVI's anecdotal evidence is that the initiative is having 'incremental successes.'<sup>45</sup>
- 3.35 In AusAID's view, microfinance is one way to reduce poverty and promote economic growth, in the right settings, although:
- ... current and future expenditure depends on the extent to which microfinance is seen by developing country partner governments as a priority for development assistance.<sup>46</sup>

## Recommendation 1

**The Committee notes the importance of financial services in the development of Pacific Island economies, and recommends that the Australian Government develop a focused strategy to encourage financial services development, including microfinance.**

## Encouraging entrepreneurial culture

- 3.36 In his evidence to the Committee, former Pacific diplomat Mr Delaney described Melanesia as an 'arc of opportunity':
- ... you would be amazed ... [at] how many entrepreneurs PNG has produced over the last 25 years. People are out

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44 Supplementary Submission No. 32, AusAID, p. 6.

45 Submission No. 37, AVI, Attachment 2, 4.2.

46 Supplementary Submission No. 32, AusAID, p. 6.

there doing things for themselves. They are taking responsibility for building prosperity...<sup>47</sup>

- 3.37 Mr Delaney gave examples of enterprises on the Kokoda plateau which have proved successful, despite high transport costs. With some assistance and encouragement, the villagers had created viable businesses selling organic coffee and okari nuts, and operated a butterfly sanctuary.<sup>48</sup> Mr Delaney described how the strong community network enabled villagers to work through business issues together, and women were involved in that process.<sup>49</sup>
- 3.38 The Committee asked Mr Delaney to what extent AusAID supported these types of initiatives.<sup>50</sup>
- 3.39 Mr Delaney said that Australian aid had certainly been helpful, for instance, entrepreneurs had benefited from the Australian incentive fund and investment in infrastructure had facilitated the movement of goods.<sup>51</sup> He noted that private investors and philanthropists had also made significant contributions.<sup>52</sup>
- 3.40 At the hearing, the Australia Pacific Business Council (APBC) referred to AusAID's new \$20.5 million enterprise challenge fund which will work with the private sector to assess proposed projects and 'try to pick winners'.<sup>53</sup> The AusAID website sets out how the fund will operate:

The Enterprise Challenge Fund (ECF) will be launched in July 2007 in Fiji, Papua New Guinea, eastern Indonesia, and southern Philippines, with the first round of grants awarded in early 2008. ECF rollout to Vanuatu, Solomon Islands, Cambodia, Laos and East Timor will follow in early 2008.

Through open competition, grants of \$100,000 to \$1.5 million will be awarded to business projects with pro-poor outcomes that cannot obtain financing from commercial sources. At least 50 per cent of the project costs must be met by the

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47 Transcript, 26 October 2006, Mr Delaney, p. 21.

48 Transcript, 26 October 2006, Mr Delaney, p. 22.

49 Transcript, 26 October 2006, Mr Delaney, p. 22.

50 Transcript, 26 October 2006, Mr Delaney, p. 22.

51 Transcript, 26 October 2006, Mr Delaney, p. 22.

52 Transcript, 26 October 2006, Mr Delaney, pp. 21-22.

53 Transcript, 26 October 2006, APBC, p. 59.

partner business, and all projects must be commercially self-sustainable within three years.<sup>54</sup>

- 3.41 The APBC expressed some reservations that AusAID may bring a more bureaucratic than entrepreneurial approach to the assessment which could adversely impact on the outcomes sought.<sup>55</sup>

## Links with banks

- 3.42 In its evidence to the Committee, the APBC said that there was greater scope for creating sustainable businesses if development agencies and private sector financiers combine their collective knowledge and skills. The APBC referred to a proposal put forward by the Commonwealth Secretariat and the ANZ Bank, whereby banks would provide funding to customers that might not otherwise meet their ordinary credit criteria against an indemnity from the aid agency:

In other words, the bank might lend an amount of money to a business, if there were credit enhancement or support from the international agency that helped to underwrite the risk.<sup>56</sup>

- 3.43 The APBC described the benefits:

... there would be a sharing of risk, but the banks would be expected to pick winners. This would also have a beneficial effect of forcing companies in the markets to become much more disciplined and to comply with the rigour that comes with credit submissions and applications for borrowings.<sup>57</sup>

## Creative ways to engage the private sector

- 3.44 In his ASPI paper titled *Building Capacity in the South Pacific*, former Australian diplomat Mr Roland Rich concurs that the private sector is key to economic growth in the Pacific. He argues that:

This was the key to economic success in the Western world and yet our development assistance process does not seem

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54 AusAID website, Enterprise Fund for the Pacific and South East Asia (ECF), [http://www.ausaid.gov.au/business/other\\_opps/ecf.cfm](http://www.ausaid.gov.au/business/other_opps/ecf.cfm)

55 Transcript, 26 October 2006, APBC, p. 59.

56 Transcript, 26 October 2006, APBC, p. 58.

57 Transcript, 26 October 2006, APBC, p. 59.

able to draw on this obvious premise in the design and distribution of aid.<sup>58</sup>

3.45 Mr Rich argues that the time has arrived to try some innovative approaches to strengthening the private sector, in addition to those already in use. Accepting that governments are not always best placed to strengthen the sector because public funds are logically funnelled to the public sector, he says that the answer to this conundrum is:

... to involve the private sectors of donor countries to strengthen the private sectors of partner countries.<sup>59</sup>

3.46 Mr Rich proposes amending the Australian tax rules to encourage companies to become directly involved in building private sector capacities in developing countries by allowing them to deduct from their taxable income the full costs incurred in providing such assistance.<sup>60</sup>

3.47 Mr Rich says that the advantage of this approach is that, 'taxpayers in donor countries will not have to pay for this initiative. It is not to be funded from public money. Nor does it require additional bureaucratic machinery for implementation. Its major strength is that it is not a public sector initiative.'<sup>61</sup>

3.48 The Committee found Mr Rich's arguments and ideas compelling and would like the Australian Tax Office to consider the merits and practicalities of his proposal.

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58 Roland Rich, ASPI Strategic Insight Paper, *Building Capacity in the South Pacific*, p.9.

59 Roland Rich, ASPI Strategic Insight Paper, *Building Capacity in the South Pacific*, p. 9.

60 Roland Rich, ASPI Strategic Insight Paper, *Building Capacity in the South Pacific*, p. 10.

61 Roland Rich, ASPI Strategic Insight Paper, *Building Capacity in the South Pacific* p. 11.



## Recommendation 2

**The Committee recommends that the Australian Tax Office, in conjunction with AusAID, consider and report on the merits and practicalities of Mr Roland Rich's proposal to amend the Australian tax rules to encourage companies to become directly involved in building private sector capacities in developing countries in the Pacific by allowing them to deduct from their taxable income the full costs incurred in providing such assistance.**

### Australian Business Volunteers

- 3.49 Supported by AusAID, Australian Business Volunteers (ABV) assists developing countries in the region to reduce poverty by developing the capacity of local organisations, achieved through the transfer of workplace skills. When clients request help with a particular business problem, ABV sources and supplies highly skilled volunteers (with at least 5 years professional experience) to work alongside counterparts in the client organisation. The assignments are usually short-term so that clients do not become dependent on volunteers, however volunteers often continue to informally mentor clients once the assignment has finished.<sup>62</sup>
- 3.50 Volunteers offer clients their knowledge and experience, working alongside them to provide practical trouble-shooting advice and training. Assignments and training varies and may include assistance with marketing strategies, financial accounting and administrative systems training, or staff training.<sup>63</sup>

### Seasonal labour mobility scheme

- 3.51 Several submissions and witnesses advocated the merits of a seasonal labour mobility scheme to the Committee, similar to that announced by New Zealand Prime Minister, the Rt. Hon. Helen Clark, at the Pacific Island Forum in October 2006, where up to 5000 unskilled workers from six Pacific Island countries (Fiji, Tonga, Tuvalu, Vanuatu, Samoa and Kiribati) will be granted work visas in NZ for a period of seven months. In his submission to the inquiry, the ANU's

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62 Australian Business Volunteers website, <http://www.abv.org.au>

63 Australian Business Volunteers website, <http://www.abv.org.au>

Professor Chand described the potential of these labour schemes to act as a circuit breaker, enabling the migrant to learn new skills, send remittances home and provide short-term respite to island nations burdened with youth unemployment.<sup>64</sup>

3.52 Pacific Islands Studies lecturer, Dr Quanchi agreed:

This is a really good idea ... we could bring 10, 000 workers to Australia ... That is an aid project at the basic level, so families could actually enhance the quality of their lives.<sup>65</sup>

3.53 Both the APBC and Australia's peak body for non-government organisations, the Australian Council for International Development (ACFID), supported the establishment of a similar Australian scheme. The APBC told the Committee that Pacific Island governments strongly supported the idea and they would like to see a pilot project.<sup>66</sup> ACFID concurred:

I know that the Senate Standing Committee on Employment, Workplace Relations and Education report [*Inquiry into Pacific region seasonal contract labour*, tabled 18 October 2006] did not recommend a scheme; the time is not right. But it did not entirely close the door, and I think we need to be looking at this for the future.<sup>67</sup>

3.54 In the 2007 Arthur Tange memorial lecture delivered by the Australian Foreign Minister, the Hon. Alexander Downer MP said that the Government would closely monitor the new seasonal scheme started by New Zealand to see how effective it is and how well it works.<sup>68</sup>

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64 Submission no. 4, Professor Chand, p. 5.

65 Transcript, 26 October 2007, Dr Quanchi, p. 41.

66 Transcript, 26 October 2007, Dr Quanchi, APBC, p. 57.

67 Transcript, 27 November 2006, ACFID, p. 7.

68 Speech for the Biennial Sir Arthur Tange Lecture on Australian diplomacy, Australia's Commitment to the Pacific, The Hon. Alexander Downer, MP, Minister for Foreign Affairs, 8 August 2007, p. 10,

[http://www.foreignminister.gov.au/speeches/2007/070808\\_tange.html](http://www.foreignminister.gov.au/speeches/2007/070808_tange.html)

### Recommendation 3

**The Committee notes the evidence of the importance to Pacific Island economies of access to developed economies for seasonal workers, and recommends an active and serious evaluation by the Australian Government of the possibility of such a scheme.**

## Land tenure reform

3.55 The Pacific 2020 report states that:

Land tenure reform is a sensitive issue, but one that requires demand-driven incremental change.<sup>69</sup>

3.56 In his evidence to the Committee, Dr Baines alluded to some of the problems associated with customary land tenure, namely competition amongst landowners and disputes over distribution of resource rents, such as those from mining and logging:

It must be said that many of the local entrepreneurs who are planting small forest plots now are the go-getters who go behind the backs of their kin, who had shared rights and responsibilities, and they have proceeded to make arrangements over their heads.<sup>70</sup>

3.57 The White Paper states that the issue of land tenure in the Pacific must be addressed if sustained growth is to be achieved in the region. To this end, AusAID's Pacific Land Mobilisation Program commenced in 2006 with the aim of surveying and disseminating innovative land mobilisation practices in the Pacific, and – where there is a demand for it – resourcing innovations and improvements in land tenure arrangements.<sup>71</sup>

3.58 Land tenure reform in the Pacific has long been a controversial subject and the Committee was interested in responses to the approaches outlined in Pacific 2020 and the White Paper.

3.59 At the Brisbane hearing, ACPACS and Dr Baines offered cautious support, but advised that any changes to land tenure would need to

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69 Pacific 2020 report, p. 5.

70 Transcript, 26 October 2006, Dr Baines, p. 35.

71 White Paper, p. 37.

come from within the Pacific and that changes will take considerable time.<sup>72</sup>

## **Public transparency and accountability**

- 3.60 In the Solomon Islands, Australia has been working with key accountability institutions including the Leadership Code Commission, Office of the Auditor General and the Ombudsman's Office. The Auditor General has released a number of reports highlighting corruption and the Leadership Code Commission has condemned corrupt behaviour by some politicians.<sup>73</sup>
- 3.61 Australian ECP employees are working in similar advisory positions in the PNG Department of Finance, Treasury and other key agencies to enhance public sector performance. AusAID says that progress is being made to prevent wastage and leakage of public funds in these agencies.<sup>74</sup>
- 3.62 The Vanuatu Ministry of Finance and Economic Management has been supported by Australia to introduce a systematic budget cycle and strengthened financial controls, as well as reform of the public service. Subsequently, Vanuatu has been described by the IMF as having one of the best financial management systems in the Pacific.<sup>75</sup>
- 3.63 Australia has also helped the Government of Nauru to produce transparent and balanced budgets which – together with other financial reforms – have led to Nauru being removed from the Financial Action Task Force list as a country of concern for money laundering and terrorist financing.<sup>76</sup>
- 3.64 Australia also provides electoral assistance to the region. This ranges from support with building local observer networks in the Solomon Islands to election management, voter registration and public education in Fiji, and preventing election related violence in PNG.<sup>77</sup>

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72 Transcript, 26 October 2006, ACPACS, p. 4 and Submission No. 27, Dr Baines, p. 3.

73 Submission No. 6, DFAT and AusAID, p. 5.

74 Submission No. 6, DFAT and AusAID, p. 5.

75 Submission No. 6, DFAT and AusAID, p. 6.

76 Submission No. 6, DFAT and AusAID, p. 6.

77 Submission No. 6, DFAT and AusAID, p. 6.

- 3.65 At a Canberra hearing, the Committee asked AusAID how it measures the impact of these activities in the region.<sup>78</sup> AusAID explained that there are different ways to track progress. In addition to monitoring the budgeting and expenditure performances of recipient agencies, these range from basic measures such as recording the numbers of children attending school and being immunised, to more complex ones – like corruption [and freedom] indices – that attempt to measure the effectiveness of governance.<sup>79</sup>
- 3.66 There are two aspects to the transparency and accountability of Australia’s aid to the Pacific – the first is the obligation of the Australian Government to the Australian public whose taxes fund the program, and the second is the responsibility of Pacific Island countries to the donor and their own citizens alike to ensure that the money is being spent appropriately and is reaching the people it is intended to help.

## Office of Development Effectiveness

- 3.67 According to the White Paper, a new Office of Development Effectiveness (ODE) will be established to monitor the quality and evaluate the impact of AusAID and, as appropriate, other Australian government agencies’ ODA programs and expenditure. Chief amongst its functions, the ODE will publish an Annual Review of Development Effectiveness.<sup>80</sup> The Committee learnt that the office is now up and running and the first review is expected to be incorporated into next year’s [federal] budget process.<sup>81</sup>
- 3.68 AusAID advised the Committee that another body had also been created to oversee aid expenditure – the Development Effectiveness Steering Committee:
- ... that takes senior representatives from across a range of portfolios – Prime Minister and Cabinet, Treasury, Department of Finance, Department of Foreign Affairs, AusAID [with a] mandate to look at all new significant strategies for involvement in aid expenditure in particular countries.<sup>82</sup>

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78 Transcript, 9 February 2007, p. 15.

79 Submission no. 6, DFAT and AusAID, p. 15

80 White Paper, p. 60

81 Official transcript of evidence, 9 February 2007, p. 6

82 Official transcript of evidence, 9 February 2007, AusAID, p. 7

- 3.69 The Steering Committee will, from time to time, include internationally recognised experts.<sup>83</sup>

### Good practice

- 3.70 Former Pacific diplomat, Mr Delaney, commented that there is a perception by some in the Pacific that increasing accountability requirements for Australian aid money can be burdensome, particularly on the smaller island states where resources are stretched:

They feel that they are expected to deliver so much and that so many policy changes are expected from time to time.<sup>84</sup>

- 3.71 The Samoan High Commissioner to Australia told the Committee that his government supported Australia's emphasis on accountability:

We have to be accountable. For example, this new concept [in the White Paper] that you reward countries which make sure that the aid is being used properly and effectively ... we certainly think that is a good [premise].<sup>85</sup>

- 3.72 At the hearing, both the Samoan and Fijian High Commissioners to Australia described their respective government's aid management systems to the Committee. Fiji has established a high level inter-departmental Budget and Aid Coordinating Committee within the government which administers, coordinates and manages all aid receipts, including aid in kind and cash grants.<sup>86</sup> Samoa involves the Australian High Commission in its oversight of all aid money to Samoa from Australian sources.<sup>87</sup>

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83 White Paper, p. 60

84 Transcript, 26 October 2006, Mr Delaney, p. 20.

85 Transcript, 27 November 2006, Samoan High Commissioner to Australia, p. 38.

86 Transcript, 27 November 2006, Fijian High Commissioner to Australia, p. 26.

87 Transcript, 27 November 2006, Samoan High Commissioner to Australia, p. 39.

## Maintaining access to basic services (especially health)

### Overview

- 4.1 The Australian Red Cross (Red Cross) submission refers to several critical health care issues affecting different parts of the Pacific, including:
- malaria outbreaks, particularly common in Solomon Islands;
  - high incidence of TB in some areas, particularly PNG;
  - lifestyle diseases such as preventable heart disease and diabetes in countries such as Fiji and Tonga where obesity is an issue; and
  - low life expectancy in PNG (55.3 yrs) and the infant mortality rate in PNG is thought to be the worst in the Pacific at 69/1000.<sup>1</sup>
- 4.2 The Red Cross describes some of the factors behind these poor indicators. In PNG, Solomon Islands and Vanuatu, three quarters or more of the population live in rural and isolated areas that often lack infrastructure such as roads, electricity, telecommunications, sea and land transport, assured clean water sources and sanitation. In PNG only 22% of households have access to adequate sanitation. Access to

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1 Submission No. 9, Australian Red Cross, p. 9.

maternal health services and children's services is similarly limited.<sup>2</sup> In nine countries of the Asia Pacific region, more than half of all childbirths occur in the absence of a trained health care worker.<sup>3</sup> Gender inequality and high rates of domestic and sexual violence against women are also of concern, particularly in Melanesia.<sup>4</sup>

- 4.3 The White Paper recognises these diverse and compelling needs and states that investing in people's access to basic services is one of the main priorities of the Australian aid program.<sup>5</sup> The White Paper acknowledges that improving access to basic services is critical to development:

A healthy, educated workforce is more productive and enables an economy to be competitive, thereby increasing aggregate growth. Literate and numerate mothers experience lower infant mortality, have fewer children, and raise healthier and better educated children who become more involved in democratic processes. An informed citizenry is more likely to hold accountable those in political and bureaucratic power. Access to services forms an important part of establishing the legitimacy of state institutions.<sup>6</sup>

- 4.4 The Australian aid program attempts to address both short and long-term health and education needs alike, from immediate concerns like HIV/AIDS infection, supply of essential medicines and primary school enrolments, to improving health and education financing, infrastructure and workforce development.<sup>7</sup>

## Health

- 4.5 The Joint DFAT/AusAID submission highlights some of the health initiatives in the Pacific which are funded by the Australian Government:

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2 Submission No. 9, Australian Red Cross, p. 9.  
3 White Paper, p. 48.  
4 Submission No. 9, Australian Red Cross, p. 9.  
5 White Paper, p. 47.  
6 Submission No. 6, DFAT and AusAID p. 6.  
7 Submission No. 6, DFAT and AusAID, p.6.



- across the Pacific, AusAID supports UNICEF to provide immunisation against major preventable diseases like measles, Hepatitis B and Rubella;
- in PNG, a major health sector program has contributed to workforce development by funding the training of doctors and specialist nurses and developing curriculum for community health workers. Australia distributes essential medical supplies and has assisted the PNG National Department of Health to build and strengthen its pharmaceutical procurement and distribution systems;
- in the Solomon Islands, Australia has supported the development of the National Health Radio Network, including the installation of 180 radios in regional health centres. The network is a means of obtaining medical assistance and staff training for those in remote areas. Funding has also been allocated to improve infrastructure in provincial hospitals and health centres, including the refurbishment of medical stores;
- in Vanuatu, Australia's support in the area of children's health has contributed to the reduction of the under-five child mortality rate by two thirds, in line with the Millennium Development Goals; and
- in Tonga, Australia provides two surgeons to train local doctors – the surgeons are specialists in birth and neo-natal complications.<sup>8</sup>

## HIV/AIDS

### Rate of infection

- 4.6 The Australian Government has committed \$600 million to 2010 to tackle the problem of HIV/AIDS in the Asia-Pacific.<sup>9</sup> The disease is prevalent in most Pacific Island states at variable rates. PNG has by far the highest incidence of HIV/AIDS in the Pacific region.<sup>10</sup> Approximately 2% of the PNG population is affected.<sup>11</sup> UN AIDS estimates that between 57,000 and 100, 000 people are living with

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8 Submission No. 6, DFAT and AusAID, p. 7.

9 Australia's Overseas Aid Program 2007-2008, Budget Statement, 8 May 2007, p. 23.

10 AusAID website, HIV/AIDS activities by country  
<http://www.aisaid.gov.au/hottopics/hivaids/countries.cfm>

11 AusAID website, HIV/AIDS activities by country  
<http://www.aisaid.gov.au/hottopics/hivaids/countries.cfm>

HIV/AIDS in PNG.<sup>12</sup> Mr Bowtell, Director of the Lowy Institute for International Policy's HIV/AIDS Project, and author of a policy brief on HIV/AIDS in the region<sup>13</sup> described the HIV pandemic in PNG to the Committee as:

... a very large bomb with a very long fuse attached to it.<sup>14</sup>

4.7 The HIV/AIDS situation in PNG is generally likened to that found in the worst affected Sub-Saharan African countries. Underpinning the spread of the disease in PNG is the fact that the country shares its border with one of Indonesia's worst HIV/AIDS affected provinces, there is widespread sexual violence perpetrated against women, a prevalence of unprotected commercial sex, and a high level of drug and alcohol abuse that results in behaviours that place individuals at risk of higher rates of transmission.<sup>15</sup>

4.8 According to Mr Bowtell, the seriousness of the HIV/AIDS situation in the Pacific is made worse in the wake of drug-resistant tuberculosis:

... we are seeing signs all over the world of extreme drug resistance to tuberculosis coming in the wake of the [HIV] pandemic ... The model of what can go wrong is already in Africa, but I believe there are elements – TB and other things – that did not take place in Africa that could occur in the Pacific if we do not get a handle on this.<sup>16</sup>

### AusAID's HIV/AIDS strategy

4.9 AusAID's approach to supporting the response to HIV/AIDS in PNG over the next five years is described in the agency's publication titled, *Australia's Strategy to Support Papua New Guinea's Response to HIV/AIDS 2006-2010*.<sup>17</sup>

4.10 *PNG - Australia/HIV and AIDS Program - Sanap Wantaim (Stand Together)* is a \$100 million five year program which commenced in January 2007. It focuses not only on preventing the spread of HIV but

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12 Submission No. 9, Australian Red Cross, p. 15.

13 Policy Brief available from the Lowy Institute website, <http://www.lowyinstitute.org/Publication.asp?pid=542>

14 Transcript, 2 May 2007, Mr Bowtell, p. 4.

15 Submission No. 9, Australian Red Cross, p. 15.

16 Transcript, 2 May 2007, p. 4.

17 A copy can be downloaded from AusAID's website, <http://www.ausaid.gov.au/country/png/hivaids.cfm>

also on providing treatment, care and support for those infected with and affected by HIV/AIDS.<sup>18</sup>

- 4.11 The new program also places increased emphasis on addressing some of the difficult issues underlying the epidemic – including gender inequality, improving health systems, and upgrading surveillance capacity.<sup>19</sup>
- 4.12 The program will be complemented by additional support of \$50 million to enable Papua New Guinea's health system to provide necessary services to reduce the spread of HIV and help those already affected by HIV/AIDS.<sup>20</sup>
- 4.13 Prior to the introduction of the new program, Australia supported a *National HIV/AIDS Support Project (NHASP)*. This \$66.5 million project began in October 2000 and concluded in December 2006.<sup>21</sup>
- 4.14 The project operated across PNG, with achievements including:
- installing 10,500 condom dispensers;
  - training 620 health workers in STI/HIV management and 1,400 counsellors to increase testing for HIV and support for people living with HIV/AIDS;
  - strengthening PNG organisations through \$13 million in community and research grants;
  - supporting legislation to protect the rights of people living with HIV; and
  - establishing 17 community care centres for HIV positive people.<sup>22</sup>

### Mainstreaming

- 4.15 Australia is incorporating HIV prevention and education components into all its PNG aid projects. The purpose of mainstreaming is to ensure that all sectors and agencies are equipped and able to address

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18 AusAID website, HIV/AIDS in PNG,  
<http://www.aisaid.gov.au/country/png/hivaid.s.cfm>

19 AusAID website, HIV/AIDS in PNG,  
<http://www.aisaid.gov.au/country/png/hivaid.s.cfm>

20 AusAID website, HIV/AIDS in PNG,  
<http://www.aisaid.gov.au/country/png/hivaid.s.cfm>

21 AusAID website, HIV/AIDS in PNG,  
<http://www.aisaid.gov.au/country/png/hivaid.s.cfm>

22 AusAID website, HIV/AIDS in PNG,  
<http://www.aisaid.gov.au/country/png/hivaid.s.cfm>

how they might be affecting the HIV epidemic, how HIV might be affecting their development outcomes and then adapting their programs accordingly. For example, prison inmates and officers in PNG jails are learning about HIV transmission and prevention through a wider Correctional Services Development Project.<sup>23</sup>

### Partnerships

- 4.16 The program will be complemented by key partnerships with international HIV/AIDS partners and the private sector including:
- the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria to which Australia will contribute \$75 million; and
  - the Asian Development Bank, co-financing condom social marketing as part of the Asian Development Bank's HIV/AIDS Prevention and Control in Rural Development Enclaves Project.<sup>24</sup>
- 4.17 Australia also contributed \$4 million in 2006-2007 to the UN's specialist HIV/AIDS agency, UNAIDS.<sup>25</sup>
- 4.18 Further, several Australian NGOs who carry out HIV/AIDS work receive funding from the Australian Government. Most of the Australian Red Cross's work in the Pacific is funded by AusAID<sup>26</sup> and Oxfam receives 10-15 percent of its funding from AusAID.<sup>27</sup>

### Impact of Australian aid

- 4.19 Mr Bowtell told the Committee that while he was pleased that the Australian Government – in particular the Australian Foreign Minister – had taken a strong lead in HIV/AIDS strategy in the region, there remained much more that needed to be done.<sup>28</sup> He said that Australia's response is consistent with the broad orthodoxy of the international response which focuses on treatment and care and – while that is important – greater attention needed to be paid to prevention:

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23 AusAID website, HIV/AIDS in PNG,  
<http://www.ausaid.gov.au/country/png/hiv aids.cfm>

24 AusAID website, HIV/AIDS in PNG,  
<http://www.ausaid.gov.au/country/png/hiv aids.cfm>

25 AusAID website, HIV/AIDS in PNG,  
<http://www.ausaid.gov.au/country/png/hiv aids.cfm>

26 Transcript, 2 May 2007, Australian Red Cross, p. 32.

27 Transcript, 2 May 2007, Oxfam, p. 21.

28 Transcript, 2 May 2007, Mr Bowtell, p. 4.

You have to be really aggressive about prevention—condoms. All the [effective policies] that were implemented in Australia from the late eighties onwards ought to be undertaken as a matter of urgency in the Solomon Islands [in order to prevent an epidemic there].<sup>29</sup>

## Political leadership

4.20 Responding to Mr Bowtell's remarks on prevention, the Committee observed that:

... to engage effectively in relation to prevention measures in the Pacific, you need political leadership to be prepared to engage in that manner.<sup>30</sup>

4.21 Mr Bowtell agreed that leadership was at the core of Australia's success in averting the pandemic, and integral to the Pacific response.<sup>31</sup> He told the Committee that there was some awareness of the problem by leaders in PNG, but that Australia also had a moral responsibility to keep the issue:

... fairly and squarely in front of the leadership elites in these countries.<sup>32</sup>

4.22 On 23 July 2007, Australia hosted and supported the Third Ministerial Meeting on HIV/AIDS in Sydney.<sup>33</sup> At this regional gathering, Asia Pacific business and government leaders committed to greater private-public sector partnerships to halt and reverse the spread of the disease, and the Australian Foreign Minister announced a \$400 million increase in Australia's contributions to the ongoing fight against HIV/AIDS.<sup>34</sup>

## Community leadership

4.23 Mr Bowtell noted that there were limitations to strategies, conferences and the like at the top bureaucratic level. In his view, more

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29 Transcript, 2 May 2007, Mr Bowtell, p. 5.

30 Transcript, 2 May 2007, Mr Bowtell, p. 5.

31 Transcript, 2 May 2007, Mr Bowtell, p. 6.

32 Transcript, 2 May 2007, Mr Bowtell, p. 6.

33 <http://www.ias2007.org/>

34 AusAID website, media release, Australia sets \$1 billion dollar benchmark in global fight against HIV/AIDS, [http://www.aid.gov.au/media/release.cfm?BC=Media&ID=7743\\_1483\\_3785\\_2662\\_9940](http://www.aid.gov.au/media/release.cfm?BC=Media&ID=7743_1483_3785_2662_9940)

resourcing at grassroots level was also required, especially to support women:

Having lived in PNG and having spoken to people from there, I personally think that women are key to the response in PNG at the local and village level ... Women have a big determinant say in what is and is not acceptable. I know there are some projects in areas in PNG where women have mobilised strongly as wives, mothers, girlfriends and so on.<sup>35</sup>

4.24 The Red Cross told the Committee that it tried to involve women in their health promotion program in the Solomon Islands, but:

... if men see anything related to resources or status those men will occupy the places.<sup>36</sup>

4.25 In their experience, a careful balance needed to be struck between the composition of men and women in the training teams:

To have one or the other is actually a recipe for failure. If we have all men, women do not feel represented; if we have all women, the men in the community ignore what is being said, so we need both. I think that it is fair to say that is a big challenge for the national society and the Red Cross.<sup>37</sup>

## Peer engagement

4.26 The Red Cross spoke to the Committee about the importance of positive peer engagement, referring to the influence that young locals in the Solomon Islands branch of the Red Cross have had educating their peers about HIV/AIDS. These young men are held in high regard by their peers and can be role models within their communities. Ms Chippendale recounted how there was still discussion amongst some local young men and women about HIV being a made-up story and in this context:<sup>38</sup>

[These young educators] are a good example of the types of people who need to be out there spreading the message about discrimination and prevention. It is definitely an advantage

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35 Transcript, 2 May 2007, Mr Bowtell, p. 7.

36 Transcript, 2 May 2007, Australian Red Cross, p. 33.

37 Transcript, 2 May 2007, Australian Red Cross, p. 33.

38 Transcript, 2 May 2007, Australian Red Cross, p. 32.

that they plug into a global network and are part of that alliance and also that they live and work locally.<sup>39</sup>

## Partnerships with private foundations

- 4.27 On 22 February 2006, the Australian Foreign Minister, the Hon. Alexander Downer MP, announced a new partnership between the Australian Government and the Clinton Foundation to strengthen efforts to combat the spread of HIV/AIDS in the Asia-Pacific region. The new partnership formalised by the signing of a MOU commits the Australian Government to providing \$25 million over four years to support the work of the Clinton Foundation in this field. Initially, joint activities will focus on three countries – including Papua New Guinea.<sup>40</sup>
- 4.28 The Clinton Foundation and AusAID will work together with public health authorities in each country to scale-up treatment and care for people living with HIV/AIDS. This will include availability of anti-retroviral drugs, improving laboratory and testing infrastructure and strengthening monitoring and evaluation systems.<sup>41</sup>
- 4.29 Mr Bowtell pointed to the important work that other private institutions like the Bill and Melinda Gates Foundation are doing in international public health and the enormous resources they have at their disposal to accomplish their goals. He suggested there may be further scope for Australia to collaborate with organisations such as these.<sup>42</sup>

## Asia-Pacific Business Coalition on HIV/AIDS

- 4.30 On the same day that the Australia-Clinton Foundation partnership was announced, the Australian Foreign Minister established the Asia-Pacific Business Coalition on AIDS (APBCA) in response to the need

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39 Transcript, 2 May 2007, Australian Red Cross, p. 36.

40 AusAID website, Media Release, *Australia and Clinton Foundation Join in Asia Pacific Fight Against HIV/AIDS*, 22 February 2006, [http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=6873\\_2896\\_8521\\_1497\\_2223](http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=6873_2896_8521_1497_2223)

41 AusAID website, Media Release, *Australia and Clinton Foundation Join in Asia Pacific Fight Against HIV/AIDS*, 22 February 2006, [http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=6873\\_2896\\_8521\\_1497\\_2223](http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=6873_2896_8521_1497_2223)

42 Transcript, 2 May 2007, Mr Bowtell, p. 6.

for greater private sector engagement and coordination in the regional fight against HIV/AIDS.

- 4.31 The APBCA website sets out the reasons why HIV/AIDS is a business issue as much as it is a health issue:

The epidemic has the potential to undermine sustained growth of markets in the region because it strikes at the most economically active age groups – the workforce, ages 16 - 49. These costs are not just a concern for public policy makers – they are a matter of serious concern to all businesses trading in the region.

HIV cuts into planned company expenses by increasing costs of employee healthcare, recruitment and training. Firms with employees who become HIV positive may see a reduction in productivity as staff become ill.

The disease ultimately reduces company profits as expenses increase, service delivery fails to adhere to planned schedules, and customers change their purchasing plans because of the HIV expenses they incur.<sup>43</sup>

- 4.32 The APBCA is a joint initiative by AusAID and the Sydney-based Lowy Institute for International Policy, with the Board of Directors drawn from major companies, including Qantas and News Limited.<sup>44</sup>

- 4.33 APBCA supports the establishment and coordination of country-level business coalitions throughout the Asia Pacific region to run standardised HIV workplace programs in the businesses and communities in which they work.<sup>45</sup>

- 4.34 During its Brisbane hearing, the Committee asked the Asia Pacific Business Council to what extent it was involved in these endeavours.

- 4.35 The APBC reiterated that HIV/AIDS was a significant issue in PNG and noted that HIV/AIDS had been a regular agenda item at the annual Australia-Papua New Guinea business forums:

... [we] have drawn in experts – who are a mix of Papua New Guinea businesses and Australian businesses – to talk to delegates at the conference about the scope of the problem

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43 APBCA website, <http://www.apbca.com/>  
<http://www.ausaid.gov.au/hottopics/hivaids/business.cfm>

44 AusAID website, Asia-Pacific Business Coalition on AIDS,

45 AusAID website, Asia-Pacific Business Coalition on AIDS,  
<http://www.ausaid.gov.au/hottopics/hivaids/business.cfm>



and how companies can set up models to manage the risk for companies and their employees.<sup>46</sup>

## Corporate leadership

4.36 At the Sydney hearing, Mr Bowtell stated that corporate leadership had “a tremendous role and potential” to assist in the fight against AIDS, particularly in the Pacific where the corporate world is small but leaders have a big impact. He emphasised to the Committee that informal engagements could be just as useful as conferences and forums:

A large part of it is just bringing people together informally almost – it does not have to be done with all trumpets blaring ... I believe that almost behind closed doors – not that there is anything secret about it – just putting the facts and figures and the problems in a simple and clear way in front of corporate leaders does a great deal to change mentality.<sup>47</sup>

4.37 Mr Bowtell alluded to the potential impact that business leaders could have on the HIV/AIDS issue:

The great thing with corporations is that they do face difficult problems every day ... as we have seen with global warming, when the facts and figures and possible impacts of global warming became apparent, they responded positively. In fact the response is being led as much now by corporations as by environmentalists and so on.<sup>48</sup>

4.38 The Committee sought Mr Bowtell’s views on the merits or otherwise of companies – usually mining ones – setting up their own health facilities and services for their workers in areas in the Asia-Pacific where services are limited or non-existent.<sup>49</sup>

4.39 Mr Bowtell said he was aware of mining companies in PNG running local clinics and doing HIV prevention work and he believed it was an area in which corporations can make a real difference. He suggested that this was something that sectors other than mining – namely the hospitality sector – might also consider.<sup>50</sup>

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46 Transcript, 26 October 2006, APBC, p. 62.

47 Transcript, 2 May 2007, Mr Bowtell, p. 10.

48 Transcript, 2 May 2007, Mr Bowtell, p. 10.

49 Transcript, 2 May 2007, Mr Bowtell, p. 11.

50 Transcript, 2 May 2007, Mr Bowtell, p. 11.

4.40 Oxfam had a slightly different view:

We do not think that corporates should get into the business of substitution for government services. Ultimately it is a government responsibility ... While assistance is welcome, it is problematic when [companies] are totally replacing those services, because it is not sustainable. Most mines have a life of 7-10 years and then what?<sup>51</sup>

4.41 Nonetheless Oxfam said that it welcomed corporate social responsibility. It had held encouraging discussions with the Australian-owned Tolokuma goldmine in PNG about testing river water for toxin levels, and it fully supported the business initiative on HIV/AIDS.<sup>52</sup>

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51 Transcript, 2 May 2007, Oxfam, p. 24.

52 Transcript, 2 May 2007, Oxfam, p. 24.

## Education

4.42 The Joint DFAT/AusAID submission outlines some of the Australian aid program's contributions to improving education in the Pacific including:

- in PNG, Australian aid has trained teachers, improved curricula, distributed learning materials and improved school infrastructure. School enrolments have grown from 600,000 to 1.1 million in the last ten years; and
- in Fiji, Australian aid has trained 2000 teachers, refurbished 130 schools and provided textbooks.<sup>53</sup>

## Social accountability

4.43 At the February hearing, AusAID referred to an education concept it was interested in pursuing further with the education authorities in PNG.<sup>54</sup> AusAID's Deputy Director-General elaborated on the notion of 'social accountability' whereby school communities manage their own money:

The evidence [in other developing countries] is that even small allocations of funding for maintenance and materials for schools put in control of the representative community body – a school management board, for example – make a huge difference in the responsiveness of teaching staff and the general quality of the education that comes out of those schools.

4.44 AusAID said that while this is reasonably new thinking in the Pacific context, the agency believes it will have some value and application there, and initial discussions with civil society in the Pacific have indicated that there is community support.<sup>55</sup>

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53 Submission No. 6, DFAT and AusAID, p. 7.

54 Social accountability is defined by the World Bank as 'building accountability that relies on civic engagement,' Source: World Bank website.

55 Transcript, 9 February 2007, AusAID, p. 14.

## Australia-Pacific Training College

- 4.45 To assist skills and trades training in the Pacific at the post-secondary and vocational level, in order to meet domestic demands and increase access to international labour markets, the Australian Government will fund the establishment of a new technical training college, the Australia-Pacific Technical College (APTC).<sup>56</sup>
- 4.46 According to the White Paper, some workplace competencies in the Pacific currently fall short of industry requirements and the APTC will build partnerships with Australian and Pacific industry associations, firms, private providers and education institutions to deliver Australian-standard training in a range of locations and formats across the region (the college headquarters will be situated in Suva, with a network of training centres in Fiji, PNG, Samoa and Vanuatu). Initially the college will focus on occupations in the automotive, electrical, health and community services, manufacturing, hospitality and tourism, and construction fields.<sup>57</sup> Scholarships will be provided to ensure equitable access to the training programmes of the college for islanders from smaller and more isolated Pacific communities.<sup>58</sup>
- 4.47 In respect of the APTC's focus, Pacific Island Studies lecturer, Dr Quanchi advised the Committee that, in his view, there also needed to be an emphasis on marine technology, aviation technology and information technology.<sup>59</sup>
- 4.48 The APTC opened its Port Moresby campus on 10 September 2007. The college will aim to graduate 3,000 Pacific Island students by 2011.<sup>60</sup>

## AusAID scholarships

- 4.49 The Australian Development Scholarships (ADS) program provides opportunities for people from developing countries to undertake full-time undergraduate or postgraduate study in Australia. Up to 1000

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56 White Paper, p. 39.

57 White Paper, p. 39.

58 DFAT website, 37th Pacific Islands Forum Communique, Fiji 24-25 October 2006, [http://www.dfat.gov.au/geo/spacific/regional\\_orgs/pif37\\_communique.html](http://www.dfat.gov.au/geo/spacific/regional_orgs/pif37_communique.html)

59 Transcript, 26 October 2006, Dr Quanchi, p. 41.

60 DFAT website, Media release, Minister for Foreign Affairs, the Hon. Alexander Downer, MP, *Australia Pacific Technical College opens doors in PNG*, 10 September 2007, [http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=9809\\_9865\\_6483\\_8082\\_6143](http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=9809_9865_6483_8082_6143)

Australian Development Scholarships are awarded each year across 31 countries. Fields of study are targeted to address agreed priority human resource and development needs of recipient countries, in line with Australia's bilateral aid programs.<sup>61</sup>

- 4.50 Several submissions and witnesses endorsed the AusAID scholarships scheme. At the Brisbane hearing, Dr Quanchi summarised the advantages: young people can experience Australian life, form friendships with fellow classmates and other Australians, and take home valuable skills to become bureaucrats and leaders in their islands. Dr Quanchi called for the numbers of scholarships to be increased dramatically in order to multiply the benefits.<sup>62</sup>
- 4.51 The Fijian High Commissioner to Australia, His Excellency Mr Naidu, declared his country's appreciation for the scholarship scheme in Fiji and throughout the region. He also suggested that the Australian Government consider increasing scholarships in areas of specialisation not available at the University of South Pacific – particularly technical courses like engineering and architecture.<sup>63</sup>
- 4.52 The White Paper announced the Australian Government's intention to expand its scholarship assistance in coming years:
- ... doubling the total number of education awards offered by Australia in the Asia-Pacific region to over 19, 000.<sup>64</sup>
- 4.53 The new scholarships will encompass a refined Australian Development Scholarship Program – to address skills shortages and help achieve a critical mass of Australian-trained scholars in key developing country institutions, an expansion of the DEST Endeavour Program, and a new regional scholarship focused on developing future leaders in the region – the Australian Leadership Awards.<sup>65</sup>
- 4.54 As mentioned in Chapter 1, the Sub-Committee met with a group of AusAID scholarship recipients to discuss their experience of the scholarship scheme specifically – and more generally – aid and development issues.

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61 AusAID website, Australian Development Scholarships, <http://www.ausaid.gov.au/scholar/studyin.cfm>

62 Transcript, 26 October 2006, Dr Quanchi, p. 42.

63 Transcript, 27 November 2006, Fijian High Commissioner to Australia, p. 28.

64 White Paper, p. 54.

65 White Paper, p. 54.

- 4.55 The students were an impressive group of male and female undergraduate and post-graduate students, representing the following countries: PNG, the Solomon Islands, Samoa, Fiji and Vanuatu.
- 4.56 The session was a valuable exchange of ideas between the Committee Members and students. The Committee enjoyed talking with the students and appreciated their candour and articulate insights. Subsequent to the meeting, the PNG students submitted some concerns they had about the ADS, in particular:
- reductions to stipends for scholars with dependents and a one-off establishment allowance (\$5, 000) that is considered inadequate to cover set-up costs for those students with dependents.

The students requested that consideration be given to:

- conducting a review of the level of the stipend rate, with a view to the reintroduction of the dual system to cater for students with dependents;
- instigating mechanisms to help students find accommodation on arrival in Canberra;
- the provision of interest-free loans for personal emergencies; and
- a sharper focus on gender equity i.e. more scholarships for women to help raise their status and contribution within PNG society.<sup>66</sup>

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#### **Recommendation 4**

**The Committee supports the consideration of each of the issues raised by the students, and in particular recommends that the Australian Government conduct a regular review of the stipend rate for Pacific Island students on Australian Development Scholarships to ensure that it remains commensurate with the cost of living, and is at a reasonable level for those students with accompanying dependents.**

## Infrastructure

- 4.57 The White Paper states that poor infrastructure is perhaps the most binding constraint to growth throughout the Asia-Pacific region:

In the Pacific, emphasis is needed on equitable access to social infrastructure in remote, rural environments where 80% of the population live without electricity and roads.<sup>67</sup>

- 4.58 At the hearing, the APBC outlined the extent of PNG's infrastructure problems, from deficient air, road and port services to poor telecommunications networks:

[Nearly] every aspect of infrastructure in PNG is deficient ... the network of provincial and rural airports is in a very bad condition ... the road system is poor ... the major port in Port Moresby is deficient in many respects ... and conditions on the wharf in Lai are a problem in terms of security, quarantine, cleanliness and a whole range of things. Telecommunications is a huge problem in terms of quality of infrastructure, pricing and lack of competition.<sup>68</sup>

- 4.59 According to the APBC, opening these services up to competition and letting the private sector run them rather than the government was part of the answer.<sup>69</sup> The APBC added that it was a matter of striking the right balance in determining to what extent the private sector can enhance the provision of government services. This was an area in which the ABPC said it would like to work together with AusAID and partner governments to achieve results.<sup>70</sup>

- 4.60 Infrastructure will be a major focus of the aid program in the coming decade. The new *Infrastructure for Growth Initiative* will help partner governments to improve infrastructure policies (by providing experts in areas like public-private partnerships and regulatory reform), and finance projects through the multilateral development banks or bilaterally. Typical projects will include putting electricity, water

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67 White Paper, p. 37.

68 Transcript, 26 October 2007, APBC, p. 63.

69 Transcript, 26 October 2007, APBC, p. 63.

70 Transcript, 26 October 2006, APBC, p. 64.

distribution systems and roads into rural areas, and building schools and health centres.<sup>71</sup>

- 4.61 At the hearing, Pacific Studies lecturer Dr Quanchi told the Committee that, in his view, the White Paper focused too much on roads when there needed to be a greater marine focus:

They need jetties, wharves, harbours and airstrips.<sup>72</sup>

- 4.62 The Committee observed that in their experience roads were a priority in both PNG and the Solomon Islands.<sup>73</sup>

- 4.63 The APBC noted that there is an important role for jetties, but:  
... there needs to be a coordinated infrastructure approach.<sup>74</sup>

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71 White Paper, p. 38.

72 Transcript, 26 October 2006, Dr Quanchi, p. 41.

73 Transcript, 26 October 2006, p. 64.

74 Transcript, 26 October 2006, APBC, p. 64.



## Anti-corruption and good governance measures

5.1 The White Paper states that:

Corruption is a major brake to reform efforts and to broad-based economic growth and poverty reduction in many countries in the region. It also undermines aid effectiveness.<sup>1</sup>

5.2 In order to encourage good governance and anti-corruption measures in the Pacific, the Australian Prime Minister, the Hon. John Howard MP, has announced that increases in Australian aid will be 'conditional on strengthened governance and reduced corruption in partner countries.'<sup>2</sup>

5.3 While it is difficult to design and implement measures to counter corruption when change in the social and political culture of a country must ultimately be driven from within,<sup>3</sup> the Australian Government is increasing its efforts to reduce corruption where it exists in the region, by:

- **mainstreaming anti-corruption efforts in Australia's aid programs:** Each major activity will set out what it is doing not only to reduce the risks of corruption to the activity, but also to reduce corruption in the sector to which it applies. Country strategies will also set out how the aid program will help to reduce corruption;
- **developing a whole-of-government anti-corruption strategy:** The Australian Government, through different departments and agencies, is already supporting a wide range of anti-corruption activities. Most

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1 White Paper, p. 60.

2 White Paper, p. 60.

3 White Paper, p. 60.

prominent is the work of the ECP in PNG and RAMSI in the Solomon Islands. The AFP is active on anti-corruption enforcement; the Attorney-General's Department is involved in multilateral initiatives such as the UN Convention against Corruption, and bilaterally supports improvements in legal frameworks in a number of regional countries; the Treasury and Department of Finance and Administration have made major commitments to supporting accountable public financial management in PNG, Solomon Islands and Nauru; and AusAID has a number of corruption education and prevention activities throughout the region. These disparate commitments will be brought together into a new integrated Anti-Corruption for Development Strategy which will comprise three pillars: one for law and justice activities, one for economic fiscal management, and one to build internal demand within countries for greater transparency and anti-corruption;

- **supporting regional and global anti-corruption initiatives:** These include the Asian Development Bank (ADB)/ Organisation for Economic Cooperation and Development (OECD) Anti-Corruption Initiative for Asia-Pacific,<sup>4</sup> Asia Pacific Economic Cooperation (APEC) Anti-Corruption and Transparency Experts Task Force,<sup>5</sup> governance aspects of the Pacific Plan<sup>6</sup>, and support for Transparency Australia.<sup>7</sup> Australia will also help developing countries to implement the Extractive Industries Transparency Initiative (EITI),<sup>8</sup> which sets out to improve governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.<sup>9</sup>

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4 For details see the ADB/OECD Anti-Corruption Initiative Website, [http://www.oecd.org/pages/0,3417,en\\_34982156\\_34982385\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/pages/0,3417,en_34982156_34982385_1_1_1_1_1,00.html)

5 For details see APEC Anti-Corruption and Transparency Experts Task Force website, [http://www.apec.org/content/apec/apec\\_groups/som\\_special\\_task\\_groups/anti-corruption.html](http://www.apec.org/content/apec/apec_groups/som_special_task_groups/anti-corruption.html)

6 For details see the Pacific Plan website, <http://www.pacificplan.org/>

7 Transparency International is a global coalition against corruption, with a presence in some 80 countries. For details on their work, see their website, <http://www.transparency.org.au>

8 For details see the EITI website, <http://www.eitransparency.org/>

9 For details see the Australian Aid: Promoting Growth and Stability website, [http://www.ausaid.gov.au/publications/pdf/wp\\_ch6.pdf](http://www.ausaid.gov.au/publications/pdf/wp_ch6.pdf)

## Defining corruption

5.4 The ACPACS submission cautioned that community bonds known as *wantok* in some Pacific societies should not simply be equated with corruption or nepotism, as the obligation/ties often act as a form of social welfare where alternatives do not exist.<sup>10</sup>

5.5 At one of the Canberra hearings, the Committee referred to the difficulties that surround the definition of what does and does not constitute corrupt behaviour in the region. The Committee observed that:

The issue of corruption is perceived differently by people of different cultures in not only the island nations but around the world. In Australia we have a certain set of standards which we believe define corruption, but it is fair to say that in many of the islands petty corruption [small payments to officials etc] is something that is considered part of their culture ...<sup>11</sup>

5.6 At the hearing, the Committee asked Transparency International (TI) to comment on the extent to which it considered 'petty corruption' to be culturally acceptable.<sup>12</sup>

5.7 TI told the Committee that it had conducted 16 country studies in the Pacific which surmised that there was little common agreement about what constitutes corruption. TI also said that many people in countries where petty corruption is practised would not necessarily agree that it was 'a way of life'.<sup>13</sup>

5.8 ACFID expressed concerns it had about Australian policy matters, including the Australian Government's anticorruption policy, being based in their view on a notion of 'Australia good, others bad' and not allowing for hybrid governance models.<sup>14</sup>

5.9 The Committee asked ACFID to what extent non-government organisations supported the Australian Government's stance on corruption:

I get the feeling that you want us to apologise for taking a tough approach on corruption and for exercising some caution about how our aid dollars may be spent in an environment where

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10 Submission No. 3, ACPACS, p. 5.

11 Transcript, 27 November 2006, Transparency International, p. 20.

12 Transcript, 27 November 2006, Transparency International, p. 20.

13 Transcript, 27 November 2006, Transparency International, p.20.

14 Transcript, 27 November 2006, ACFID, p. 4.

historically, in some of the countries we are talking about, corruption has been endemic.<sup>15</sup>

- 5.10 ACFID said that corrupt practices disadvantage the poor most and that anticorruption initiatives were crucial:

... we see them as a vital tool in assisting local communities to push for change in their government practices, and in trying to bring about change.<sup>16</sup>

- 5.11 ACFID pointed to the work of the Australian Conservation Foundation (ACF) and others who conducted an inquiry into corruption in the forestry sector in PNG,<sup>17</sup> noting the importance of documenting corrupt practices:

That is the kind of thing that we need to see more of, but it needs to be particularly supported and driven as much as possible, from within the country. In this case, it did have strong support from inside PNG, but it drew on analytical skills from outside, particularly, Australia.<sup>18</sup>

- 5.12 Later ACFID supplied additional examples of leadership exhibited by the NGO sector in the fight against corruption and reiterated its support for AusAID's good governance measures in the Pacific.<sup>19</sup> ACFID reported that it had been a strong proponent of the Extractive Industries Transparency Initiative (EITI)<sup>20</sup> and that it was pleased to see the Australian Government's policy commitment to that initiative.<sup>21</sup>

## Forestry

- 5.13 Several submissions to the inquiry allude to corruption in the forestry sector in PNG and also the Solomon Islands,<sup>22</sup> with the ACF submission speaking to the issues in detail.

- 5.14 The ACF submission expresses long-standing concerns it has had about the logging industry in PNG, made up mostly of foreign corporations, and
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15 Transcript, 27 November 2006, p. 11.

16 Transcript, 27 November 2006, ACFID, p. 13.

17 ACF, *Bulldozing progress: Human rights abuses and corruption in PNG's large scale logging industry* (August 2006).

18 Transcript, 27 November 2006, ACFID, p. 13.

19 See Supplementary Submission No. 28, ACFID.

20 See EITI website, <http://www.eitransparency.org/>

21 See media release, Minister for Foreign Affairs, the Hon. Alexander Downer MP, *Australia supports greater transparency in resource-rich developing countries*, 11 November 2006, [http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=8985\\_8487\\_4556\\_8483\\_4975](http://www.ausaid.gov.au/media/release.cfm?BC=Media&ID=8985_8487_4556_8483_4975)

22 See Submission No. 19, ACF, Submission No. 18, ACFID, and Submission No. 8, Oxfam.

dominated by a small number of Malaysian companies. The ACF argues that these companies:

... wield considerable economic and political influence in PNG and the sector is plagued by political corruption, police racketeering and the oppression of workers, and those who question its activities.<sup>23</sup>

5.15 According to the ACF's research – conducted together with the Port Moresby-based Centre for Environmental Law and Community Rights – a number of human rights abuses are being perpetrated against local landowners, including:

- cases of police brutality;
- intimidation and abuse of women;
- contamination of food and water sources; and
- unfair working conditions.<sup>24</sup>

5.16 The Oxfam submission recommends that the Australian Government conduct an inquiry into the conduct of Australian incorporated mining companies in PNG.<sup>25</sup> TI told the Committee at the hearing that it supported Oxfam's recommendation.<sup>26</sup>

5.17 The ACF submission refers to several inquiries and initiatives which the Australian Government (and also the World Bank) has already conducted and instigated over the years in respect to the logging sector in PNG, including the National Forestry and Conservation Programme and the PNG Community Development Scheme. According to the ACF, these initiatives have had mixed results, with the latter being particularly effective in delivering support to NGOs and community initiatives.<sup>27</sup>

5.18 Dr Baines told the Committee that, in his opinion, AusAID's interventions in the forestry industry in the Solomon Islands had proved beneficial:

They have tried to stem the rot ... there is a great focus on community forestry ... It has become a fashion to plant teak in the Solomon Islands ... AusAID has seized on this as an opportunity, quite rightly, and it is good to see them supporting it.<sup>28</sup>

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23 Submission No. 19, ACF, p. 6 and p. 9.

24 Submission No. 19, ACF, p. 9.

25 Submission No. 8, Oxfam, p. 2.

26 Transcript, 27 November 2006, TI, p. 21.

27 Submission No. 19, ACF, p. 8.

28 Transcript, 26 October 2006, Dr Baines, p.35.

## Watchdog agencies

5.19 At the hearing, TI told the Committee:

One pillar in particular that is missing in the Pacific is watchdogs.<sup>29</sup>

5.20 Other submissions corroborated this view. ACPACS and ACFID contend that anti-corruption commissions, human rights commissions and ombudsmen's offices should be established.<sup>30</sup>

5.21 At one of the Canberra hearings the Committee acknowledged that Fiji was currently the only Pacific island nation to have a dedicated Human Rights Commission, however it may be worth bearing in mind the economies of scale in the Pacific i.e. "obviously small states could hardly be expected to give [them] a particular priority."<sup>31</sup>

5.22 The Committee asked AGD to comment on the potential for a regional human rights structure, similar but on a smaller scale to the European human rights institutions, where smaller states could refer or delegate certain powers on human rights matters.<sup>32</sup>

5.23 AGD advised that the Department had not to date considered assisting with the establishment of a regional human rights body. This was not least because "the need for any additional human rights institutions had not been identified by states within the region and Australia would not wish to promote this in the absence of a shared view that this would make a practical difference to human rights outcomes in the Pacific." Nonetheless, AGD stated that building national and regional capacity to implement international human rights standards was a key element of Australia's approach to human rights in the Pacific. To this end, Australia supports existing regional organisations like the Pacific Islands Forum and the Asia-Pacific Forum of National Human Rights Institutions (APF):

Australia is engaging with the Pacific Islands Forum secretariat in relation to its project aimed at exploring national human rights institutions suitable for small states ...; and

... the Australian Government supports and provides funding to ensure a UN human rights presence in the region. The Office of the High Commissioner for Human Rights, based in Suva,

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29 Transcript, 27 November 2006, TI, p. 16.

30 Submission No. 18, ACFID, p. 13 and Submission no. 13, ACPACS, p. 7.

31 Transcript, 9 February 2007, p. 36.

32 Transcript, 9 February 2007, p. 36.

provides expert support and technical assistance to countries in the region.<sup>33</sup>

## Asia Pacific Forum of National Human Rights Institutions

- 5.24 At one of the Canberra hearings, Mr Fitzpatrick, the Director of the Asia Pacific Forum of National Human Rights Institutions (a regional association of national human rights associations)<sup>34</sup> outlined the Forum's activities which have a practical focus: strengthening the capacity of pre-existing members to do their jobs effectively; assisting governments to establish new national human rights institutions (for instance, PNG and the Solomon Islands have announced their intention to establish national human rights institutions); and promoting regional cooperation amongst all the national institutions on issues that cross national boundaries.<sup>35</sup>
- 5.25 The APF noted that while there has been cabinet agreement in PNG to establish a human rights institution, the discussions to that effect have been ongoing for some 12 years. Mr Fitzpatrick observed that, "if you are looking for my estimate on the likelihood of success, I would be pessimistic."<sup>36</sup>
- 5.26 Mr Fitzpatrick acknowledged that the forum's membership was currently more heavily weighted towards Asia, although about one-sixth of the amount that AusAID contributes to the organisation's budget i.e. \$100, 000 has been set aside for a Pacific focus.<sup>37</sup>
- 5.27 The Committee was informed that the forum had made a number of recommendations to the Eminent Persons Group's Review of the Pacific Islands Forum, subsequently adopted by Pacific leaders in 2004 and incorporated into the Pacific Plan,<sup>38</sup> which was adopted in 2005.
- 5.28 One of the recommendations was for greater engagement so in association with the national human rights institutions of Fiji, NZ and Australia, the

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33 Supplementary Submission No. 34, AGD, p. 6.

34 National human rights institutions generally have mandates to receive and act upon individual complaints of human rights violations; provide conformity of national laws and practices with international human rights standards; promote human rights awareness through education related campaigns; submit recommendations to the parliament or state or other competent body for their consideration and potential action; and encourage ratifications of international human rights treaties.

35 Transcript, 9 February 2007, Asia Pacific Forum of National Human Rights Institutions, p. 49.

36 Transcript, 9 February 2007, Asia Pacific Forum of National Human Rights Institutions, p. 51.

37 Transcript, 9 February 2007, Asia Pacific Forum of National Human Rights Institutions, p. 49.

38 The Pacific Plan priorities a number of key commitments in order to strengthen regionalism in the Pacific <http://www.pacificplan.org/tiki-page.php?pageName=HomePage>

APF hosted a regional human rights consultation in Fiji in 2004 to discuss national and regional strategies for the protection and promotion of human rights. In 2005 this was followed up with a more focused meeting:

Bringing together representations from all of the 16 Pacific states, principally from their justice ministries or their foreign affairs ministries, to say what steps are being taken towards the protection and promotion of human rights, and how best the international agencies, including the Asia Pacific Forum and the Pacific Islands Forum can help to meet those strategies.<sup>39</sup>

5.29 At the February hearing, Mr Fitzpatrick advised the Committee that subsequent to the coup in Fiji, the acting Fijian Prime Minister and Military Commander had appointed a new Commissioner to the Fiji Human Rights Commission and that, in the Forum's view, this had potentially compromised the institution's independence, not least because commissioners of the Fiji Human Rights Commission had provided information about the status of human rights in Fiji that was at variance with that presented by the acting chair. Mr Fitzpatrick observed that:

... it is clearly unfortunate that perhaps one of the glowing examples of successful human rights institutions within the Pacific at the moment is under review.<sup>40</sup>

5.30 In response to the Committee's questioning about the status of human rights in the region, the APF provided some anecdotal examples of the difficulties surrounding dealing with human rights on the ground in the Solomon Islands, including a lack of capacity and resources within the police to deal with certain human rights violations – i.e. the detention facilities are inadequate because that is all there is. Traditional and other power structures within communities are another factor to consider, although in Mr Fitzpatrick's view, it is important to focus on and work through the issue at hand, rather than viewing it strictly through either human rights norms or a culturally specific lens.<sup>41</sup>

5.31 At the conclusion of his evidence, Mr Fitzpatrick provided the Committee with a number of documents, including a draft research paper on potential forms of national human rights institutions suitable for small Pacific Island states (December 2006). The paper titled, *National Human Rights Institutions Pathways for Pacific States*, was subsequently published by the

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39 Transcript, 9 February 2007, Asia Pacific Forum of National Human Rights Institutions, p. 50.

40 Transcript, 9 February 2007, Asia Pacific Forum of National Human Rights Institutions, pp. 51-52.

41 Transcript, 9 February 2007, APF, p. 54.



NZ Human Rights Commission and includes input from the APF and others.<sup>42</sup>

## Building demand for democratic governance

5.32 TI advised the Committee that there needs to be a substantive dialogue process amongst civil society organisations in the Pacific to develop a shared vision of what a society free of corruption looks like and what they prefer. TI said that its AusAID-supported research report, *What works and why in community-based anti-corruption programs (December 2006)*,<sup>43</sup> documents examples of communities, that have mobilised to discuss and find local solutions to corrupt behaviour.<sup>44</sup> TI illustrated its point with an example from Bangladesh:

... there was a situation [in one town] where, to secure a bed in a hospital, people were expected to pay a fee to the registrar. That fee varied, depending on who you were, and of course there was no receipt or recognition of payment received. It did not guarantee you would get a bed in the hospital. The community said, 'this is a serious problem'. They formed their own small group and went to the hospital and said, 'we know you are endorsing this practice because you cannot afford to pay your staff', and the hospital implicitly acknowledged that. A system was set up where a reduced fee was paid to the registrar, with a receipt, with funds going into a holding account that was managed by a community committee and representatives from the hospital. That money was earmarked for projects and equipment. That was a grassroots local solution that came from the community.<sup>45</sup>

5.33 TI stressed the importance of collective pressure for change:

You need to have a wide range of groups signing on to that vision to say, [individually it will be difficult] but collectively, we can address that.<sup>46</sup>

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42 Available from the website of the NZ Human Rights Commission, [http://www.hrc.co.nz/hrc\\_new/hrc/cms/files/documents/09-Jul-2007\\_12-52-44\\_Pacific\\_Paper.pdf](http://www.hrc.co.nz/hrc_new/hrc/cms/files/documents/09-Jul-2007_12-52-44_Pacific_Paper.pdf)

43 Available from the TI website, <http://www.transparency.org.au/communitybased.php>

44 Transcript, 27 November 2006, TI, p. 20.

45 Transcript, 27 November 2006, TI, p. 21.

46 Transcript, 27 November 2006, TI, p. 20.

5.34 AusAID told the Committee that a key feature of the White Paper is to look at what the Australian Government can do to develop a greater demand from within Pacific Island communities for better democratic governance.<sup>47</sup> AusAID stated:

... This is an area that we need to do more, because we see in our conversations, I must say, with women, that the connection they have with government and their sense that the government somehow delivers for them and their families is remote ...

... we are picking our way carefully in developing this initiative ... but we could expect to continue to support and do more about civics education generally; what people and communities should expect from their members of parliament ...

We would expect to provide more support to electoral systems and, in particular, look at support for women to enter parliament as members ...

... We are also looking at what we might do to boost support for media and radio broadcasting as a key way of communicating with populations that are widely dispersed ...

In our large health and education sector programs we are looking at how we might encourage governments to be more open about what it is they are delivering in terms of services and what communities should expect from governments.<sup>48</sup>

## Coalitions for reform

### Church Partnerships Program

5.35 At a Canberra hearing, ACFID and TI both endorsed AusAID's PNG Church Partnerships Program, which brings together Australian church-based aid organisations with their Pacific counterparts, to deliver basic services. The program also aims to develop leadership skills:

On a microscale the Church Partnership Program has shown what can be done. It seems to me that we just need to scale [that sort of thing] up steadily over time ... we need to draw more actively on the pool of Australians who have first-hand knowledge of the

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47 Transcript, 9 February, AusAID, p. 14.

48 Transcript, 9 February 2007, AusAID, p. 14.

region. They are in churches, service clubs, professional associations and NGOs.<sup>49</sup>

5.36 Moreover, in ACFID's view:

... the kind of leadership pool to emerge from this source will be significant in coming years ...<sup>50</sup>

### Coalition against corruption

5.37 In talking to the Committee about its research into what works in community based anti-corruption programs, TI referred to the coalition against corruption in PNG, which arose through a partnership between TI and the Media Council in PNG, as one successful example.<sup>51</sup>

5.38 TI explained how the coalition against corruption works:

The coalition has worked very hard to bring together members from the small grassroots community organisations, who were not at that particular time working on anticorruption issues, and engage them in very focused, very specific but very nationally relevant anticorruption issues and campaigns. The coalition has a membership of approximately 70 organisations, which reach out to a constituency of about two million PNG people, so it has a wide reach within the community. The coalition has a structure where membership is non-financial and it has set up open and collaborative processes of dialogue within its own structures, so that when it is engaging with PNG government and PNG business it does come with the collective representation of a very large sector of the PNG community.<sup>52</sup>

5.39 TI believes that it is as important to support coalitions that are already in place in Pacific island culture – such as this one – as it is to build new ones like the PNG Church Partnership Program.<sup>53</sup>

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49 Transcript, 27 November 2006, ACFID, p. 4.

50 Transcript, 27 November 2006, ACFID, p. 5.

51 Transcript, 27 November 2006, TI, p. 17.

52 Transcript, 27 November 2006, TI, p. 18.

53 Transcript, 27 November 2006, TI, p. 17.





## Supporting peace-building and community and civil society development

### Overview

- 6.1 The joint DFAT/AusAID submission highlights a number of peace-building and community and civil society<sup>1</sup> development activities that the Australian aid program supports in the Pacific. These include:
- in the Solomon Islands, as a practical peace dividend, over 700 community level activities in all provinces to improve the provision of education, health, water supply and road maintenance;
  - in PNG, the Community Development Scheme which gives grants to organisations like the Peace Foundation Melanesia (providing mediation and restorative justice training to village court magistrates and village peace officers) and the PNG Church Partnership Program (where Australian faith-based organisations support their PNG church counterparts to deliver health and education services);
  - in Vanuatu, the Wan Smolbag Theatre which educates communities about development issues through plays about environmental, social, health and human rights matters;

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1 'Civil society' includes organisations such as registered charities, development non-governmental organisations, community groups, women's organisations, faith-based organisations, professional associations, business associations, coalitions and advocacy groups. Source: London School of Economics Centre for Civil Society, [http://www.lse.ac.uk/collections/CCS/what\\_is\\_civil\\_society.htm](http://www.lse.ac.uk/collections/CCS/what_is_civil_society.htm)

- women's crisis centres in Fiji and Vanuatu and a family support centre in the Solomon Islands, that provide counselling and advocacy services for victims of domestic violence and sexual abuse;
  - assistance to the United Nations Development Program in Suva to analyse sources of conflict in the Pacific;
  - the Regional Rights Resource Team in Suva, a regional legal literacy project aiming to enhance the legal and social status of women in various Pacific island countries; and
  - through the Australian Human Rights Small Grants Scheme, funding local organisations in Tonga, Samoa and Fiji to train women, youth, teachers, police and church ministers in human rights. The Scheme has also been used to build capacity for female candidates for elections in the Solomon Islands and Tonga.<sup>2</sup>
- 6.2 The White Paper states that the aid program will make continued and increased use of the non-government community as a delivery mechanism for Australian aid, mainly through the Australian NGO Cooperation Program which facilitates collaboration between the government and accredited NGOs.<sup>3</sup>
- 6.3 A new initiative *Mobilising New Australian Links to the Region* will tap into the skills and experience of the broader Australian community to contribute to the region's development.<sup>4</sup> This will include greater support for community-based organisations that lack the formal arrangements needed to meet AusAID's accreditation standards, to qualify for smaller amounts of project funding, and using professional bodies and business links more. One option being explored is linking Australian schools with schools abroad to deepen children's perception of themselves as global citizens.<sup>5</sup>

## Recognition of civil society

- 6.4 At a Canberra hearing, ACFID acknowledged that there has been an absolute dollar increase in funding for the AusAID-NGO Cooperation
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2 Submission No. 6, DFAT/AusAID, pp. 8-9, and Wan Smolbag website, <http://www.wan-smolbag-theatre.org/>

3 White Paper, p. 64.

4 White Paper, pp. 64-65.

5 White Paper, p. 65.

program from 0.9% to 1.2% of the total aid budget. However, in ACFID's view, the value of civil society partnerships remains an underutilised asset:

... it seems odd, given the strengths that Australia can draw on in this area (we have this whole fabric of connections, not only through the churches, but through service clubs and business links and so on), that we have about the lowest proportion of support of any of the OECD countries for civil society type mechanisms using the aid program ... Our American and Canadian colleagues do proportionally four times more than we do this way.<sup>6</sup>

6.5 In their written submission, ACFID referred to their members' expertise and long-standing relationships in many Pacific island countries and argued that making greater use of the NGO sector was more cost-effective relative to using 'for-profit' contractors.<sup>7</sup>

6.6 At the Sydney hearing, the Red Cross said that, in their opinion:

References to civil society partnerships are largely absent from the White Paper.<sup>8</sup>

6.7 Further:

The Australian aid program should explicitly recognise and strengthen the role of civil society as a partner in delivering health and HIV services.<sup>9</sup>

6.8 The Red Cross described the positive impact that one of its AusAID-supported health awareness projects, the Solomon Islands Health Awareness Project, has had in remote parts of the Solomon Islands,

... that set of activities has led to a reduction in community tensions and building of peace in those communities.<sup>10</sup>

6.9 AusAID told the Committee that it already had a track record in supporting civil society development in a range of Pacific island countries but the agency intends to do more, despite the fact that it was not always an easy area for an external donor to become engaged in.<sup>11</sup>

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6 Transcript, 27 November 2006, ACFID, p. 10.

7 Submission No. 18, ACFID, p. 2.

8 Transcript, 2 May 2007, Australian Red Cross, p. 27.

9 Submission No. 9, Australian Red Cross, p. 4 and Transcript, 2 May 2007, Australian Red Cross, p. 28.

10 Transcript, 2 May 2007, Australian Red Cross, p. 28. See p. 13 for more details of the Health Awareness Project in the Solomon Islands.

11 Transcript, 27 February 2007, AusAID, p. 14.



- 6.10 In its supplementary submission, AusAID outlined a number of civil society strengthening activities which it is currently supporting. In addition to those already mentioned in paragraph 6. 1, these include:
- a five-year \$4.5 million Community Partnership Program in Vanuatu for building the capacity of key organisations with local legitimacy, including the National Council of Chiefs and Transparency International; and
  - an Electoral Support Program which has funded civil society organisations to carry out voter awareness campaigns in the lead up to the 2007 election and a Media for Development initiative that supports civil society to produce media content dealing with development issues in PNG.<sup>12</sup>
- 6.11 AusAID reiterated that civil society is an important partner in service delivery and that it will continue to provide support for civil society – including churches – to work in partnership with governments to deliver essential services, and to consult all stakeholders during the development of its programs.<sup>13</sup>

## Consultation

- 6.12 The Committee asked Oxfam and Red Cross to characterise their level of consultation with AusAID. Oxfam said:
- ... there is quite a healthy dialogue at the moment between our executive director and program director with [AusAID's director-General] and senior staff.<sup>14</sup>
- 6.13 Similarly, the Red Cross indicated that it had a professional and positive relationship with AusAID and that while differences may arise from time to time on specific technical matters they are able to be resolved, based on respect for the expertise and capacity brought by both parties. Moreover, there is a common desire to reduce poverty and vulnerability in the region.<sup>15</sup>
- 6.14 The Office for Women told the Committee that it had welcomed the invitation from AusAID to contribute to the development of AusAID's gender policy.<sup>16</sup>

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12 Supplementary Submission No. 32, AusAID, p. 7.

13 Supplementary Submission No. 32, AusAID, p. 7.

14 Transcript, 2 May 2007, Oxfam, p. 21.

15 Correspondence from Australian Red Cross, 07/05/07.

16 Transcript, 2 May 2007, Office for Women, p. 15.

## Media

- 6.15 In his submission to the inquiry, Mr Brown, editor of the Avaiki news agency in the Cook Islands pointed out that radio services were an important means for ordinary citizens to access governance information. Mr Brown declared that underinvestment in public broadcasting services throughout the Pacific had impacted on the quality and quantity of production output, and in his view, more support for independent media was also required. He recommended that additional funding be allocated to redress the various technical deficiencies.<sup>17</sup>
- 6.16 At the hearing, the Committee asked AusAID to comment on the status of the Pacific Media Initiative (PMI) which the Australian Government previously funded.<sup>18</sup> AusAID responded that it had been replaced in recent years by the Pacific Media and Communications Facility (PMCF), which has a \$2.1 million allocation for 2004 through 2007 to build media capacity in the Pacific.<sup>19</sup>

## Small arms security

- 6.17 In its submission to the inquiry, the Red Cross refers to the destabilising effects the use of small arms and light weapons have had in places like Bougainville, the Solomon Islands and East Timor.<sup>20</sup> The Red Cross notes that Australia has been instrumental in weapons control in the region, however, it believes that Australia should take a stronger stance on restricting civilian possession of small arms.<sup>21</sup>
- 6.18 The Department of Defence informed the Committee that it had constructed armouries through the region, in Fiji, PNG, Vanuatu and the Solomon Islands and armoury projects were underway in Samoa and Tonga, with plans for the same in Tuvalu and Kiribati.<sup>22</sup> Defence observed:

Had those armouries and magazines not gone ahead, then there could have been a leakage of weapons from the police force or the defence forces in the region to whoever wanted them.<sup>23</sup>

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17 Submission no. 13, Avaiki News Agency.

18 Transcript, 27 February 2007, AusAID, p. 18.

19 Supplementary Submission No. 32, AusAID, p. 9.

20 Submission No. 9, Australian Red Cross, p. 20.

21 Submission No. 9, Australian Red Cross, p. 4.

22 Transcript, 9 February 2007, Department of Defence, p. 20.

23 Transcript, 9 February 2007, Department of Defence, p. 23.

- 6.19 In addition to weapons security, Defence said it undertook weapons stocktakes in the region, and had been supporting a major PNG Defence Force stocktake:

We did a muster in 2002, and since then all those weapons have been destroyed ... as I understand it, there were 3, 426 weapons recently destroyed. That is a significant reduction in weapons.<sup>24</sup>

- 6.20 The Committee asked Defence to comment on the extent of proliferation of small arms in the region, in particular in the PNG Highlands where weapons have allegedly been lost from police armouries rather than PNG Defence Force ones.<sup>25</sup>

- 6.21 Defence later supplied some information on these matters. The Department remarked that proliferation of small arms in the region continued to be a significant concern. Defence reiterated that its focus in PNG was on developing the capacity of the PNG Defence Force and it worked to improve their weapons storage, stock control and weapons management practices, as part of an agreed bilateral project. Defence pointed out that leakage from armouries (be they Defence or police ones) was actually only part of the broader and much more difficult challenge, which is the very high ratio of private ownership of arms. These include illicit weapons gained from other sources, namely criminal networks (which by their nature are virtually impossible to count), and also many lawfully held weapons.

Lawfully held civilian stockpiles of small arms in the Pacific include 3.1 million firearms, or one privately held gun for every 10 people ... this surpasses the global ratio by 50%...<sup>26</sup>

## **Building people-to-people links**

- 6.22 The Australian Centre for Peace and Conflict Studies (ACPACS) told the Committee that there has been a decline in people-to-people exchanges in the Pacific over the years, particularly in PNG, and in their view this needed to be addressed:

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24 Transcript, 9 February 2007, Department of Defence, p. 23.

25 Transcript, 9 February 2007, Department of Defence, p. 23.

26 Supplementary Submission No. 30, Department of Defence, p. 3.

This is something that the Australian Strategic Policy Institute pointed to in its [Strengthening our neighbour: Australia and the future of PNG] report last year ...

... there is a real need to develop all sorts of diverse opportunities for different kinds of people-to-people as well as government-to-government encounters between Australia, Melanesia, Polynesia and Micronesia.<sup>27</sup>

6.23 ACFID concurred:

On a microscale the Church Partnership Program has shown what can be done ... We do need to draw more actively on the pool of Australians [from] churches, service clubs, trade unions, professional associations and NGOs.<sup>28</sup>

6.24 Several submissions and witnesses supported the notion of forming denser networks of exchanges between Australians and Pacific Islanders, for development reasons and to promote a deeper cultural understanding and appreciation between the respective cultures. Some of the possible means to achieve this have been elaborated on elsewhere in this report, such as a seasonal labour mobility scheme (see Chapter 2), AusAID scholarships (see Chapter 4) and the PNG Church Partnerships Program (Chapter 5). Other ways, including already established as well as new professional and educational linkages and exchanges, and support for greater women's participation in decision-making at village, provincial and national levels will be explored further here.

## Professional links

6.25 Defence told the Committee that it supported training places for Pacific Islanders at the Australian Defence College, and Pacific Islander cadets worked together with Australian officers to learn the core skills of their trade.<sup>29</sup>

6.26 Defence also runs an annual program called 'Exercise Puk Puk' whereby Australian engineers work together with PNGDF engineers on various construction projects throughout PNG. Defence advised:

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27 Transcript, 26 October 2006, ACPACS, pp. 3 - 4.

28 Transcript, 27 November, ACFID, p. 5.

29 Transcript, 9 February 2007, Defence, p. 26.

... it is a very visible and tangible sign of not only the ADF but also the local soldiers contributing to their community and that is very well received.<sup>30</sup>

6.27 Similarly, the AFP reported to the Committee that it had begun incorporating Pacific Island nations into its IDG training faculty:

We have intentionally had Solomon Islanders join our training faculty on three separate occasions and it has been an outstanding success.<sup>31</sup>

### Group partnership model

6.28 ACFID says there is potential for various 'group partnerships' (similar in concept to the PNG Church Partnership Program) to enhance the aid program to the Pacific, particularly in respect of health services. ACFID proposes for instance a *Partnership to Support Pacific People with Disabilities* – a substantial disability program to assist Pacific service providers, trainers and client support groups by utilising Australian development and disability expertise.<sup>32</sup>

6.29 At the hearing, ACFID elaborated:

Through ACROD [Australia's National Disability Services peak body], the domestic disability organisation, we have world-class expertise. Linked with ACFID we could do some wonderful things in the region.<sup>33</sup>

6.30 Subsequent to the hearing, ACFID informed the Committee that ACFID and ACROD had created an Australian Disability and Development Consortium (ADDC) which formalises their intention to work together to build the profile of and improve disability services in the region. One of the consortium's first activities was to hold a photographic exhibition on disability and development in the region at Parliament House in Canberra in February 2007.<sup>34</sup>

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30 Transcript, 9 February 2007, Defence, p. 25.

31 Transcript, 9 February 2007, AFP, p. 40.

32 Submission No. 18, ACFID, p. 3.

33 Transcript, 27 November 2006, ACFID, p. 7.

34 Supplementary Submission No. 28, ACFID, p. 2.

## Centre for Democratic Institutions

- 6.31 ACFID expressed concerns to the Committee that the Centre for Democratic Institutions (CDI)<sup>35</sup> has scaled back its involvement in supporting civil society in the Pacific.<sup>36</sup>
- 6.32 At a private meeting in late 2006, CDI told the Committee that it had instigated a new mandate which focuses on strengthening (1) political parties and (2) parliamentary governance in the region.<sup>37</sup>
- 6.33 In addition to producing research papers, some of the CDI's key practical activities, include:
- the Political Party Development Course (PPD) – a flagship training course which aims to give party officials and their equivalents in Australia's partner countries the skills to build stronger and more responsible party organisations. Working closely with the major Australian parties, the PPD course covers issues of party functioning such as candidate selection, membership, campaigning, finance, media relations, issue management, the role of parliamentary parties, and ensuring party discipline. PPD also feeds into a range of more targeted, in-country programs working with political parties in Indonesia, Timor Leste and Melanesia;
  - the CDI Political Party Assistance Roundtable which brings Australian policymakers and political party secretariats together with the major international organisations working on political party assistance in our region; and
  - the annual Pacific Parliamentary Dialogue whereby Pacific parliamentarians gather to discuss key challenges facing the region.<sup>38</sup>
- 6.34 CDI invited the Committee to participate in its 8<sup>th</sup> annual CDI Parliamentary Dialogue which was held from 11-13<sup>th</sup> December 2006 in Samoa. These dialogues bring together Members of Parliament from the Pacific Island countries, Australia and New Zealand to discuss public leadership in the region. A special feature of the 2006 event was a full-day's program devoted to the subject of 'women in parliamentary

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35 CDI responds to the needs of developing countries, concentrating on good governance and democratic institutions, with a focus on the Asia-Pacific region. CDI receives its core funding from AusAID and is based at the ANU.

36 Transcript, 27 November 2006, ACFID, p. 5.

37 Details of the CDI's mandate, training courses and other activities can be found on their website, <http://www.cdi.anu.edu.au/>

38 CDI website, [http://www.cdi.anu.edu.au/activities/Activities\\_HOME.htm](http://www.cdi.anu.edu.au/activities/Activities_HOME.htm)

politics.’ The Committee Chair attended the conference and chaired a panel discussion on ‘Women in National Leadership’. The program, list of participants and conference report can be downloaded from the CDI website.<sup>39</sup>

## Office for Women - strengthening women’s links

### Electing women to office

6.35 The Office for Women notes that just 3% of the region’s MPs are women.<sup>40</sup> At the Sydney hearing, the Office for Women referred to the under-representation of women in public office and the need to redress the balance:

There is a significant body of research that indicates that, where the influence of women in public life is greater, the level of corruption is lower. There is also research that suggests that in order to influence parliamentary agendas, particularly in areas such as health and educational welfare there does need to be a critical mass of women parliamentarians – some say 15%-30%.<sup>41</sup>

6.36 The Committee heard that the Office for Women (whose primary focus is on domestic issues facing women in Australia) nonetheless makes a niche contribution to supporting women in the Pacific. Working together with AusAID, DFAT and CDI, recent efforts to build links between Australian and Pacific women leaders include:

- in September 2006, supporting female ministers from East Timor and Tonga and an election candidate from the Solomon Islands to attend the annual Commonwealth-State Ministers Conference on the Status of Women, known as MINCO;
- in October 2006, arranging a side program of events for the two female PNG participants in CDI’s inaugural Political Party Development Course, consisting of meetings with Australian women parliamentarians and the Human Rights and Equal Opportunity Commission;

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39 [http://www.cdi.anu.edu.au/asia\\_pacific\\_region/2006-07/2006\\_12\\_AP\\_PRO\\_8thPacPD\\_Samoa.htm](http://www.cdi.anu.edu.au/asia_pacific_region/2006-07/2006_12_AP_PRO_8thPacPD_Samoa.htm)

40 Submission No. 21, Office for Women, Table on Women’s Political Representation in Pacific Island Countries: Source IPU 2006, p. 6.

41 Transcript, 2 May 2007, Office for Women, p. 12.

- co-sponsoring with AusAID and DFAT a delegation for 4 women from PNG to attend the APEC Women Leaders Network in June 2007; and
  - grants to Australian NGOs to build on their activities in PNG, the Solomons and Timor-Leste to promote women's participation in leadership roles.<sup>42</sup>
- 6.37 At the Brisbane hearing, the Committee asked Dr Baines to comment on the extent to which he thought CDI's activities, including bringing women out to Australia for their courses on political party development and parliamentary strengthening, are making a difference in terms of supporting women to stand for office in the Pacific.<sup>43</sup>
- 6.38 Dr Baines told the Committee that they certainly make a contribution. He went on to describe the determination of a group of women in Simbu province that had formed a coalition and 'contested every ward at election and every electorate that they could get a run in'. Dr Baines alluded to the very many difficult challenges that the women faced in trying to get elected to public office but said that eventually:
- They got one person up out of a field of 30-40 ...<sup>44</sup>
- 6.39 At a private meeting with the Committee, Ms Robyn Slarke (human rights advocate, village courts magistrate trainer in the Highlands of PNG, and independent documentary-maker) showed excerpts from her films which include first-hand accounts of the many obstacles that women face standing for election to the PNG Parliament and their bravery in persisting in the face of a lack of resources, violent intimidation by men and fear of retribution. The film also attested to the difference that women parliamentarians like Dame Carol Kidu, PNG's Minister for Community Development, Women, Religion and Sports, are making to their community and country.

### Linkages between Australian and Pacific women parliamentarians

- 6.40 At the Sydney hearing, ways to strengthen networks between Australian women parliamentarians and Pacific women parliamentarians were discussed. The Office for Women acknowledged the participation of several Australian female parliamentarians in CDI activities as well as others, and said it saw its role as facilitating access to people who would be most useful. The Office for Women said that:

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42 Transcript, 2 May 2007, Office of Women, pp. 13-15.

43 Transcript, 26 October 2006, p. 34.

44 Transcript, 26 October 2006, p. 34.



The feedback that we have had from those [visiting] women is that it is incredibly morale boosting and they draw lots of ideas from how different Australian women leaders look at issues.<sup>45</sup>

- 6.41 The Committee acknowledged that engagement had been somewhat ad-hoc but there were practical challenges to consider with pursuing more formal regional networks, like the logistics of travel within the region.<sup>46</sup>

### Indigenous connections

- 6.42 The Committee wanted to learn to what extent links were being made between indigenous women in Australia and women in the Pacific. The Office for Women said that women in the Pacific had expressed keen interest in this area:

The women that have come here from the Pacific have shown a real interest in what is happening in [the Office of Indigenous Policy Coordination] – our colleagues in FaCSIA – in the women’s leadership area ... We [are] talking about what opportunities there might be to forge some linkages with their Indigenous Women’s Leadership Program.<sup>47</sup>

### Pacific expertise

#### Pacific studies at Australian universities

- 6.43 At the Brisbane hearing, the Committee asked Pacific Studies lecturer, Dr Quanchi to comment on the level of interest amongst Australian students for learning about the Pacific. Dr Quanchi replied that Pacific studies was less popular than Asian or European studies at his university, however there was certainly interest. Dr Quanchi teaches approximately 100 students each semester, and Pacific studies is also taught at several other Australian universities, including Griffith University, James Cook University and the ANU.<sup>48</sup> Dr Quanchi acknowledged that while his field work courses were particularly popular, these were limited, for practical reasons, to countries where there were flights available, at reasonable prices.<sup>49</sup>

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45 Transcript, 2 May 2007, Office for Women, p. 16.

46 Transcript, 2 May 2007, pp. 17 - 18.

47 Transcript, 2 May 2007, p. 17.

48 Transcript, 26 October 2006, Dr Quanchi, p. 43.

49 Transcript, 26 October 2006, Dr Quanchi, p. 42.

- 6.44 The Fijian High Commissioner to Australia, His Excellency Mr Naidu informed the Committee that there had been a reduction in the size of the Pacific Studies Department at the ANU since the seventies and eighties as the focus had shifted to Asia, however DFAT was directly funding several important programs like the [State, Society and Governance in Melanesia project]<sup>50</sup> and the CDI, both at the ANU.<sup>51</sup>
- 6.45 Both Dr Quanchi and the Fijian High Commissioner observed that there appeared to be a resurgence of interest in Pacific studies, with the ANU soon to commence undergraduate courses to complement its postgraduate ones, and the establishment of an International Centre of Excellence in Asia-Pacific Studies (ICEAPS), also at the ANU, which aims to develop a network which will promote excellence and collaboration in Asian and Pacific studies across Australia and internationally.<sup>52</sup> One of the first steps of the ICEAPS has been to form a national association to represent the interests of Pacific Island scholars, the Australian Association for the Advancement of Pacific Studies (AAAPS).<sup>53</sup> A Steering Committee comprised of academics from different states has been formed to progress the formation of the AAAPS.<sup>54</sup>

## DFAT and AusAID

- 6.46 At the Brisbane hearing, it was suggested by some witnesses that specialisation in Pacific issues is not encouraged within DFAT and AusAID in the same way that specialisation in Asian issues is. The Asia Pacific Business Council claimed that:

There is only a handful of people who you could say have developed genuine Pacific expertise and who are able to draw on that in developing advice for the government.<sup>55</sup>

- 6.47 At a subsequent hearing, DFAT refuted the claims:

... I am thinking of people I know and, for example, the current High Commissioner in the Solomon Islands worked in the Pacific Division before he went there. The High Commissioner in the

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50 See the State, Society and Governance in Melanesia Project website for details, <http://rspas.anu.edu.au/melanesia/>

51 Transcript, 27 November 2006, Fijian High Commissioner to Australia, p. 37.

52 See ICEAPS website for details, <http://iceaps.anu.edu.au/>

53 Transcript, 27 November 2006, Fijian High Commissioner to Australia, p. 37 and Transcript, 26 October 2006, Dr Quanchi, p. 41.

54 See ICEAPS website, <http://iceaps.anu.edu.au/pacific.html>

55 Transcript, 26 October 2006, p. 61.

Solomons came back to a job in the Pacific Division ... the Special Coordinator of RAMSI went as High Commissioner to Fiji.<sup>56</sup>

- 6.48 DFAT elaborated on the range of factors that contributed to staff turnover. Not least, every three years people at posts will change, because Australia has a posting system. The Department said it tried to balance drawing on expertise with 'refreshing with new blood' and that there was very good expertise in the Pacific Division, with people coming back from the Pacific to working on issues [in Canberra].<sup>57</sup>
- 6.49 AusAID added that overseas posts generally had significant numbers of longstanding very qualified locally engaged staff that provided a degree of continuity.<sup>58</sup>

## Australian Youth Ambassadors for Development

- 6.50 Every year, the Australian Youth Ambassadors for Development (AYAD) Program places 400 skilled young Australians (aged 18-30) on short-term assignments (3-12 months) in developing countries across the Asia Pacific region. AYADs work with local counterparts in partner host organisations across a diverse range of sectors including education, environment, gender, governance, health, infrastructure, rural development and trades. The program aims to strengthen mutual understanding between Australia and the countries of the Asia-Pacific region and make a positive contribution to development.<sup>59</sup> Other similar AusAID supported programs like the already mentioned ABVs (see Chapter 3), Australian Volunteers International (AVI)<sup>60</sup> and Volunteering for International Development from Australia (VIDA)<sup>61</sup> offer older more experienced Australians the opportunity to share skills and build relationships with people in developing countries in the region.
- 6.51 As mentioned in Chapter 1, the Committee met with a small group of returned Australian Youth Ambassadors in Canberra (who had had placements in Fiji, Vanuatu and the Solomon Islands), to discuss their experience of the AYAD program.

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56 Transcript, 9 February 2007, DFAT, p. 16.

57 Transcript, 9 February 2007, DFAT, p. 17.

58 Transcript, 9 February 2007, AusAID, p. 16.

59 AYAD website, <http://www.ayad.com.au/>

60 See AVI website, <http://www.australianvolunteers.com>

61 See VIDA website, <http://www.vidavolunteers.com.au>

- 6.52 The AYADs with whom the Committee spoke felt they gained as much as they had contributed to the program and that it was a mutually worthwhile program for the AYAD and host organisation.
- 6.53 At a Canberra hearing, the Committee noted that it had long been an avid supporter of the AYAD program and particularly its engagement in the Pacific.<sup>62</sup>
- 6.54 The Fijian High Commissioner agreed:
- The feedback that we have is that it is a fantastic learning opportunity both for the youth ambassadors and for the young people ... whatever areas they are assigned, they are making a huge dent.<sup>63</sup>
- 6.55 The National Library of Australia's submission indicated that it had been working together with AusAID to promote library-based positions for the AYAD scheme in the Pacific, and observed that this approach had proved more successful than previous programs that had brought librarians to Australia for short training programs:
- There are few trained librarians in most Pacific countries, so longer-term training, as well as impartial assessment of existing services and aid opportunities, as is occurring through AYAD placements is proving more effective than narrowly focussed short courses.<sup>64</sup>

## Pacific Islander Youth Ambassador Scheme

- 6.56 The Committee asked the Fijian High Commissioner for his views on ACFID's suggestion to establish a reverse AYAD scheme<sup>65</sup> whereby young Pacific Islanders would be invited to Australia to be Pacific youth ambassadors in a similar way that Australians are placed in host organisations overseas.<sup>66</sup> The High Commissioner voiced his support for such a program:

I think it will be a great idea to have a youth exchange in that way through youth ambassadors.<sup>67</sup>

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62 Transcript, 27 November 2006, p. 35.

63 Transcript, 27 November 2006, Fijian High Commissioner to Australia, p. 36.

64 Submission No. 26, National Library of Australia, p. 2.

65 See Submission No. 18, ACFID.

66 Transcript, 27 November 2006, p. 35.

67 Transcript, 27 November 2006, Fijian High Commissioner to Australia, p. 36.

- 6.57 According to ACFID there would be tremendous value in hosting young Pacific Islander graduates in government departments, NGOs or the private sector here in Australia. It could also help dispel notions that the aid program was all one-way:

That would show too that we are not just saying, 'Okay, our young people can go out there and teach you something' ... I think it would strengthen relationships.<sup>68</sup>

- 6.58 The PNG Students' Association submitted that in their view short term placements for Papua New Guineans in the Australian civil service would be very valuable, and suggested that perhaps these attachments could be facilitated through the AusAID scholarship program:

Much can be gained from exposure. Seeing how things are done elsewhere and then applying those methods, suitably adapted, in PNG.<sup>69</sup>

- 6.59 Oxfam was similarly enthusiastic about the value of Pacific Islanders being placed in Australian organisations:

As an ex-employee of Australian Volunteers International, I think it is an idea whose time has come. It was always bothering me when I was [working overseas as a volunteer] that we were sending Australians [abroad] and there was not the opportunity to reciprocate.<sup>70</sup>

- 6.60 Oxfam added that such a scheme could complement its international youth partnerships program well, by allowing Pacific Islanders to have a more substantial work placement in its Australian office:

Our own experience shows that where they come and work in our office with our staff [as part of Oxfam's international youth partnerships program] the value to both parties is enormous.<sup>71</sup>

- 6.61 ACFID suggested that the most practical way to establish the Pacific Islander Youth Ambassador Scheme may be to link it with the existing AYAD scheme.<sup>72</sup>

- 6.62 The Committee is mindful that it is a requirement of the Australian public service that employees are citizens or permanent residents and that this

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68 Transcript, 27 November 2006, ACFID, p. 7.

69 Submission No. 35, PNG Students' Association, pp. 4-5.

70 Transcript, 2 May 2007, Oxfam, p. 25.

71 Transcript, 2 May 2007, Oxfam, p. 25.

72 Transcript, 27 November 2006, ACFID, p. 7.

may preclude placements in an Australian government department or agency, under current visa arrangements. However the Committee is encouraged by and supportive of the Australian Foreign Minister's recent remarks to the effect that he is considering expanding opportunities for Pacific public servants to gain experience through temporary work placements in Australia.<sup>73</sup>

- 6.63 The Committee notes that organisations like Rotary and academic institutions already provide for a range of cultural exchange opportunities. And, the Committee is aware that Pacific Islanders can apply for DEST Endeavour Awards which facilitate short term placements in Australian organisations.<sup>74</sup>
- 6.64 That said, the Committee is supportive in-principle of the concept of a reverse AYAD/Pacific Islander Youth Ambassador scheme, whereby young skilled Pacific Islanders could apply for stipend-supported placements in host organisations within Australia.
- 6.65 The Committee appreciates that a new visa class and/or special arrangements may need to be created in order to accommodate such a scheme, especially with respect to secondments in the Australian public service.
- 6.66 It is the Committee's view that a reverse AYAD program could fill a niche by providing skilled young Pacific Islanders with valuable work experience in their fields of expertise and interest in Australia, to take home. A Pacific Youth Ambassador Scheme would add value to the educational and other opportunities that already exist for young Pacific Islanders. Moreover, a cultural exchange of this type would build personal contacts and cooperation between Australians and Pacific Islanders and our respective governments – essential for goodwill between our nations into the future.

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73 Speech for the Biennial Sir Arthur Tange Lecture on Australian diplomacy, Australia's Commitment to the Pacific, The Hon. Alexander Downer, MP, Minister for Foreign Affairs, 8 August 2007, p. 13, [http://www.foreignminister.gov.au/speeches/2007/070808\\_tange.html](http://www.foreignminister.gov.au/speeches/2007/070808_tange.html)

74 See the DEST Endeavour Programme website for details:  
<http://www.endeavour.dest.gov.au/>

**Recommendation 5**

**The Committee recommends that the Australian Government consider establishing a Pacific Island Youth Ambassador Scheme (similar to and possibly linked with the Australian Youth Ambassador Scheme, or AusAID scholarships), whereby young skilled Pacific Islanders can apply for placements in an Australian host organisation workplace for the purpose of work experience and cultural exchange.**





## Committee comment and conclusion

- 7.1 As indicated in Chapter 1 it was not the Committee's intention, with this inquiry, to review every aspect of Australia's aid program. The purpose of the inquiry was to gain an overview of the aid program, and insights into its operational challenges and successes.
- 7.2 As alluded to in Chapter 2, the period during which the inquiry was conducted (March 2006-August 2007) was characterised by a number of events that have impacted on the region's stability and governance, from the coup in Fiji to incidences of riots in the Solomon Islands and Tonga. The Committee heard that events such as the Fiji military coup – a setback for democracy – had resulted in the suspension of elements of Australia's aid, by Australia. Aspects of the ECP had also been curtailed when the PNG Supreme Court deemed parts of the program unconstitutional. That said, many Australian aid activities in Fiji remain in place to support the Fijian people. And, Australia has continued to direct the majority of its aid in the Pacific to Papua New Guinea and the Solomon Islands. Australia took lead roles in re-stabilising the situations in the Solomon Islands and Tonga and has been providing substantial ongoing assistance in the form of large-scale and ambitious interventions like RAMSI and ECP, to strengthen law and justice longer-term with an emphasis on capacity building in key government agencies.
- 7.3 One of the main themes to emerge during the inquiry – and the focus of Chapter 3 – was the need to improve growth in Pacific Island economies which for the most part are underperforming for reasons ranging from economies of scale to political instability, poor governance and/or underinvestment. Stimulating the private sector has not typically been the domain of aid agencies for a range of reasons; and public funds are naturally directed to the public sector. However, as the Committee heard there is plenty that the Australian Government, the Australia-Pacific Business Councils, the private sector and NGOs like Australian Business

Volunteers can do to help promote economic reform; from working to improve the policy environment as advisors in line agencies, to investing in infrastructure and human resources and encouraging financial services development, including microfinance. There is no doubt that further innovative approaches are required and desirable. Mr Rich's proposal that the Australian tax rules be amended to encourage companies to become directly involved in building private sector capacities in developing countries is one novel idea. The Committee thinks that the newly established Australian *Business for Poverty Relief Alliance*, a forum for Australian business leaders to get involved in tackling global poverty, is another interesting development to follow.<sup>1</sup>

- 7.4 One of the Committee's recommendations in this report is to support young skilled Pacific Islanders to undertake placements in host organisations in Australia (be these in the public, private or not-for profit sectors). This goes to the heart of building human capital.
- 7.5 Several witnesses, ACFID, ACPACS, proponents of microfinance and Mr Delaney referred to the untapped resilience and entrepreneurial capacities of Pacific Islanders. They said that the use of negative language and expectations needed to be transformed; Pacific Island states should be perceived as emerging states rather than failing ones; and the focus transferred to what could be rather than what is or is not. The Committee appreciated Mr Delaney's description of the Pacific as an 'arc of opportunity'.
- 7.6 Clearly, work remains to be done in health and education in parts of the region and this should remain a priority for Australian aid. The Committee learnt how pernicious HIV/AIDS is in PNG and of its adverse impact on all aspects of the economy and society. The general health and education indicators for many other Pacific Island states also remain poor. Chapter 4 covers ways in which the Australian aid program is seeking to tackle AIDS in PNG and invest in the short and long term priorities of health and education across the region. The White Paper stated that access to these basic services is critical to every aspect of development and establishing the legitimacy of the state in the Pacific – the Committee could not agree more.
- 7.7 The Committee notes that the problems besetting health and education in some of the Pacific countries are not all ones that the Australian
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1 See the website for more details, including a downloadable copy of the Alliance's report from the Allen Consulting Group, *Business for poverty relief: A business case for business action*, <http://www.businessforpovertyrelief.com.au/>

Government can simply fix by devoting more resources, although of course the Committee welcomes additional resources to that end (be it improving hospital and health centre infrastructure, or doubling educational awards and establishing an Australia-Pacific Technical College). Political leadership, community leadership and private sector engagement are also key. Regarding the latter, the Committee notes the work of the Asia Pacific Business Coalition on HIV and the contribution it is making through its workplace programs on HIV/AIDS in PNG.

- 7.8 The Committee also acknowledges the desire and need for better roads and ports in some Pacific Island states. A lack of basic infrastructure – be it transport or communication networks – is obviously an impediment to growth and development. To this end, the Committee is pleased to see that the White Paper places renewed emphasis on building infrastructure in the region via a new *Infrastructure for Growth Initiative* which will focus on high-priority infrastructure projects and establishing more public-private partnerships.
- 7.9 Corruption undermines good governance and its corrosive effects on developing states worldwide are well documented. Australia’s whole-of-government approach (set out in Chapter 5) aims to reduce corruption where it exists in the Pacific region. Putting advisors in line agencies is one way of ensuring that money is spent wisely. Supporting projects like the *Extractive Industries Transparency Initiative*, and building demand for democratic governance through the strengthening of civil society are other ways. Australian NGOs continue to work hard to bolster civil society. AusAID supports civil society by funding NGOs and maintains successful programs like the Church Partnership Program in PNG as well as watchdog agencies like the Asia Pacific Forum of National Human Rights Institutions. The agency is also branching out to bolster other elements of civil society – free media, political parties and, in particular, women leaders. The Committee looks forward to updates on these new directions as they take shape.
- 7.10 It is worth pointing out that there are limits to what Australian aid can do in respect of combating corruption in other countries. Ultimately, accountability and transparency measures must be driven from within societies.
- 7.11 In the view of Mr Peter Larmour, a specialist on the Pacific Islands at the ANU, ‘corruption is better tackled by reducing institutional opportunities for it, rather than by dictatorial moral crusades from a strong-arm regime

that sets itself up as detective, judge and juror.’<sup>2</sup> Former Pacific diplomat, Mr Delaney made a related point when he said, ‘aid is not the panacea to all development problems...and should not exonerate Pacific governments’ [leaders’] responsibilities and constitutional obligations.’

- 7.12 The theme of Chapter 6 is the importance of building denser networks of exchanges between Australians and Pacific Islanders, for development reasons and also to promote a deeper cultural understanding and appreciation between the respective cultures. The Committee wished to learn how Australian aid was received on the ground. DFAT responded that there was a good awareness of the importance of Australian aid contributions and an active diplomacy program was run by themselves and AusAID. It is worth noting here that the Senate Foreign Affairs Committee recently tabled a report on Australia’s public diplomacy. Chapter 7 of the Senate Committee’s report focuses on people-to-people links and relationship building as part of Australia’s public diplomacy efforts.<sup>3</sup>
- 7.13 On several occasions throughout the inquiry, the Committee was heartened to learn that interventions like RAMSI and ECP are very welcome not just from the perspective of the region’s representative bodies like the Pacific Islands Forum (and RAMSI is very much a regional cooperation effort), but most importantly by most Solomon Island and Papua New Guinean citizens. This is testament to the good work that personnel from Australian departments and agencies, in particular the AFP at a village level, are doing to build up trust not just in the police but in Australian and regional goodwill.
- 7.14 There will always be ups and downs in any bilateral relationship at the government-to-government level but, as the Samoan High Commissioner to Australia told the Committee, if [Australians and Pacific Islanders] build a cadre of experienced people in the region, ‘trust, respect and recognition are built upon, [and aid] is a practicable and doable thing.’<sup>4</sup> An underlying spirit of cooperation and partnership is vital to achieving results.
- 7.15 Chapter 6 refers to a wide range of ways in which to build practical expertise and links further, from professional links (be it exchange opportunities between national defence organisations and police forces),

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2 The Economist, *A tale of two island states*, 17 March 2007, p. 32.

3 Senate Foreign Affairs Committee report, *Australia’s public diplomacy: building our image*, 16 August 2007, [http://www.aph.gov.au/Senate/committee/fadt\\_ctte/public\\_diplomacy/report/index.htm](http://www.aph.gov.au/Senate/committee/fadt_ctte/public_diplomacy/report/index.htm)

4 Transcript, 27 November 2006, Samoan High Commissioner to Australia, p. 33.

group partnership models like the Australian Disability and Development Consortium (ADDC) - which utilises Australian development and disability expertise to assist Pacific service providers, trainers and client support groups (which the Committee was especially pleased to note given that there was little mention in the White Paper of disability), to strengthening educational links via scholarships for Pacific Islanders, and supporting Pacific studies here in Australia, to political party development and supporting more female leaders in the Pacific by greater engagement between women parliamentarians. No doubt there are a plethora of others too. The Pacific Island Youth Ambassador scheme which the Committee recommends as an adjunct to the highly successful Australian Youth Ambassadors Scheme would, in the Committee's view, build additional personal contacts and cooperative networks between Australian and Pacific Islanders citizens.

7.16 Aid remains principally the work of governments, and there is no doubt that Pacific island nations are dependent on Australian aid for the foreseeable future. This is a regional responsibility and one which Australia has a national interest in shouldering. The region's stability does to some extent rely on Australia's continued presence. Australia has long had a special relationship with several Pacific countries and historical links, especially with PNG. It is not just a case of Australia being obligated to intervene or provide aid – Australians genuinely want to help their neighbours. That said, government-to-government assistance is not always the best way to deliver aid, 'it can be a clunky imperfect machine'. It is therefore important that there be a mixture of interventions, including those from civil society, NGOs and the private sector.

7.17 Large well-respected philanthropic foundations like the Bill and Melinda Gates Foundation and the Clinton Foundation increasingly have a role to play in development, in particular, global health. Australia is working together with the Clinton Foundation in the area of HIV/AIDS, and the Committee hopes that links of this nature will continue to be leveraged too in the future.

7.18 At a hearing, DFAT characterised the development situation in the Pacific as follows:

I think that people throughout the Pacific want a better life for themselves and their children, frankly, and they are keen to move forward. They are concerned about moving backwards, they are concerned about the socio-economic trends in their own countries of large [population] growth rates and falling or sluggish economic growth rates. That equation means diminishing per

capita incomes and standards of living and that is of concern to people.<sup>5</sup>

7.19 The First Assistant Secretary of the Pacific Division of DFAT went on to say:

I think there is an acute realisation that this is a trend which cannot continue and has to be reversed. The other thing is that throughout the region – with some exceptions – democratic processes work really well. There is a strong link between electors and the elected...Responsiveness may not be as quick as in our system, but I think that eventually, there is responsiveness to electors.<sup>6</sup>

7.20 In the course of the inquiry the Committee has met and spoken with many dedicated Australian and Pacific Islanders seeking to 'make that better life in the Pacific'. Change may be slow and incremental but changes in ideas and behaviours are occurring and feed into 'tipping points.'<sup>7</sup> The efforts of many local unsung heroes, be they young Pacific Islanders educated in Australia taking their skills home, entrepreneurs, courageous PNG women standing for office in the Highlands determined to better their communities, or independent film-makers who bring those women's stories to light, should not go unheeded and should also be commended. The Australian aid program is – on balance – an important part of but not the whole way forward.

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5 Transcript, 9 February 2007, p. 13.

6 Transcript, 9 February 2007, p. 13.

7 A 'tipping point' is a term in epidemiology: the concept that small changes will have little or no effect on a system until a critical mass is reached. Then a further small change 'tips' the system and a large effect is observed. The phrase has been made popular in Malcolm Gladwell's book, *The Tipping Point*, which is about the phenomena of social change and how 'things can happen all at once, and little changes can make a huge difference.'  
<http://www.gladwell.com/tippingpoint/index.html>

**Senator M A Payne**

**Chair**

**20 September 2007**







## Appendix A: List of Submissions and Exhibits

### **Submissions**

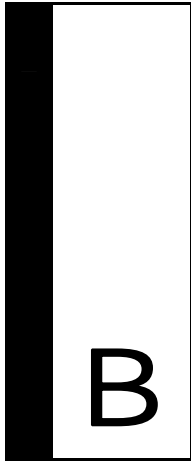
1. Dr Max Quanchi, Queensland University of Technology
2. Mr Richard Stone
3. The Australian Centre for Peace and Conflict Studies, The University of Queensland
4. Dr Satish Chand, The Australian National University
5. Mr Peter Vaile
6. AusAID and DFAT
7. Women's International League for Peace and Freedom
8. Oxfam Australia
9. Australian Red Cross
10. RESULTS Australia
11. Department of Defence
12. Catholic Women's League Australia
13. Avaiki News Agency
14. Credit Union Foundation of Australia

15. The Attorney-General's Department
16. Australian Federal Police
17. Australia Reproductive Health Alliance
18. Australian Council for International Development
19. Australian Conservation Foundation
20. Human Rights and Equal Opportunity Commission
21. Office for Women, Department of Families, Community Services and Indigenous Affairs
22. Mr Nehmy
23. Confidential
24. National Council of Churches in Australia/Christian World Service
25. Mr Edward Natera
26. National Library of Australia
27. Dr Graham Baines
28. Australian Council for International Development (supplementary)
29. Australian Federal Police (supplementary)
30. Department of Defence (supplementary)
31. World Citizens Association (Australia)
32. Australian Agency for International Development (supplementary)
33. Attorney-General's Department (supplementary)
34. Attorney-General's Department (supplementary)
35. Papua New Guinea Canberra Students' Association
36. Confidential
37. Australian Volunteers International

## Exhibits

1. Mr Richard Stone – *Additional comments and miscellaneous news articles*
2. Credit Union Foundation Australia – *Concept Paper for a Regional Microfinance Support Facility*
3. Credit Union Foundation Australia – *Information on the Microfinance Pasifika Network*
4. Human Rights and Equal Opportunity Commission – *Speech by the Hon. John von Doussa QC, HREOC President at the Pacific Judicial Conference in Vanuatu 26-30 July 2005: Promoting Human Rights, Good Governance, the Rule of Law and Democracy.*
5. Human Rights and Equal Opportunity Commission – *Background information on China-Australia Human Rights Technical Cooperation Program.*
6. Transparency International Australia – *DVD of 16 Independent Country Studies of National Integrity Studies and a Pacific Islands Overview.*
7. Australian Council for International Development - *UN Economic and Social Commission for Asia and the Pacific paper: ACP States, Potential Costs of Adjusting to a Pacific Economic Partnership Agreement, By David Smith, Regional Development Advisor, September 2006*
8. Asia Pacific Forum of National Human Rights Institutions – *Pacific Islands Human Rights Consultation Report, June 2004.*
9. Asia Pacific Forum of National Human Rights Institutions –*Regional Workshop on Human Rights Mechanisms, 28 February – 1 March 2005, Nadi, Fiji.*
10. Asia Pacific Forum of National Human Rights Institutions – *Draft research paper on forms of national human rights institutions for small Pacific Island States (December 2006).*
11. Asia Pacific Forum of National Human Rights Institutions – *OHCHR input to the resource paper on forms of national human rights institutions for small Pacific states.*
12. Lowy Institute for International Policy –*Policy Brief, HIV/AIDS: The Looming Asia Pacific Pandemic, Bill Bowtell, Director, HIV/AIDS project (March 2007).*

13. Oxfam International – *Conflict Prevention or Conflict Promotion? An analysis of economic planning and performance in the Solomon Islands (April 2006).*
14. Oxfam International – *Briefing note: Blood from a stone*
15. Oxfam New Zealand and Oxfam Australia - *Report of the Pacific Civil Society Conference on Trade Capacity Building, 13-16 June 2006, Nadi, Fiji.*
16. Oxfam New Zealand and Oxfam Australia – *Bridging the gap between state and society: New directions for the Solomon Islands.*
17. Transparency International Australia – *Report, 'What works and why in community based anti-corruption programs.'*
18. Ms Robyn Slarke - *DVD, "Not an easy road" part of the Meri Kirap PNG women and elections documentary project.*



## Appendix B: Witnesses appearing at hearings

Thursday 26 October 2006 — Brisbane

Australian Centre for Peace and Conflict Studies, University of Queensland

- Professor Kevin CLEMENTS, Director
- Dr Margaret Anne BROWN, Research Fellow
- Dr Volker BOEGE, Visiting Academic
- Ms Wendy FOLEY, Research Assistant

Centre for Public, International and Comparative Law, School of Law,  
University of Queensland

- Dr Jennifer CORRIN CARE, Executive Director, Asia-Pacific Law

School of Humanities, Queensland University of Technology

- Dr Alan Maxwell, QUANCHI, Senior Lecturer, Pacific Studies Program

Griffith Asia Institute, Griffith University

- Dr Anthony VAN FOSSEN, Senior Lecturer, Social Sciences

### Foundation for Development Cooperation

- Dr Paul Thomas GREENER, Senior Program Manager

### Australia Papua New Guinea Business Council, Australia Fiji Business Council, and Australia Pacific Islands Business Council

- Mr Francis Alric (Frank) YOURN, Executive Director

### Private Capacity

- Mr Adam Vai DELANEY
- Dr Graham BAINES
- Dr Desmond Francis HOBAN
- Mr Alfred Thomas SIMPSON

## Monday 27 November 2006 — Canberra

### Australian Council for International Development

- Mr Paul O'CALLAGHAN, Executive Director
- Ms Neva WENDT, Senior Policy Advisor

### Transparency International Australia

- Mr Graham TUPPER, Member, Board of Directors,
- Ms Kathleen RICHARDS, Researcher

### High Commission for Samoa

- His Excellency Leiataua Dr Kilifoti Sisilia ETEUATI, High Commissioner for Samoa to Australia

### High Commission for the Republic of Fiji Islands

- His Excellency Mr Amraiya NAIDU, High Commissioner for Fiji to Australia

## Friday 9 February 2007— Canberra

### Department of Foreign Affairs and Trade

- Mr David RITCHIE, First Assistant Secretary, Pacific Division
- Mr Colin MILNER, Director, Human Rights and Indigenous Issues Section

### AusAID

- Mr Scott DAWSON, Deputy Director-General
- Ms Judith ROBINSON, Assistant Director-General, Pacific Branch
- Ms Catherine WALKER, Assistant Director-General, Papua New Guinea Branch

### Department of Defence

- Ms Stephanie FOSTER, First Assistant Secretary, International Policy
- Commodore Kevin Barry TAYLOR, Director-General, Pacific and East Timor Branch

### Attorney-General's Department

- Mr Kym DUGGAN, Assistant Secretary, International Family Law Branch
- Ms Belinda BARRY, Acting Assistant Secretary, International Assistance and Treaties Branch
- Mr Miles JORDANA, Deputy Secretary, National Security and Criminal Justice Group
- Mr Nick MORGAN, Section Head, Anti-Money Laundering Assistance Team and Pacific Section,

### Australian Customs Service

- Mr Garry GRANT, Director, International Operations

### **Australian Federal Police**

- Assistant Commissioner, Mr Paul JEVTOVIC, National Manager, International Deployment Group
- Mrs Kim JERRIM, Project Officer to National Manager, International Deployment Group

### **Asia Pacific Forum of National Human Rights Institutions**

- Mr Kieren FITZPATRICK, Director

### **Wednesday 2 May 2007— Sydney**

#### **Lowy Institute for International Policy**

- Mr William David BOWTELL, Director, HIV-AIDS Project

#### **Australian Government Office for Women**

- Ms Janet Louisa STODULKA, Branch Manager, Policy, Research and International Branch
- Ms Gabrielle Nicole BURRELL, Section Manager, International Section, Policy, Research and International Branch

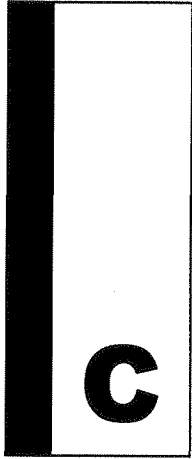
#### **Oxfam Australia**

- Mr Marc PURCELL, Advocacy Manager
- Ms Anne OAKLEY, Regional Manager - Pacific

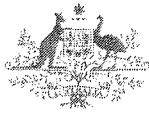
#### **Australian Red Cross**

- Mr David James BROWN, Acting General Manager, International Operations
- Ms Susie CHIPPENDALE, Manager, Domestic Communications





**Appendix C: Australia's Overseas Aid  
Program Budget 2007-2008**



# Australia's Overseas Aid Program 2007-08

## BUDGET HIGHLIGHTS

MAY 2007

The 2007-08 Budget is the most significant ever for Australia's overseas aid program. The Australian Government will provide \$3.155 billion as official development assistance (ODA) in 2007-08, with a real increase in ODA managed by AusAID of 21.7 per cent over the 2006-07 Budget figure. The ratio of Australia's ODA to Gross National Income (GNI) for 2007-08 is estimated at 0.30 per cent.

The Australian Government's White Paper — *Australian Aid: Promoting Growth and Stability*, released in April last year — provides the strategic framework for scaling up the aid program to meet the Prime Minister's September 2005 commitment to increase ODA to about \$4 billion by 2010. This is subject to strengthened governance and reduced corruption in partner countries, and takes into account the effective use of the additional resources. A \$2.588 billion package of new initiatives announced through the 2007-08 Budget, with \$2.541 billion through AusAID, will step up implementation of this framework, with a range of new initiatives to accelerate economic growth, foster functioning and effective states, invest in people, promote regional stability and cooperation, and improve aid effectiveness.



*In 2007-08, AusAID will commence a significant new package of initiatives to take forward the implementation of the White Paper:*

#### **ACCELERATING ECONOMIC GROWTH**

##### **INFRASTRUCTURE FOR GROWTH – \$505.8 MILLION OVER FOUR YEARS**

Barriers to growth will be addressed by a new *Infrastructure for Growth* initiative that will increase investment in, and improve the maintenance of, critical economic infrastructure, particularly transport networks.

##### **GLOBAL INITIATIVE ON FORESTS AND CLIMATE – \$164.4 MILLION OVER FIVE YEARS**

Global greenhouse gas emissions will be addressed in a cost-effective way through improved management of tropical forests in developing countries, as part of the Government's \$200 million commitment toward a *Global Initiative on Forests and Climate*.

##### **CLIMATE CHANGE PARTNERSHIPS – \$32.5 MILLION IN 2007-08**

Joint initiatives with multilateral partners will support climate change adaptation and mitigation, including through improved water resource management and energy management.

#### **FOSTERING FUNCTIONING AND EFFECTIVE STATES**

##### **BETTER GOVERNANCE AND LEADERSHIP – \$41 MILLION OVER TWO YEARS**

Improved leadership will be promoted by a new *Better Governance and Leadership* initiative. This will include a Pacific Leadership Program overseen by a panel of eminent regional leaders. New investments in civic education and raising awareness about government accountability will increase community pressure for good leadership.

##### **PERFORMANCE INCENTIVES – \$115.6 MILLION OVER TWO YEARS**

A new *Performance Incentives* initiative will target improved governance by providing additional resources to recognise partner countries' reform efforts. These resources will be directed towards development priorities such as roads, health and education.

##### **ENHANCED AUSTRALIAN EMERGENCY AND HUMANITARIAN RESPONSE CAPACITY – \$93.2 MILLION OVER FOUR YEARS**

New funding will improve the speed and effectiveness of Australian and partner country responses to humanitarian crises and emergencies. Additional stand-by mechanisms, stronger regional partners and better analysis will improve emergency preparedness and response.

#### **INVESTING IN PEOPLE**

##### **DELIVERING BETTER HEALTH – \$585.2 MILLION OVER FOUR YEARS**

A new *Delivering Better Health* initiative will contribute to the global goals of reducing child mortality rates by two thirds and the maternal mortality ratio by three quarters by strengthening national health systems, addressing the priority health needs of women and children, and tackling diseases in the Pacific.

##### **DELIVERING BETTER EDUCATION – \$540.3 MILLION OVER FOUR YEARS**

A new *Delivering Better Education* initiative aims to put ten million more children in school and improve the quality of education for another fifty million children. This initiative will strengthen national education systems to improve education access and outcomes for young people, helping equip them with the skills to lead productive lives.

#### **IMPROVING AID EFFECTIVENESS**

##### **ANTI-CORRUPTION FOR DEVELOPMENT – \$16.7 MILLION IN 2007-08**

A new *Anti-Corruption for Development* initiative will bolster oversight institutions, strengthen management systems to deter corrupt behaviour, and build support for anti-corruption reform.



**COUNTRY, REGIONAL AND GLOBAL PROGRAMS**

Summary information on country and regional programs is included in the table below, along with total ODA flows to each country and region. These flows include components of the following global programs:

**HUMANITARIAN, EMERGENCY AND REFUGEE PROGRAMS**

An estimated \$197.8 million humanitarian and emergency funding will continue support for emergency response and humanitarian programs supporting displaced people, and key humanitarian agencies. Funding of \$15 million for the International Refugee Fund will continue to address the needs of people displaced by conflict.

**MULTILATERAL REPLENISHMENTS**

*Estimated funding of \$309.1 million (in cash payments)*

Continuing to work closely with the International Financial Institutions to increase their focus on

the Asia-Pacific region, and supporting global development efforts.

**UNITED NATIONS, COMMONWEALTH AND OTHER INTERNATIONAL ORGANISATIONS**

*Estimated funding: \$212.5 million*

Continuing support to core UN agencies and major international organisations with proven track records to deliver priority development outcomes in the Asia-Pacific region.

**NGO, VOLUNTEER AND COMMUNITY PROGRAMS**

*NGO program estimated funding: \$38.3 million*

*Volunteer program estimated funding: \$32 million*

Continuing support to NGO, volunteer and community programs, supporting activities aligned with the focus and priorities of the White Paper, and strengthening people-to-people links.

**TOTAL AUSTRALIAN ODA TO PARTNER COUNTRIES (\$m)**

| Program  | Focus  | Budget Estimate 2007-08 |
|--|--|-------------------------|
| Indonesia & East Asia  |  | 970.4                   |
| Indonesia  | Priorities include increasing and sustaining economic management and growth including addressing environmental challenges, supporting the transition to democracy, enhancing human security and stability, and increasing the accessibility and quality of basic social services   | 458.8                   |
| Philippines  | Under a new country strategy, support will focus on three pillars: economic growth, basic education, with significantly increased support; and national stability and human security   | 100.6                   |
| Vietnam  | Assistance will focus on strengthening the governance of the institutions required for a competitive market economy, and improving livelihoods of the rural poor   | 90.8                    |
| Cambodia   | Assistance will focus on strengthening the rule of law, increasing productivity and incomes of the rural poor, and improving health service delivery   | 54.0                    |
| East Timor   | Building a functional and effective state, strengthening economic development and management, and improving delivery of services   | 72.8                    |
| China  | Governance (policy reform), environment (initially water management), and health (communicable diseases)   | 39.3                    |
| Other East Asia (including Laos, Burma, Mongolia, Thailand & regional) | Supporting regional approaches, including Australia's agenda for APEC 2007, to address transboundary threats such as avian influenza, and strengthen economic integration in Asia. In Laos, improving education, economic integration, and reducing vulnerability of the poor. In Burma, meeting humanitarian needs. Assistance in Mongolia will include targeted scholarships | 154.1                   |

... continued over

TOTAL AUSTRALIAN ODA TO PARTNER COUNTRIES (\$m) *continued*

| Program  | Focus   | Budget Estimate 2007-08 |
|--|---|-------------------------|
| Papua New Guinea & Pacific   |   | 872.5                   |
| Papua New Guinea   | Improved governance and nation building, sustainable broad-based economic growth and increased productivity, improved service delivery and stability, and a strengthened, coordinated, and effective response to the HIV/AIDS crisis  | 355.9                   |
| Solomon Islands  | Contributing to a safer and more secure Solomon Islands, repairing and reforming the machinery of government, encouraging sustainable broad-based growth, helping the Solomon Islands Government to better serve the Solomon Islands people, and building strong and peaceful communities   | 223.9                   |
| Vanuatu  | Addressing governance constraints to growth, strengthening the delivery of primary health care, and supporting education  | 44.5                    |
| Fiji   | Support for basic health and education, and community development   | 28.7                    |
| Tonga  | Good governance and public sector reform, income generation, rural and outer island development   | 15.7                    |
| Samoa  | Activities in support of a joint strategy with New Zealand, to improve opportunities for employment and investment and to improve service delivery  | 23.3                    |
| Kiribati   | Improving education, technical and vocational training, including a nurses skills upgrading program, and supporting public sector management and performance  | 15.0                    |
| Other Pacific<br>(including Tuvalu, Nauru, Micronesia, Cook Islands, Niue, Tokelau and regional) | Through regional programs, supporting: stronger broad-based growth; more effective, accountable and democratic government; improved law and justice and security; and enhanced service delivery. Through other bilateral programs supporting budget reforms, targeted scholarships and selected trust funds   | 165.5                   |
| South Asia, Africa & other   |   | 382.0                   |
| Bangladesh   | Humanitarian assistance, governance, basic service delivery and rural development, along with maternal and child health and basic education   | 47.6                    |
| Sri Lanka  | Humanitarian and conflict resolution focus, along with education and natural resource management  | 25.0                    |
| Pakistan   | Maternal and child health, basic education, technical and vocational education, and scholarships, along with continuing reconstruction assistance following the October 2005 earthquake   | 27.1                    |
| Other South Asia<br>(including India, Nepal, Maldives, Bhutan)                                   | Focusing on HIV, education, health and water and sanitation. Regional program partnerships including with the Asian Development Bank, World Bank, UNAIDS and UNICEF   | 49.1                    |
| Africa   | Assistance through a regional development program supporting improved governance, health and food security in selected partner countries through non-government and multilateral organisations. This includes increased assistance through the Australian Fund for Zimbabwe to respond to humanitarian needs and to support the work of effective community-based organisations | 94.4                    |
| Middle East and Central Asia   | In Iraq, continuing capacity building in governance and the delivery of basic services, particularly in health and agriculture. Also improving basic services for Palestinians, and in Afghanistan providing support to complement the Oruzgan provincial reconstruction team   | 138.8                   |
| Other Government Department ODA not attributed to a country or region                            |   | 88.5                    |
| Multilateral core contributions, other ODA and reconciliation of expenses to cash                |   | 841.9                   |
| <b>Total ODA</b>   |   | <b>3 155.3</b>          |
| <b>ODA/GNI ratio</b>   |   | <b>0.30%</b>            |

Source: AusAID. Refer to the Ministerial Budget Statement *Australia's Overseas Aid Program 2007-08* for more detail.

For further information on the Australian Government's overseas aid program contact:

AusAID Public Affairs — phone 02 6206 4960, fax 02 6206 4695 or write to GPO Box 887 Canberra ACT 2601.

The full Ministerial Budget Statement is at [www.ausaid.gov.au](http://www.ausaid.gov.au)



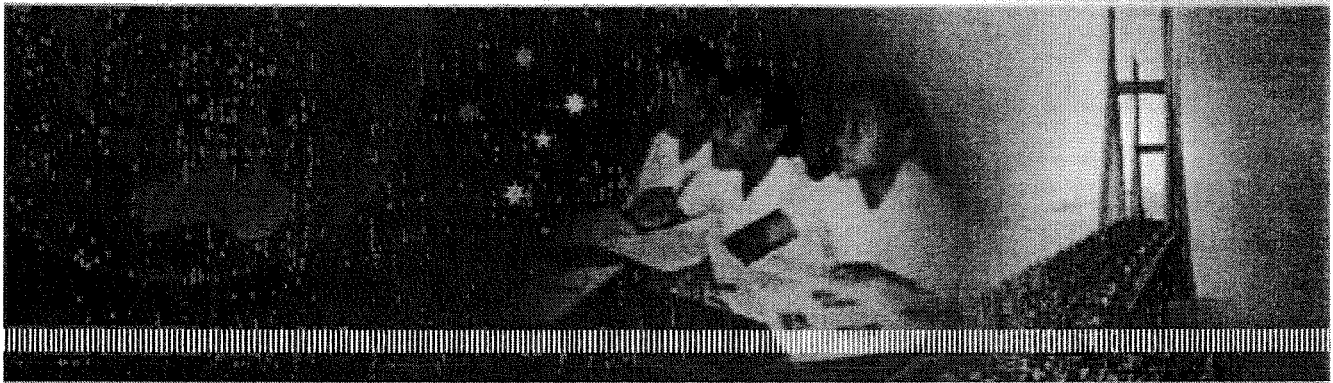


**Appendix D: Executive summary of  
AusAID's White Paper**



## EXECUTIVE SUMMARY

# Australian Aid: Promoting Growth and Stability



A WHITE PAPER ON THE AUSTRALIAN GOVERNMENT'S OVERSEAS AID PROGRAM





## Introduction

*Australian Aid: Promoting Growth and Stability* was instigated by the Minister for Foreign Affairs in March 2005 and provides the strategic framework to guide the direction and delivery of Australia's overseas aid program over the next ten years.

The White Paper provides a comprehensive account of how the Australian Government will approach the doubling of Australia's aid budget to around \$4 billion annually by 2010, as announced by the Prime Minister in September 2005.

This is the first White Paper produced on the Australian aid program and the first time any Australian Government has announced a multi-year increase in aid funding. The White Paper underlines the Government's commitment to poverty reduction, sustainable development and progress towards the Millennium Development Goals (MDGs). Over the past 12 months, there has been extensive domestic and international consultation to guide the White Paper's preparation.

Australia has a strong aid program with an international reputation for flexibility, responsiveness and effectiveness. But the Government is not resting on its laurels. The White Paper outlines strategies in which questions of aid effectiveness, strengthened governance and tackling corruption in developing countries are addressed robustly. Australian taxpayers expect no less.

Australia's aid program is informed by our values as a nation, such as our commitment to economic and political freedom and our humanitarian spirit, demonstrated so clearly in our response to the 2004 Indian Ocean tsunami. We also believe in supporting people's self-reliance by building their capacity to stand on their own.

At the same time, Australia's peace and security is inextricably linked to that of our neighbours. By helping to reduce poverty and promote sustainable development, the aid program is an integral part of Australia's foreign policy and security agenda.

## Operating environment

Over the past 20 years, more than 500 million people in the Asia–Pacific region have been lifted out of poverty, but another 700 million live on less than \$1 a day and 1.9 billion live on less than \$2 a day, including over half the population of Indonesia. Asia is making progress towards the human development MDGs, but much of the Pacific is not, and even in Asia there is no room for complacency. Alongside strongly growing states such as China, Thailand and Vietnam, are countries that will have to overcome serious challenges to achieve and sustain growth and reduce poverty — including Papua New Guinea (PNG), most of the Pacific island nations, East Timor, Cambodia, Laos, Indonesia and the Philippines.

Generating broad-based growth will be critical to shoring up democracy and stability in the region. Difficult economic prospects and weak governance may see the risks of instability increase and, among other consequences, allow transnational crime and terrorist networks to flourish, further undermining development and efforts to reduce poverty.

Other threats to development have emerged or are intensifying. The Asia–Pacific region is vulnerable to natural disasters, as has been sadly witnessed over recent years. It is also vulnerable to infectious disease because of its dense and interconnected populations. Some 8.2 million people in Asia are living with HIV/AIDS; in the absence of effective action, the Asia–Pacific region will account for 40 per cent of all new infections by 2010. PNG is a particular concern. Avian and pandemic influenza also threaten widespread disruption.

Rapid economic and population growth is placing increasing pressure on the natural environment. Tensions over access to and management of natural resources, including water and energy, are growing and will need to be managed.

## Development lessons

Decades of experience in development have revealed a number of key lessons about what makes countries successful:

- Economic growth is central to poverty reduction.
- Countries that have engaged with the global economy have grown more quickly than those that have not.
- While growth is necessary for poverty reduction, it is not sufficient. Attention must also focus on how growth can be shared and sustained, including by providing opportunities through better health and education.
- Countries are more likely to achieve sustained growth if their governments enforce property rights, manage conflict, establish macroeconomic stability, align economic incentives with social benefits, and maintain law and order.
- While there are common fundamentals to development, there is no universal policy prescription to achieve it. Each country's situation is unique, as is its path to reform and growth.
- Aid is only part of the growth and development picture — both developing and developed country policies play a significant role.



Countries emerging from conflict or whose economies are stagnating pose particular challenges. Experience suggests that these states stay fragile for a long time, the spill-over effects are costly for their neighbours, and there is little chance of improvement without outside intervention. Australia's leadership role in the regional intervention in Solomon Islands is attracting positive international attention as an example of an innovative and successful approach.

### **Strategic framework**

The strategic framework that will guide Australia's aid program recognises the evolving regional environment and Australia's values and interests, and draws on the experience of over 50 years of delivering aid to the region.

The framework centres on the objective of Australia's aid program:

*To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.*

In order to achieve this objective, the aid program will be organised around four themes:

- 1) accelerating economic growth
- 2) fostering functioning and effective states
- 3) investing in people
- 4) promoting regional stability and cooperation.

The effectiveness of the aid program will be ensured by:

- 1) strengthening the performance orientation of the aid program
- 2) combating corruption
- 3) enhancing Australia's engagement with the Asia-Pacific region
- 4) working in partnership with regional governments and other donors.

The framework will be reinforced by promoting greater gender equality in development, and through untying Australian aid to improve efficiency and competitiveness. A fundamental tenet of the aid program is that Australia's assistance is jointly agreed and implemented with its developing country partners.

## Where Australia will work

Australia's focus on the Asia-Pacific region will continue. There will be growing focus on linking allocations to performance in major partner countries. Programs will align with the four themes of accelerating economic growth, fostering functioning and effective states, investing in people, and promoting regional stability and cooperation.

Australia provides more support to Indonesia than to any other Asian country. This aid partnership will continue to be maintained at high levels to assist Indonesia's efforts to cement its democratic institutions and build security and prosperity. The Government believes that the challenges faced by the Philippines, another close neighbour, are particularly serious, and Australia will intensify its development efforts accordingly. This White Paper outlines a particular focus on eastern Indonesia and the southern Philippines, given their very high rates of poverty and challenging development prospects.

The Mekong countries will continue to be an important priority for the aid program, with infrastructure, health and education being central to Australia's engagement. Future efforts will also place more emphasis on promoting regional approaches and integration, as well as on addressing shared challenges, such as HIV/AIDS and access to water. In East Timor, Australian aid will support the fledgling nation's efforts to build the policies and institutions needed for the effective use of future oil and gas revenues and to address critical health needs.

The importance of India and China to the region's development means that the Australian aid program will maintain a strategic footprint with them on key issues such as trade, clean energy and HIV/AIDS, and engage with them as emerging donors. In other parts of South Asia, the aid program will deepen engagement on selected issues, such as education and improving the core functions of government.

Australia is keenly aware of the challenges facing the Pacific — particularly Melanesia and the microstates. Australian aid to the Pacific will continue to operate within very long timeframes — change will be slow and incremental, and progress will require greater regional integration and the pooling of functions to promote efficiency and transparency in government and in the provision of services. Increases in aid allocations will be linked to performance.

Australia remains deeply committed to development in PNG. While significant effort is required to support improved governance, economic growth, and the delivery of basic health and education services, expectations of development need to be realistic. This White Paper proposes a potentially substantial increase in the aid allocation to PNG, subject to meaningful reform and continued improved performance by the PNG Government.

Australia will continue a pragmatic engagement with Africa, based on humanitarian concerns and key issues such as HIV/AIDS.

## What the aid program will focus on

### Accelerating economic growth

Generating shared and sustainable economic growth is the single most important objective for the Asia–Pacific region over the next ten years. The aid program will encourage growth by:

- improving the policy environment for private sector growth. Initiatives include a collaborative and demand-driven **Pacific land mobilisation program** to explore ways to overcome the major land tenure constraints to growth in the region.
- promoting trade through assistance for trade analysis, trade policy and trade facilitation, such as more efficient customs and quarantine services
- supporting the drivers of growth by:
  - investing in infrastructure. Poor infrastructure is a binding constraint to growth in Asia, while in the Pacific access to infrastructure in rural environments (where 80 per cent of the population lives) is a priority. A major **infrastructure for growth initiative**, providing expertise on policy and other key issues as well as targeted financing, will help address these barriers. This will include a partnership with the development banks, with estimated support of up to \$800 million over the next five years.
  - building skilled workforces in PNG and the Pacific, focusing on technical and vocational programs, including the establishment of an **Australia–Pacific technical college** to deliver Australian-standard qualifications in areas that meet domestic and international employment needs.
  - strengthening support for private sector-led **rural and business development**.
- addressing environmental challenges to growth through an **environment strategy** focusing on climate change and adaptation, water, and strengthening environmental regulatory regimes.

### Fostering functioning and effective states

Sound policies and institutions are central for growth and development. Existing governance support will be enhanced by:

- focusing on political governance by targeting leaders from all facets of society through a **Pacific leadership program** and by **building demand for better governance**
- providing **incentives** through allocating additional funding (up to 10 per cent of the aid budget over time) to those countries able to achieve agreed improvements in areas such as governance and addressing corruption
- making more selective and effective use of technical assistance to promote reform, and undertaking an integrated approach to law and justice support

Recent years have seen an increasing demand on Australia to respond to emergencies. By virtue of our location and capacities, Australia is playing a leadership role in responding to disasters. Australia is establishing an **enhanced emergency response capacity** to strengthen civilian capacity to respond effectively to unexpected crises.



### Investing in people

Health and education enable the poor to participate in growth, make the workforce more productive, and lead to a better informed citizenry able to demand better government performance.

Australia will increase investments in health and education significantly. National health systems will be strengthened through a **delivering better health program**, particularly focusing on the needs of women and children. This will include assistance to establish sustainable health financing and for health workforce development. Australia will help countries confront health problems that create the greatest burden, and expand existing initiatives addressing major diseases, including **HIV/AIDS, pandemics** and a new initiative to **tackle malaria in the Pacific**, initially focusing on Solomon Islands and Vanuatu. It is expected that support for health programs will double by 2010.

Australia will invest further resources in getting more children into school, for longer and to achieve a better quality education. Australia will strengthen national education systems through a **delivering better education** initiative. In view of the importance of education for growth, stability and poverty reduction, it is expected that support for national education systems will triple by 2010. Further, a major **Australian scholarships** initiative targeting future leaders will see a doubling of the number of education awards offered by Australia to the region.

### Promoting regional stability and cooperation

An array of transboundary issues threatens stability and development in the region. Australia will promote regional responses through a **transboundary threats** program. This will support Australian Government agencies building networks and expertise in such fields as pandemics, disasters and transnational crime. Australia will also expand efforts to promote regional integration and support initiatives that promote regional governance in the Pacific.

## Strengthening effectiveness: how aid will be delivered

The Government is committed to maximising the effectiveness of the aid program and to placing Australia at the forefront of such efforts internationally. The aid program will pursue four strategies to this end.

### Strengthening the performance orientation of the aid program

The performance orientation of the aid program will be strengthened across all levels and aspects of Australia's Official Development Assistance expenditure. This will include:

- enhanced country development strategies to give greater prominence to growth and performance and provide a single framework for all Australian Government development efforts
- strengthened links between performance and aid allocations within and between countries and the building of better performance into individual aid activities by linking payments to delivery, particularly in infrastructure, health and education
- strengthening the performance management function through establishing an **Office of Development Effectiveness**, which will improve the effectiveness of aid policies and programs, including through publishing an *Annual Review of Development Effectiveness* to inform the budget process.

### Combating corruption

Increases in Australian aid will be conditional on stronger governance and reduced corruption in partner countries. Australia will adopt a more rigorous approach to corruption by developing an **anti-corruption for development strategy** aimed at strengthening coordination across the range of Australian Government activity in this area, and by increasing its support for regional and global anti-corruption initiatives.

### Enhancing Australian engagement with the Asia-Pacific region

AusAID will continue to work with other Australian Government agencies to monitor the impact of broader government policies on regional development, and to ensure coordinated whole-of-government approaches on key development issues.

Responses to the region's challenges will need to draw on new expertise and players in government, business, academia and the community. The aid program will increase support for **development research** as a key contributor to better development, and mobilise a broader range of Australian expertise to help tackle the region's development challenges through an initiative for **mobilising new Australian links to the region**.

### Working with partners

Aid programs that are owned and driven by partner countries are more likely to be sustainable. Australia will work towards the principles of the *Paris Declaration on Aid Effectiveness*, and look for opportunities to use partner country processes and systems in aid program delivery.

Australia will work with other bilateral donors to reduce the burden of aid coordination for already stretched partner governments, and will identify opportunities to lead other donors towards coordination. A particular emphasis will be given to engaging emerging donors, such as China in the Pacific.

Australia has long pursued key interests through the World Bank and the Asian Development Bank (ADB), including in its programs to the Pacific and in building aid effectiveness. Australia will strengthen partnerships with the World Bank and the ADB in areas of mutual interest, given their significant regional financial weight and importance in policy dialogue.

### Aid management

Effective aid management will be central to implementing this White Paper. Many things will need to be done differently, and there are important new emphases. AusAID is producing an Agency Business Plan setting out how the White Paper will be delivered, focusing on streamlining business processes, strengthening human resources and enhancing management information systems.

Australia will continue to provide assistance mainly through grant funding, rather than through loans. To ensure better aid delivery, and in recognition of the need for greater levels of policy and operational engagement from AusAID and other government agencies, more staff will be placed in the field over time. AusAID and its partners in aid delivery will build staff skills to strengthen analysis of critical development issues and to ensure that this is supported by a deeper knowledge of the countries within the region.

Improved external communications will help to capture the achievements of Australia's aid program and inform the Parliament, the Australian public, opinion makers and development partners. The Aid Advisory Council will continue to provide independent insights and advice to the Minister for Foreign Affairs.

### Conclusion

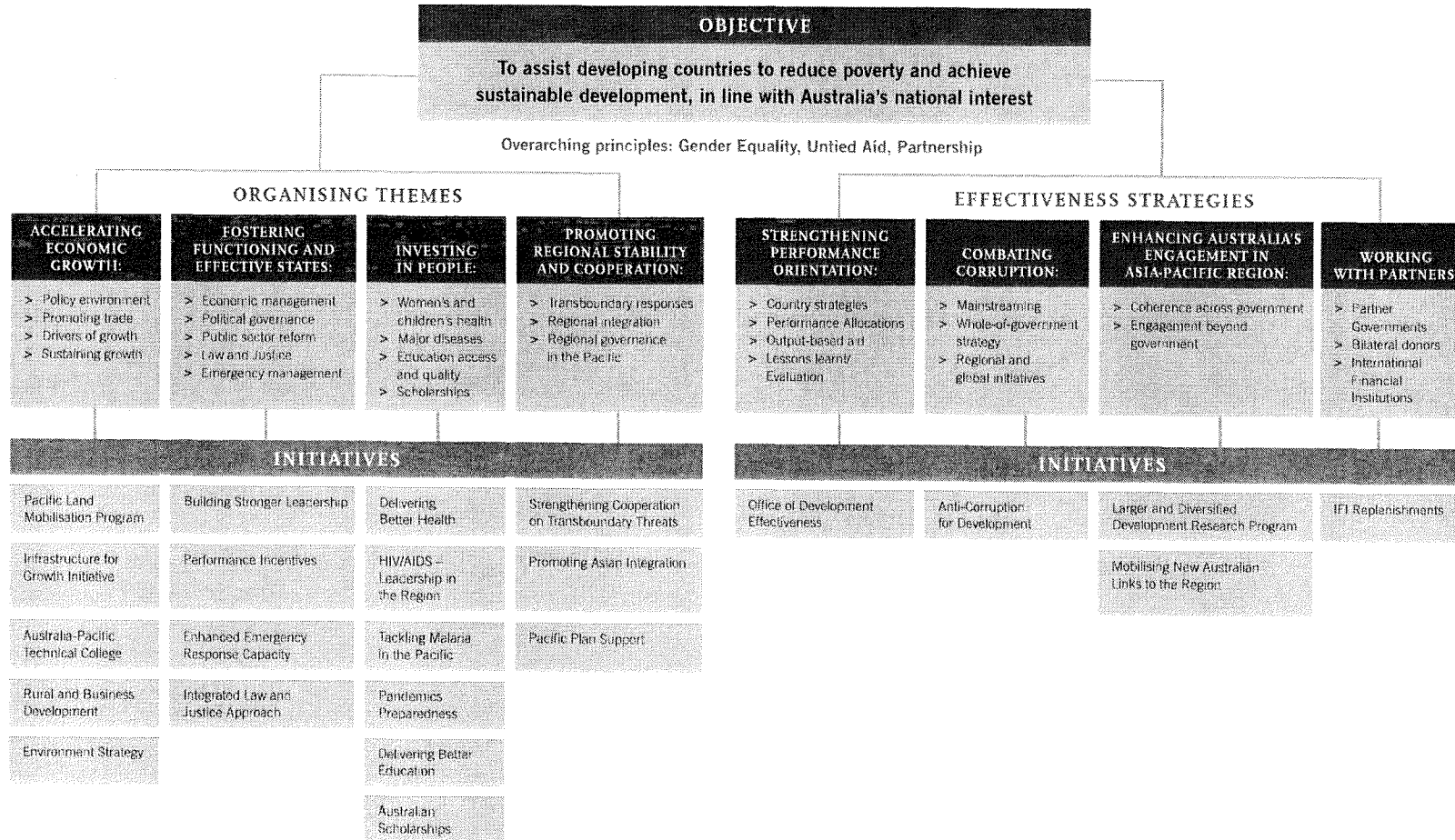
Australian aid is effective and is making a real difference to the people of the Asia-Pacific region. The changes outlined in this White Paper will give the aid program greater reach and impact in the coming decade.

The Australian public and the countries benefiting from the aid program can expect the Government to be even more responsive, professional and accountable in the delivery of Australian aid. The Australian aid program will not only be larger, but also more effective and transparent.

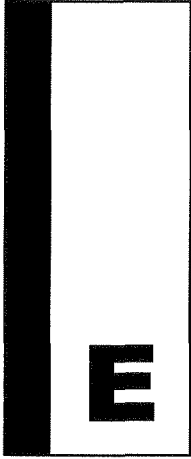
The scale of the development challenges and the level of Australian commitment to growth and stability in the region require nothing less.



CHART 1 Strategic Framework for Australia's Overseas Aid Program







## **Appendix E: Summary of Pacific 2020 report**

# Summary

The overall performance of the Pacific island countries in the course of the past two decades has been poor. The region suffers from high unemployment and joblessness, and governments are failing to meet the expectations of their citizens. Several countries suffer from social or political instability, or serious crime. Some face daunting health or environmental challenges. Without an upturn in economic growth, the future for these countries is at best uncertain and at worst bleak. What are the long-term growth prospects for Pacific island countries? And what can be done today to improve these prospects?

*Pacific 2020* aims to answer these questions. Based on extensive consultations, it presents a mix of growth opportunities and challenges to stimulate dialogue and debate. It is not an action plan, but a call to action and a resource for Pacific island governments that want to accelerate and better manage growth. It is written for all developing country members of the Pacific Islands Forum, as well as East Timor.

*Pacific 2020* is based on the study of nine topics: four crosscutting 'growth factors' – investment (or capital), labour, land and political governance – and five important 'productive sectors' – agriculture, fisheries, forestry, mining and petroleum, and tourism.

## **Pacific growth, challenges and scenarios**

*The growth performance of the Pacific islands has been poor.*

The region has experienced low or negative growth in income per person. In the period 1990–2004, four of the five Micronesian countries had negative growth and, of the Melanesian countries, only Fiji achieved an average growth of more than 1 per cent a year. In general, the Polynesian countries have done better, but only when compared with the rest of the region. Their growth is well below the average for developing countries, and much less than that achieved by Mauritius, a comparable small island state in another part of the world.

There are signs of hope. Cook Islands, Samoa and Tuvalu have delivered sustained, moderate growth since the mid-1990s or earlier and data since 2003 show improved growth and macroeconomic outcomes for a number of Pacific island countries.

*Without a sustained acceleration in growth, the Pacific will be unable to meet its pressing challenges.*

The Pacific islands are facing a number of serious challenges. The most immediate and widespread are unemployment and joblessness – leading to poverty, frustration and, potentially, social instability. The region also faces serious and worsening health problems, environmental challenges such as climate change, and rapid urbanisation.

If the Pacific island countries are to meet these challenges, it is essential that their economies grow. Economic growth creates wealth, which can be shared between the private and public sectors, thereby strengthening both. Only growth will create employment, and only growth will create the revenue that the public sector needs to deal with challenges such as the environment and health. Economic growth will not be sufficient to solve all problems facing these countries, but it is necessary. No country has succeeded in reducing poverty without it.

*Whether the Pacific achieves higher growth remains to be seen. If not, the countries of the region will collapse or at best ‘muddle on’.*

Some commentators foresee a ‘doomsday’ scenario where the Pacific islands region completely fails to meet its mounting challenges. Others foresee ‘muddling on’, where collapse is prevented by the continuation of aid and migration opportunities. Neither of these scenarios is comforting.

*Pacific 2020* also highlights a third scenario – rapid growth – in which a range of reforms along the lines outlined in this report is undertaken and where, as a result, economic growth accelerates. This scenario is the only one that enables the Pacific to meet its challenges.

*Higher growth is possible.*

Pacific island countries have natural disadvantages imposed by their small sizes and remoteness, but these can be overcome and high growth achieved by all except perhaps some of the tiniest. While different countries in the region face different challenges, and some countries have better growth prospects than others, their one commonality is that ultimately their success in generating growth and in meeting their many challenges depends on the decisions their governments make. There are enough success stories in the Pacific and elsewhere to indicate that the countries of the region can prosper, given effective economic management and sound policies.

The reasons for the limited success of past economic reform efforts in the Pacific are now better understood. Reforms need to be persevered with and go beyond stabilisation to

address deeper structural and institutional weaknesses. All of the Pacific 2020 studies and consultations taken together suggest a two-pronged approach to reform: structural policy reforms and sensible public investment where a relatively quick growth impact can be expected (for example, in infrastructure), combined with more attention to the tough, long-term growth constraints (such as political governance and land tenure).

### **Pacific 2020 common themes**

Four themes emerged from the study of the nine Pacific 2020 growth topics as critical for growth. These are governance and institutions, infrastructure, integration and regional cooperation, and implementation.

*International indicators show that the Pacific suffers from weak governance. The Pacific 2020 studies revealed that this is holding growth back.*

Reform strategies need to give much more attention to institutions than they have to date. Government institutions responsible for delivering law and order and macroeconomic stability should be strengthened, and governments become more transparent. Market institutions need to be allowed to work better, by undertaking reforms that improve infrastructure, reduce regulatory barriers and improve the protection of property rights, especially in relation to land. Strengthening environmental management and educational institutions also emerged as priorities. Strengthening political institutions has to be the top priority because the success of attempts to strengthen other institutions normally depends on the support they receive from politicians.

All of this is, of course, easier said than done, and solutions will have to come from within. The key to progress will be, as Pacific leaders themselves are now articulating, nurturing governance in a Pacific context rather than treating it as a foreign impost.

*Infrastructure (transport, telecommunications, power) emerged repeatedly from the Pacific 2020 studies and consultations as a fundamental constraint to growth in the region.*

From one point of view, the challenge of improving infrastructure is a subset of the broader problem of improving institutional performance. Yet infrastructure emerged so consistently from the Pacific 2020 studies as a fundamental constraint to growth in the region that it demanded to be highlighted separately.

Infrastructure development in the Pacific island countries lags well behind that in the Caribbean, due not solely to geography but also to poor management. For example, the Pacific island region seems to be missing the mobile telecommunications revolution that is sweeping much of the developing world, bringing large benefits to producers and consumers alike.

Better infrastructure is not just a matter of more public funding; of equal or more importance are infrastructure policies and their implementation.

*Integration and regional cooperation are not options for the Pacific island countries, but necessities borne of their small sizes.*

It can be especially difficult for small countries to develop effective institutions, so taking a regional approach to institution building makes a lot of sense. The Pacific 2020 studies found that efforts to develop each of the productive sectors would yield better outcomes if regional opportunities were embraced.

The recently approved Pacific Plan embraces not only regional cooperation, but also economic integration. Given the importance of remittances in the Pacific, the challenge of integration extends beyond trade in goods to integration in global labour markets. This is especially important for the microstates that lack domestic economic opportunities and for Melanesia with its rapid population growth. One path to economic integration is through the negotiation of free trade agreements covering goods and services – agreements between Pacific island countries, but more importantly with developed trading partners such as Australia and New Zealand.

*Perhaps the single clearest message from Pacific 2020 is that poor implementation is the most serious constraint to successful reform and thus rapid growth.*

Many commented that the solutions are known, but not acted on or persevered with. Implementation will improve if reform plans are prioritised and realistic, if monitoring frameworks are in place, and if there is ongoing consultation. But, ultimately, implementation is a function of ownership.

What can be done to improve reform ownership? Reforms should be adopted as a long-term project with economic growth and prosperity as the objective. They should not be thought of as one-time efforts that can be engaged in without sacrifice. Further, Pacific islanders need to have reasonable hope that they will benefit from the reforms. Not only should the benefits of reform be widely shared, but its unwanted consequences should be managed and contained. Finally, successful reforms need ‘drivers of change’ – those who have the political will, show strong leadership and are able to mobilise local resources in a consensual way.

### **Pacific 2020 key findings: growth factors**

Four of the nine Pacific 2020 growth topics are crosscutting ‘growth factors’ that are of importance to economic growth whatever the sector. Three of these are the traditional factors of production: investment (or capital), land and labour. The fourth is political governance, chosen because of its influence on all other aspects of government performance,

which in turn is a critical determinant of both the supply and the productivity of the traditional factors of production.

*Private sector investment will drive growth if business costs are reduced.*

Ultimately, it is private sector investment that will drive economic growth – not only by adding to the capital stock, but also by increasing entrepreneurial capacity. Several countries have improved their macroeconomic and fiscal performance but this in itself may not be adequate if action is not taken to tackle problems that exacerbate rather than ameliorate the problems of size and isolation. Six reform priorities were identified by the Pacific 2020 process: tackling the underlying problems of political instability, law and order, and corruption; filling the infrastructure deficit; developing financial markets; reforming legal and regulatory systems; reforming state-owned enterprises; and working with the private sector to build dialogue and capacity.

*Land tenure reform is a sensitive issue, but one that requires demand-driven, incremental change.*

In spite of the difficulties involved in land tenure reform, change is essential, not only to encourage economic growth, but also to promote social stability in the face of increasing demographic pressures and the changing aspirations of Pacific islanders. Given both the importance of customary ownership in the Pacific and the sensitivity of land tenure reforms, a guiding principle for land reform should be to change land tenure only to the extent necessary.

Blending ownership at the group level with long-term lease agreements covering the use of land by individual developers points the way forward. Each country will have to work out its own solution, but the Pacific 2020 process identified four general directions for change: improving the recording of land rights; establishing a cost-effective legal framework for land dealings; establishing land dispute settlement machinery that makes greater use of arbitration and mediation; and improving land administration services.

*The fundamental requirement for more employment is faster economic growth, but labour-related reforms and actions are also needed.*

Labour markets are relatively flexible in the Pacific island countries but labour productivity can be boosted by a number of employment-related reforms. Better provision of basic health and education services and greater emphasis on effective vocational training will protect and build human capital. Labour market discrimination needs to be combated. Integration with international labour markets will expand employment opportunities and increase remittance flows. Opportunities for self-employment can be boosted by removing regulatory barriers in the informal sector and providing basic business training.



*Improving political governance is a long-term challenge, but perhaps the most important one facing the Pacific between now and 2020.*

Current political arrangements in the Pacific are not delivering the desired economic outcomes. Pacific island countries have achieved nominal sovereignty, but their effective sovereignty is often in decline as they find it increasingly difficult to deliver basic services, including law and order. Without more effective political leadership, sustained growth will remain elusive. How this can best be achieved is up to individual countries to decide, but the way forward will have to involve actions both on the ‘supply side’ of political governance (strengthening electoral systems, parliaments and oversight institutions) and on the ‘demand side’ (through partnerships with civil society to improve the quality of political governance).

### **Pacific 2020 key findings: productive sectors**

The five productive sectors studied as part of the Pacific 2020 process – agriculture, fisheries, forestry, mining and petroleum, and tourism – provide a wide-ranging coverage of the Pacific island economies.

*Agricultural productivity has to increase if living standards are to improve in the Pacific.*

Agriculture provides more employment than any other sector in the Pacific island countries. It presents many opportunities for growth, domestically and for export, but is operating well below potential, if not stagnating. Constraints include infrastructure and the other crosscutting issues highlighted in the previous section. Sector-specific priorities that emerged are: improving farmer access to the latest technology and market information through industry-led research and extension, and contracting out extension services; removing distortions such as forcing farmers to sell to particular buyers; and facilitating market access through improved quarantine services.

*The management of fisheries needs to improve to allow better use of the region’s massive oceanic and coastal resources.*

Fisheries in different settings provide considerable employment and government revenue to the Pacific island countries. Oceanic fisheries are approaching the limits of sustainability and coastal fisheries face environmental risks. These can be managed only if the governance of the sector is improved by, for example, publicly disclosing licensing details. The value of fishery access rights can also be increased through a variety of competitive strategies. Partnerships with the private sector should be strengthened, especially for training. With respect to coastal fishing, the secret to sustainability is greater community involvement along the lines of the Fiji and Samoa models.

*Natural logging is in crisis, but there are growth opportunities in forest plantations.*

If current practice continues, the major accessible natural forests of the Pacific island region are likely to be logged out by 2020 or earlier. To put forestry on a sustainable footing will require a

fundamental turnaround in sectoral governance arrangements, including better implementation of existing policy and legal requirements. Plantations present a more optimistic scenario. The establishment of large plantations will require issues associated with land tenure to be addressed, but community-level plantation forestry holds considerable potential.

*Mining and petroleum have the potential to generate large and increasing revenues for some Pacific island governments but, without good governance, the sector's development will lead to environmental damage, corruption and instability.*

Papua New Guinea, Solomon Islands and East Timor have significant mineral and petroleum reserves and other Pacific island countries may find deep seabed mining to be an important future source of revenue. If mineral and petroleum resources are to be turned into positives, mineral revenues will have to be shared equitably and transparently, both between the main stakeholders and across generations. Government policy frameworks and administrations that deal with the extractive industries need to be strengthened.

*Tourism is the type of economic activity in which the region can compete globally and into which it needs to diversify to promote employment.*

Tourism provides great scope for differentiated or exclusive products, which allow the charging of high prices to cover the costs and risks that small remote islands face. Fiji and Cook Islands provide good examples of what can be achieved. But to date the number of tourists visiting the Pacific islands has grown only slowly. Potential tourists are deterred by poor infrastructure, particularly the high cost of travel. Political and social instability and health and crime risks also diminish the region's allure. Tackling these external constraints has to be the top priority for any Pacific government that wants to boost tourism. Sector-specific imperatives include: developing national tourism policies that promote cross-sectoral coordination and address concerns around tourism relating to the environment and culture; providing training in tourism-related professions; and improving marketing and data.

## **In conclusion**

Can the Pacific island countries prosper by accelerating and sustaining economic growth? There are many constraints, including the land tenure system, limited private sector capacity, high costs and the fragmented political landscape. Yet, the Pacific 2020 process also brought out the huge potential for development that exists across the region. Whether the opportunities for growth are grasped and properly managed will come down to the choices of country decision makers and, ultimately, to whether sustained growth is pursued as a central political objective. Success will mean different things for different countries, but there is certainly a success story to be lived out by every Pacific island country, from the largest to the smallest.