

Chapter 17

Land tenure and access to finance

17.1 More than 80 per cent of the total land area in the Pacific region is under a complex and diverse system of customary land tenure.¹ Access to this land is an important factor in economic development in Pacific island countries and a major consideration for investors. In this chapter, the committee considers land ownership and its implication for economic development and investment. It also considers access to finance.

Land ownership—obstacles to development

17.2 A number of witnesses suggested that the complex and sensitive nature of land tenure arrangements in the region was an obstacle to economic development and argued that to achieve economic reform, changes were needed.² They identified buying and selling customary land and establishing legal title as the main difficulties.³ For example, Mr Garry Tunstall, ANZ, informed the committee that it would be preferable to have a land title system that worked where land could be bought and sold. He explained

...if you want to borrow money and undertake investment by borrowing money then a financial institution is unlikely to lend that money on custom land.⁴

17.3 The Centre for Independent Studies noted that land surveys, registration and enforcement of private property rights need to be established in the Pacific.⁵ Ms Hayward-Jones suggested that some kind of consensus on how land is to be used, who owns the product being sold and what can be built on the land is important.⁶ She agreed with the view that the issue of land tenure is critical for private sector

1 AusAID, *Making Land Work: Reconciling customary land and development in the Pacific*, vol 1, 2008, p. 3.

2 See for example, Ms Hayward-Jones, *Committee Hansard*, 24 March 2009, p. 21; Professor Hughes, *Committee Hansard*, 24 March 2009, pp. 32–33; Dr Patricia Ranald, *Committee Hansard*, 25 March 2008, p. 12; Mr Clarke, Australia Papua New Guinea Business Council, *Committee Hansard*, 25 March 2008, pp. 53–54; Mr Anderson, Australia Fiji Business Council, *Committee Hansard*, 25 March 2009, p. 68; *Submission 11*, p. 3.

3 *Submission 51*, p. 7. ANZ was of the view that the problems arising from current land ownership arrangements not only dampen the incentive to invest in long term agricultural projects but delay infrastructure projects and make financing decisions regarding major projects difficult.

4 *Committee Hansard*, 24 March 2009, p. 63. Mr Ian Clarke told the committee that if someone were going to build a major hotel, no-one would lend them the money to build it on customary land—'You do need a secure title'. *Committee Hansard*, 25 March 2009, p. 67.

5 *Submission 11*, p. 3.

6 *Committee Hansard*, 24 March 2009, p. 21.

development and needs to be resolved. She noted that if agriculture is to be encouraged then land tenure, particularly in Melanesia, 'needs to be sorted out'.⁷

17.4 The issue of land tenure affects many sectors of the economy. Mr Frank Yourn, Australia Papua New Guinea Business Council, informed the committee that sometimes land tenure issues produce difficulties with the development of national infrastructure, such as telecommunications, roads and bridges. He noted that a telecommunications company would have to engage in complicated negotiations with landowners to secure a site for a transmission tower.⁸ A number of witnesses referred to land ownership, particularly disputes over land tenure, as possible impediments to mining activity.⁹

17.5 Despite these identified problems, a number of witnesses informed the committee that Pacific island countries have arrangements that attempt to address the issue of land tenure. Larger projects, including agricultural ones, are often in a better position to look after their own interests. For instance, New Britain Palm Oil has a successful palm oil plantation in West New Britain with 7,000 employees and also 7,000 private out growers. The larger plantation is on leasehold land which allows the operator to plant palm oil. On the other hand, the out growers, who work on land they own under custom rights, sell palm nuts to the plantation for which they receive income.¹⁰

17.6 ANZ cited the mining industry as a sector that 'has demonstrated that sensitive land ownership issues can be managed'. Furthermore, it noted that the sector's approach to handling land ownership issues could be replicated across other parts of the economy.¹¹ For example, Mr Graham, Esso, explained that his company in PNG does not necessarily own the land but acquires access to it. This means that for the pipeline route, the company does not purchase a strip of land but has access to that land. The LNG plant itself, however, is different. He maintained that 'if you are going to spend \$6 billion on a plot of land, you want certainty about title and access to it'.¹²

17.7 Mr Clarke also referred to land ownership arrangements under the Oil and Gas Act in PNG which enable a developer to secure a title from the state through a mining or a prospecting lease of some sort. Nonetheless, he pointed out that much preparatory work is required before a title is granted, including holding a forum, producing a detailed social map and determining customary boundaries. While he was of the view that some good models of arrangements with customary landowners were working under the legislation in PNG, he noted failings in the bureaucracy.¹³ He

7 *Committee Hansard*, 24 March 2009, p. 21.

8 *Committee Hansard* 25 March 2009, p. 68.

9 See for example Mr Hodgson, *Committee Hansard*, 25 March 2009, p. 69.

10 *Committee Hansard*, 24 March 2009, pp. 58 and 63.

11 *Submission 51*, p. 7.

12 *Committee Hansard*, 26 March 2009, p. 50.

13 *Committee Hansard*, 25 March 2009, pp. 54, 67 and 70.

explained that because of a lack of funding and of execution, the framework was 'just not working'.¹⁴

17.8 Fiji has also established a legislative framework for managing access by foreign investors to traditional owned land. The Australia Fiji Business Council noted:

Fiji has done better than most countries through the establishment of its Native Land Trust Board which manages the relationship between landowners and tenants, and generally provides an effective mechanism to enable land to be utilised for economic purposes of benefit to both the landowner and the land user.¹⁵

17.9 Under the framework, investors apply to the Native Lands Trust Board which acts like an agency for the landowners and takes a commission. Mr Yourn indicated, however, that:

It is a hefty commission and they are not always as efficient as they might be, but at least there is a framework and a structure there for managing access to land. You still have to have a relationship with the landowners and you need to nurture that relationship and keep it going for the whole life of whatever it is your business is on that land...¹⁶

17.10 Mr Anderson, President of the Council, informed the committee of resorts that have been built and operate in Fiji and where, in many cases, landowners have become the recipients of the goodwill of that hotel. In this regard, both Mr Clarke and Mr Yourn suggested that land ownership in Pacific island countries is generally an issue to be managed and not to prevent business.¹⁷ Mr Clarke said:

The issue is also making sure that you have got, and you can work with, the customary owners. If you cannot get on with the customary owners then a government title is not going to fix it.¹⁸

17.11 Despite the various arrangements in place to deal with land ownership difficulties, some witnesses contended that land tenure in Pacific island countries is still a problem and remains a contentious matter. Some argued that it is not going to change. A recent AusAID publication noted that governments in the region have 'tended to avoid interfering with customary tenure systems, in terms of how they allocate rights, manage the land and keep records'.¹⁹ In stronger terms, Professor Moore told the committee that, at the moment, the problem was 'intractable' and would be so for 'a generation or more'.²⁰

14 *Committee Hansard*, 25 March 2009, p. 70.

15 *Submission 58*, p. 10.

16 *Committee Hansard*, 25 March 2009, p. 68.

17 *Committee Hansard*, 25 March 2009, p. 68.

18 *Committee Hansard*, 25 March 2009, p. 67.

19 AusAID, *Making Land Work: Reconciling customary land and development in the Pacific*, vol 1, 2008, p. 4.

20 *Committee Hansard*, 26 March 2009, p. 9.

17.12 Ms Hayward-Jones was of the view that the issue of land tenure was critical. She indicated that there had been calls in a number of countries in the Pacific for help on land ownership matters. In her opinion, this was an area where external assistance might help because Pacific island countries feel they cannot reform it themselves due to the indigenous politics around it.²¹

17.13 A number of witnesses, including the Australia Pacific Islands Business Council and the Australia Fiji Business Council, suggested it was important for individual Pacific island countries to own the solution and for it not to be imposed externally.²² Dr Patricia Ranald, Australian Fair Trade and Investment Network, made a similar observation. While recognising the importance of land tenure reform, she stated that it should 'take place in each country according to the needs of that country'—it should not be a one-size-fits-all process and should be developed in consultation with the people involved.²³ The Prime Minister of the Kingdom of Tonga underlined this point. He noted that land tenure 'is one of the most delicate, difficult subjects in all Pacific island countries':

Given the vast diversity of land tenure systems throughout the region, it is definitely...one of a national, local, domestic character, and one best dealt with by each country within its own borders and within its own culture and traditions.²⁴

17.14 The capacity of customary landowners to engage in land tenure arrangements is also an important consideration. In its publication, *Making Land Work*, AusAID referred to customary land practices in Vanuatu. It noted that foreign investors 'are making deals with landowners that are very much in the investors' favour'. It found that 'landowners are discovering that the terms and conditions they agreed to are inadequate, or that they were not fully informed about the implications of these terms and conditions'.²⁵ AID/WATCH also referred to the residential and commercial developments in Vanuatu that 'rarely benefit local people, preventing them access to traditional lands and at times result in difficulties securing back their land when lease terms have expired'. In its assessment, while the new land laws implemented by the

21 *Committee Hansard*, 24 March 2009, p. 21. Mr Noakes suggested that traditional society resource ownership issues, which are fundamental to island nations' character and society, can be understood and worked through. He believed that some benefit was to be gained 'in foreign investors from countries such as Australia being given some assistance in developing an understanding of traditional practices and local authority structures and loyalties, land ownership and land use'. *Committee Hansard*, 26 March 2009, p. 55.

22 *Submission 16*, p. 1; *Submission 60*, p. 8; *Submission 58*, p. 10; *Committee Hansard*, 25 March 2009, p. 70.

23 *Committee Hansard*, 25 March 2009, p. 12.

24 Speech by the Outgoing Chair of the Pacific Islands Forum, Honourable Dr Feleti Vaka'uta Sevele, Prime Minister of the Kingdom of Tonga, at the opening of the 39th Pacific Islands Forum, <http://www.forumsec.org.fj/pages.cfm/newsroom/speeches/2008-1/speech-by-outgoing-forum-chair-opening-of-39th-pif-niue.html> (accessed 30 September 2008).

25 AusAID, *Making Land Work: Reconciling customary land and development in the Pacific*, vol 1, 2008, pp. 48 and vii.

government in Vanuatu were able to contribute to the cash economy, they have 'gradually marginalised the local indigenous population'.²⁶ On this matter, the Prime Minister of Vanuatu recently voiced his concern about his people being taken advantage of in making such arrangements.²⁷

17.15 The committee has mentioned in a number of different contexts the lack of capacity in Pacific island countries to negotiate agreements with better-resourced countries. In some cases, this same weakness appears relevant to customary landowners when it comes to negotiating leasing arrangements.

Australia's assistance

17.16 While referring to the importance of land reform to economic development in Pacific island countries, some witnesses recognised the difficulties and sensitivities surrounding the issue. With regard to Australian assistance in this area, AID/WATCH noted that 'Any Australian government involvement with changes to land ownership systems in the Pacific needs to be carefully considered'.²⁸

17.17 The Australian Government acknowledges that land policy in the Pacific is a complex and sensitive issue which must be driven and shaped by Pacific governments and communities and not by donor countries.²⁹ It has allocated \$54 million over four years to a Pacific Land Program. The program aims to strengthen land systems to enable greater levels of social and economic development and reduce the potential for instability due to land-related conflict'.³⁰ The Parliamentary Secretary for International Development Assistance, the Hon Mr Bob McMullan MP, told a Pacific Land Conference that Australia would:

...support partner government initiatives that seek to strengthen land departments, and that seek to find new ways of making customary land work for customary owners and the national welfare, while maintaining the integrity of traditional tenure.³¹

26 *Submission 16*, p. 1.

27 ABC, 'Foreign investors exploit cheap Vanuatu land', *The 7:30 Report*, transcript <http://www.abc.net.au/7.30/content/2009/s2547853.htm> (accessed 1 July 2009).

28 *Submission 16*, p. 1; *Submission 60*, p. 8.

29 AusAID, *Making Land Work: Reconciling customary land and development in the Pacific*, vol 1, 2008, p. vii.

30 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008-09: Australia's International Development Assistance Program*, 13 May 2008, p. 27; and AusAID, *Submission 65*, p. 14.

31 The Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, 'Launching of Making Land Work—Pacific Land Conference', Media release, 12 June 2008, http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=2528_8235_2115_7707_4349 (accessed 21 April 2009).

17.18 He stressed that host countries would take the lead and Australia's role would be 'confined to that of supporting these initiatives'.³² In this context, he explained that Australia would provide:

- assistance for the framing of stronger legislation on tenure security and mechanisms for informed consent for customary owners involved in land negotiations;
- support to improve systems to resolve disputes;
- training for land professionals and semi-professionals in areas such as surveying, land use planning, valuing, real estate and the law; and
- on a regional level, help to countries wanting to respond to the challenges and opportunities associated with rapid urbanisation.³³

17.19 With this in mind, AusAID produced a comprehensive publication, *Making Land Work*, as 'an information source for countries wanting to undertake, or who are already undertaking, land policy reform'.³⁴

17.20 In the previous section, the committee mentioned concerns about the capacity of customary landowners to negotiate land tenure arrangements and cited experiences in Vanuatu. In this regard, the committee notes Mr McMullan's assurances that Australia would provide assistance for developing mechanisms around 'informed consent of customary landowners in negotiations with investors and developers'.³⁵

17.21 A number of witnesses commended the government's approach to land reform in Pacific island countries. AID/WATCH and the Australian Agency for International Development (ACFID) referred to the statements by Mr McMullan as a positive indication of Australia's intention to 'listen to Pacific community voices' and adhere to two fundamental principles:

32 The Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, 'Launching of Making Land Work—Pacific Land Conference', Media release, 12 June 2008, http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=2528_8235_2115_7707_4349 (accessed 21 April 2009).

33 The Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, 'Launching of Making Land Work—Pacific Land Conference', Media release, 12 June 2008, http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=2528_8235_2115_7707_4349 (accessed 21 April 2009).

34 The Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, 'Launching of Making Land Work—Pacific Land Conference', Media release, 12 June 2008, http://www.ausaid.gov.au/media/release.cfm?BC=Speech&ID=2528_8235_2115_7707_4349 (accessed 21 April 2009).

35 The Hon Stephen Smith MP, Minister for Foreign Affairs, and the Hon Bob McMullan MP, Parliamentary Secretary for International Development Assistance, *Budget Statement 2008-09: Australia's International Development Assistance Program*, 13 May 2008, p. 27.

- Australia will only support reforms that recognise the continuing importance of customary tenure; and
- land policy reform must be driven by Pacific island governments and communities, not by donors.³⁶

17.22 Ms Hayward-Jones acknowledged the work undertaken recently by AusAID on land tenure as 'fairly well received'.³⁷ She indicated that exploring options and ideas on ways to manage land ownership issues through education, debate and workshops would be one way of offering assistance.³⁸ The Australia Fiji Business Council noted that generally AusAID's contribution on possible reforms to enable better economic usage of land was 'very worthwhile'. According to the Council, this work in time may lead 'to a more stable and predictable environment for all parties', but it needs 'to continue in partnership with Pacific stakeholders'.³⁹

17.23 Some witnesses were either critical of Australian assistance or more definite in identifying areas where Australia could contribute to land reform. Professor Hughes argued:

We have not put in the intellectual resources to try to persuade people that land tenure is important. We have not put in the aid sources for cadastral surveys so that villages would know what land is theirs to divide. We have not supplied the aid for that. In Fiji, it exists. But in most other islands it does not, and it certainly does not exist in Papua New Guinea. We have failed to do our part in the land problem.⁴⁰

17.24 Professor Moore suggested that Australia should be putting more effort into advising Pacific island countries on 'how to deal with customary land tenure'.⁴¹ The Centre for Independent Studies noted that land surveys would be 'an ideal task for Australian aid since they are financially and technically demanding'.⁴² According to ANZ:

Australia could consider providing assistance to help PNG (and other Pacific Island states) develop arbitration and mediation procedures for land disputes which would make the administration of land law more efficient.⁴³

17.25 Mr Hodgson, Australia Pacific Islands Business Council, liked the idea of an arbitration structure because, 'it brings a degree of formality to the quite casual way in which Solomon Islands matters are dealt with'. He was unsure about whether the

36 *Submission 16*, p. 1.

37 *Committee Hansard*, 24 March 2009, p. 21.

38 *Committee Hansard*, 24 March 2009, p. 21.

39 *Submission 58*, p. 10.

40 *Committee Hansard*, 24 March 2009, p. 27.

41 *Committee Hansard*, 26 March 2009, p. 10.

42 *Submission 11*, p. 3.

43 *Submission 51*, p. 7.

government would think that Australia was interfering. He said that if it were 'handled well and diplomatically they may well see it as something that is helpful'. He concluded:

I do not think anywhere near enough time has been devoted towards trying to work out a way in which customary land can be used as an asset to borrow against, lease or do what you like with it. I do not think enough time has been spent in that thinking process'.⁴⁴

17.26 Mr Noakes believed that there could be some value in providing assistance to foreign investors from countries such as Australia to develop 'an understanding of traditional practices and local authority structures and loyalties, land ownership and land use'.⁴⁵

Summary

17.27 The committee recognises the work that Australia is doing in the area of land tenure. Clearly, while some witnesses acknowledged Australia's assistance with land tenure reform in the region as 'well received or worthwhile', some saw room for an improved role for Australia in this area.

Access to credit and financial services

17.28 Many businesses, especially the local small to medium enterprises, need access to credit to start up or expand their business. The willingness to lend money for commercial undertakings in Pacific island countries depends on a risk assessment that takes account of many factors such as likely economic prospects, the quality of economic infrastructure, service delivery, the regulatory environment, political stability, law and order and land ownership.

17.29 Unfortunately, because of deficiencies in these areas, many Pacific island countries are deemed to be difficult places to do business, which makes lenders reluctant to finance enterprises. For example, Qantas noted that given the weakness of aviation and related infrastructure in many parts of the region, investors are unwilling to commit funds for construction of hotels and other tourist plant.⁴⁶ The Pacific Islands Forum Secretariat drew a similar conclusion about the uncertain financial environment in Pacific island countries that requires commercial banks to protect their interests by imposing loan conditions that severely limit opportunities for investors to access finance.⁴⁷

17.30 The small populations in Pacific island countries with a high proportion of people working in the subsistence economy also limits access to finance. But even those in the SME sector of the largest Pacific island countries have problems obtaining credit. Mr Clarke noted that PNG does not have a 'significant middle

44 *Committee Hansard*, 25 March 2009, p. 70.

45 *Committee Hansard*, 26 March 2009, p. 55.

46 *Submission 41*, p. 5.

47 *Submission 69*, p. 10.

class'—it 'tends to be at a subsistence level or at a very small scale' and without access to credit.⁴⁸ He said, 'Some of those companies will not quite fall within the minimum criteria to attract commercial bank loans, and so there is a dearth of equity capital—SME start-up capital'.⁴⁹

17.31 Microfinance, which offers a full range of financial services to the poor including savings, loans, insurance and money transfer services, is one way of overcoming the disadvantages now experienced by many people living in the region. The Foundation for Development Cooperation noted that the number of microfinance programs had increased in Pacific island countries in recent years. It informed the committee, however, that most of the schemes had not been successful due to their limited outreach and poor access to financial services, particularly for the most disadvantaged living in rural areas. In its view, microfinance programs in the region 'should provide business and technical training for their clients, or coordinate their activities with other programs that provide such training'.⁵⁰ A UNDP study found that only around 20 per cent of the population of Kiribati, Tuvalu, Samoa, Solomon Islands and Vanuatu had access to financial services.⁵¹

17.32 AusAID acknowledged that access to finance was a problem for parts of economies of Pacific island countries but agreed with the observation that the difficulty was more with access to financial services. Dr Lake explained:

In many parts of the Pacific, when people are moving from subsistence agriculture into the marginal cash economy, they save for school fees, health costs and things like that. What they want is financial services, in which case they can put the money in to save and then take it out when they need it. Microfinance can be an important part of a broader package of financial services, and people usually want the financial services.⁵²

17.33 In her view, the financial services sector in the region was 'pretty thin and narrow'. Importantly, she identified transport and communication networks as a means of enhancing and expanding this service. For example, she cited improved road services in Malaita where vans are now travelling out to rural areas offering banking services, and the use of mobile phones to transfer money around the country.⁵³

48 *Committee Hansard*, 25 March 2009, p. 65.

49 *Committee Hansard*, 25 March 2009, p. 64.

50 *Submission 53*, p. 15.

51 Mark W. Flaming and Stuart Mathison, *Financial Services Sector Assessment: Kiribati, Tuvalu, Samoa, Solomon Islands, Vanuatu*, Prepared for the United National Development Programme and the United Nations Capital Development Fund, May 2007, p. ii.

52 *Committee Hansard*, 19 June 2009, p. 61.

53 *Committee Hansard*, 19 June 2009, p. 62.

Telecommunications technology, in particular, is opening up new opportunities to extend financial services to the 'unbanked'.⁵⁴

Committee view

17.34 Many Pacific Islanders suffer economically from poor access to financial services. The committee recognises that microfinance offers great potential to extend the reach of these services to the many currently excluded from them. It also notes that success in extending the frontiers of financial services also depends on improvements in roads and ICT services.

Australia's assistance

17.35 In previous chapters, the committee has noted the contribution that Australia is making to assist Pacific island countries create a secure and friendly business environment. All these measures designed to improve economic infrastructure, the delivery of essential services and overall governance will also make the business environment in Pacific island countries more attractive to lending institutions. Nonetheless, access to credit and to financial services remains a major impediment to business.

17.36 Information contained on AusAID's website states that Australia will provide \$20.5 million over six years to pilot an Enterprise Challenge Fund (ECF) for the Pacific and South-East Asia to stimulate economic growth. The fund provides an opportunity for private-sector businesses to participate in open competition for matching grants to finance commercially viable business projects. It also intends to ensure that the poor are included in the benefits and opportunities provided by growth. Through open competition, the fund would award grants of \$100,000 to \$1.5 million to 'business projects with pro-poor outcomes and that cannot obtain financing from commercial source'. According to AusAID:

At least 50 per cent of the project costs must be met by the partner business, and all projects must be commercially self-sustaining within three years.⁵⁵

17.37 AusAID recently announced details of its first two successful grantees. One of them, Nature's Way Cooperative (Fiji) Ltd, an expansion of a fruit quarantine facility, was awarded \$263,000. This contribution will enable the cooperative to expand its fruit exports to improve the livelihoods of approximately 1,200 rural people in Western Viti Levu.⁵⁶

54 Mark W. Flaming and Stuart Mathison, *Financial Services Sector Assessment: Kiribati, Tuvalu, Samoa, Solomon Islands, Vanuatu*, Prepared for the United National Development Programme and the United Nations Capital Development Fund, May 2007, p. v.

55 AusAID, http://www.ausaid.gov.au/business/other_opps/ecf.cfm (accessed 2 May 2009).

56 AusAID, http://www.ausaid.gov.au/business/other_opps/ecf.cfm (accessed 2 May 2009).



Nature's Way Cooperative in Fiji, funded by AusAID's Enterprise Challenge Fund, aims to improve marketing services for the Fiji fruit and vegetable export industry and expand quarantine treatment facilities (image courtesy of Coffey International Development).

17.38 The three Business Councils recognised the fund as a step in the right direction. They noted, however, that the major drawback with the fund was that a successful applicant was required 'to be in position to put up \$100,000 in equity or kind towards the project being funded. In its assessment, there would be cases where good business proposals will fail to qualify for the ECF grant due to this requirement'.⁵⁷

17.39 Mr Noakes also referred to the ECF but noted that 'only two of the first 30-odd applications got across the line'. In his opinion, something must be wrong with the mechanism 'when some very good applications which could have had a lot of benefit in communities just did not get up'. He believed that AusAID was still coming to terms 'with mechanisms to help stimulate and assist the private sector' and had 'not quite got there yet'.⁵⁸

17.40 The committee notes this criticism of the Enterprise Challenge Fund. It also notes the evidence that the availability of financial services is a major constraint for Pacific islanders.

57 *Submission 58*, p. 6; *Submission 60*, p. 4; *Submission 70*, p. 4.

58 *Committee Hansard*, 26 March 2009, p. 58.

17.41 In his 2009–10 Budget Statement, the Minister for Foreign Affairs announced that Australia would facilitate economic growth through expanded support for microfinance activities in both urban and rural areas. According to the minister, new assistance would include increasing support activities in the Pacific and PNG drawing on partnerships with NGOs, regional network organisations and the private sector. No mention was made of specific programs or activities or of the partnerships with NGOs and the private sector. The Pacific Partnerships for Development are also intended to be a mechanism whereby private sector development would be enhanced through better access to microfinance.⁵⁹ Currently, however, they shed no light on activities that are intended to achieve this objective.

17.42 Concerned about the lack of detail on the type of assistance Australia is providing in the area of microfinance, the committee wrote to AusAID seeking more information. AusAID informed the committee that activities currently and previously funded by Australia included the provision of enterprise development and financial literacy training across a number of Pacific island countries and expanding banking services to remote areas in the Pacific through mobile banking.⁶⁰

17.43 ANZ informed the committee of its work to raise the level of financial literacy and to provide financial services to those currently out of reach of the traditional banking system. It runs a program called 'Banking the un-banked' in the region which:

...delivers basic, affordable and reliable banking services to remote and disadvantaged communities in the region, in partnership with the United Nations Development Programme (UNDP), to provide financial literacy education.⁶¹

17.44 It reported that since launching the program in October 2004, 75,000 previously unbanked rural people in a number of Pacific countries have opened savings accounts. ANZ also offers micro-loans to regular savers and explained that a micro-loan of \$100 'can start a small business which in turn can lead to increased income and better living conditions'.⁶² It noted further:

Developing infrastructure in Pacific economies so communities have access to a range of financial products and services is important to the communities in which they are offered as well as the economy more broadly. However, efforts in this area will have a better chance of succeeding if individuals and communities are provided with the financial education needed to understand both the benefits and downsides of easier access to financial services.⁶³

59 AusAID, *Port Moresby Declaration*, <http://www.ausaid.gov.au/country/PortMorDec.cfm> (accessed 2 May 2009).

60 AusAID, answer to written question on notice no. 7, following public hearing 19 June 2009.

61 *Submission 51*, p. 2.

62 *Submission 51*, p. 2.

63 *Submission 51*, p. 6.



The ANZ Bank has established mobile banking services in Fiji. The services are popular in remote and rural Pacific island communities (image courtesy of Islands Business, published with ANZ's approval).

17.45 ANZ cited its work to improve financial literacy in the region as an area in which it could work with the Australian Government to deliver improved social and economic outcomes in the Pacific.⁶⁴

Committee view

17.46 The committee notes the establishment of the Enterprise Challenge Fund and the criticism about its limited application. It also recognises that access to financial services is a major constraint to economic development in Pacific island countries. Apart from general references to Australia's support for microfinance, the committee has little evidence that this aspect of Australia's assistance forms part of a coherent assistance framework. The committee believes that there is much scope for the Australian Government to improve its contribution to microfinance in Pacific island countries. The committee, however, acknowledges and commends the work that ANZ is doing in the region to provide financial services and improve financial literacy.

64 *Submission 51*, p. 6.

Recommendation 13

17.47 The committee recommends that the Australian Government establish a strategic framework that encourages the private sector to get involved in providing microfinance and other financial services in the Pacific island countries.

17.48 In the following part of this report, the committee brings together the evidence presented so far to consider the effectiveness of Australia's assistance and how Australia could do better to help Pacific island countries achieve economic growth and sustainable development.

Part III

Effectiveness of Australia's assistance to the region

Despite the large amount of development assistance flowing into the region, Pacific island countries remain economically underdeveloped with many of their people in poverty. Indeed, a number of reviews, studies and conferences have contrasted the amount of assistance that Pacific island countries receive with their lack of progress in lifting economic performance and improving overall living standards.⁶⁵ For example, the United Nations Development Assistance Framework for the Pacific Subregion stated that although aid per capita exceeds that of any other region, it has 'not translated into uniform human development gains'.⁶⁶ Indeed, Forum Leaders at their August 2009 meeting stated clearly their 'deep concern that despite continued high levels of development assistance over many years, the Pacific region remains off track to achieve the Millennium Development Goals'.⁶⁷ Such observations raise questions about the effectiveness of aid to the region. In this context, the committee considers how well Australia's engagement in the region assists Pacific island countries to meet their economic challenges.

65 A 2008 study published by the Asian Development Bank found that after 50 years of aid in the Pacific region, 'overall results in terms of sustainable improvements in capacity have been mixed, at best', Paulina Siop, 'Pacific Choice: from Dependency to Sustainability: A Case Study on the Economic Capacity Development of the Ok Tedi Mine-area Community', *Capacity Development Series*, Asian Development Bank, 2008, p. v.

66 United Nations Development System, *United Nations Development Assistance Framework for the Pacific Subregion, 2008–2012*, May 2007, p. 9.

67 *Forum Communiqué*, Fortieth Pacific Islands Forum, Cairns, Australia, 5–6 August 2009, PIFS(09)12, Annex B, p. 14.

