



**Australian Government**

**AusAID**

6 November 2008

Committee Secretary  
Senate Foreign Affairs, Defence and Trade Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Secretary

Please find enclosed AusAID's submission to the Senate Foreign Affairs, Defence and Trade Committee *Inquiry into the economic and security challenges facing Papua New Guinea and the island states of the south west Pacific*. This submission has been approved by the Minister for Foreign Affairs, the Hon Stephen Smith MP.

Also attached are two recent publications prepared by AusAID: *Tracking Development and Governance in the Pacific 2008* and the *2008 Pacific Economic Survey*.

These publications provide important additional information on current economic and development issues in the Pacific and are intended to help policymakers, in both Australia and the Pacific, design policies and programs that will have a positive and sustainable impact on development and economic growth in the region.

I understand that the Committee is planning to meet on 20-21 November. Unfortunately I have a longstanding commitment to attend meetings in Kiribati at that same time. I would be grateful if an alternative time could be arranged for AusAID to meet with the Committee. Please contact Jennifer Noble on 6206 4925 in regards to confirming an alternative time.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Scott Dawson'.

Scott Dawson  
Deputy Director General  
Pacific and PNG Division

**Standing Committee on Foreign Affairs, Defence and Trade**

**Inquiry into the  
Economic and Security Challenges Facing  
PNG and the Island States  
of the South West Pacific**

**Submission from the  
Australian Agency for International Development  
(AusAID)**

**October 2008**

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## INTRODUCTION

The Pacific island countries<sup>1</sup> face daunting economic and security challenges with high population growth rates, limited economic growth, high and growing levels of unemployment and uneven access to basic services. Progress against the Millennium Development Goals is mixed. Some countries, like Samoa, are set to achieve most of the Millennium Development Goals (MDGs) while other countries including Papua New Guinea (PNG), Solomon Islands and the micro-states are making limited or little progress towards the MDGs.

Australia has an abiding interest in helping Pacific nations secure a better future for themselves and for the region as a whole. The Australian Government is strongly committed to help improve countries' economic prospects and to raise living standards for people throughout the region. The Port Moresby Declaration and the Pacific Partnerships for Development provide a new framework through which Australia and the Pacific island nations can jointly commit to achieve shared development goals on the basis of partnership, mutual respect and mutual responsibility. The Australian Government's pledge to increase Official Development Assistance (ODA) from 0.3 to 0.5 per cent of Gross National Income (GNI) by 2015 will provide for additional resources for Pacific island countries under this new framework.

## ECONOMIC AND SECURITY CHALLENGES FACING THE PACIFIC

Pacific island countries vary enormously by population size, economic base and performance. The population of the region is growing rapidly and is approximately 8.2 million: over 70 per cent of these people live in PNG and approximately 80 per cent live in rural areas. **Poverty, high population growth rates, limited economic growth, growing levels of unemployment and uneven access to basic services affect the long-term prospects of Pacific Island countries to varying degrees.** For example, due to its size and natural resources sector, the development challenges faced by PNG are considerably different to those faced by the smaller island countries in the Pacific where economic prospects are more limited.

**While some Pacific Island Countries are showing progress, on the whole the Pacific region is off-track with respect to the achievement of the MDGs, the internationally agreed development targets for 2015.**

It is estimated that the proportion of people living in **extreme poverty** – less than US\$1 per day – has increased over the last decade to at least 3 million people. The overwhelming majority are in PNG. There is **mixed progress towards universal basic education** in the Pacific. Some countries – including Samoa, Tonga and Fiji – are progressing well but PNG, Solomon Islands, Vanuatu, Nauru and Tuvalu are unlikely to achieve universal primary education by 2015. Learning achievement is low in the Pacific, with many children leaving primary school without being functionally literate or being able to solve basic mathematical problems. The **poor quality of education** impacts on students who move beyond school to university or technical courses, reducing their capacity to succeed.

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<sup>1</sup> This submission covers the independent Pacific Island States: Papua New Guinea (PNG), Fiji, Solomon Islands, Vanuatu, Tonga, Samoa, Kiribati, Nauru, Federated States of Micronesia (FSM), Marshall Islands and Palau. Unless otherwise noted, references to the Pacific do not include East Timor.

**Gender equity** is still a very long way off. High rates of violence against women are a significant problem and women have generally poor political, economic and social status. Women's participation in political leadership is very low – of the ten countries in the world with no female representation, five are in the Pacific. Gender inequality is a factor that impacts on economic growth.

In terms of **basic health statistics** nearly 18,000 children die each year – many during the first month after birth, or from preventable causes such as diarrhoea and pneumonia. **HIV/AIDS is a growing threat** – between 50,000 and 150,000 people are HIV positive and three quarters of them live in PNG. **Tuberculosis** kills at least 4,000 people each year and **malaria** is a significant problem: the Solomon Islands has the highest incidence rate outside of Africa and across the Pacific more than 230,000 people have malaria, with 800 deaths reported each year (although the actual number of deaths is likely to be much greater). Progress in tackling avoidable diseases is made more difficult by weak health systems, including due to the large capacity gaps in health workforces in Pacific countries.

There are also significant **environmental concerns** in the Pacific. Key forest, land and water resources need protection. Commercially accessible forestry resources in the Solomon Islands are expected to be logged out within a few years and logging levels in PNG are considered unsustainable. A reduction in current catch levels for high value tuna stocks is urgently required to prevent long-term damage to these fisheries. Pacific Island countries will also be affected by the **impact of climate change** with rising sea levels, changes in sea temperature and more frequent weather events including droughts and cyclones. **Vulnerability to natural disasters and emergencies** also poses significant threats, both to the environment and to Pacific Islands' economies and human security.

**Crime, violence and lack of access to justice**, particularly in Melanesia, are both a cause and a consequence of poverty and present serious constraints to economic growth and human security. High levels of youth unemployment and inadequate and uneven service provision contribute to social and political unrest. **Chronic political instability** and internal conflict in Melanesia particularly have also had a serious effect on growth and poverty reduction efforts in recent years. The December 2006 coup in Fiji damaged growth performance and prospects. Internal stability in the Solomon Islands is fragile but for now is stabilised with the assistance of the Australian-led Regional Assistance Mission to the Solomon Islands (RAMSI). However, long term investment in basic services and the pre-requisites for broad based economic growth are required to improve the underlying situation.

Sustained and broad based economic growth is required to reduce poverty and joblessness, improve economic opportunities and underpin security and stability. However, while economic growth in PNG has improved markedly over recent years, this has yet to be translated into broad based economic opportunities and in many smaller Pacific Island countries, high population growth rates combined with limited economic growth are resulting in increased levels of unemployment and limited opportunities for development. All Pacific countries have economic opportunities available to them which, if exploited responsibly and with a long-term view and the support of the international community, can lead to increased growth and better development outcomes. Regional economic growth is possible, particularly with greater economic integration. However, **growth needs to be more rapid, broad based and sustained**, if it is to lead to long-term improvements in the social and economic prospects of the people in the region.

**The Pacific's combined Gross Domestic Product (GDP) growth rate is expected to reach 4.5 per cent in 2008**, up from 3.3 per cent in 2007<sup>2</sup>. This largely reflects faster commodity-led growth in PNG, which accounts for roughly half the region's GDP.

**However, growth performance of individual countries varies greatly within the Pacific, and lags behind other regions.** East Asia, for example, is growing at nine per cent and South Asia at eight per cent. The sub-Saharan Africa and Caribbean regions have performed better than the Pacific in recent years, although the gap is narrowing. Pacific countries face different growth challenges. In PNG, whilst the economy is growing due to resource revenues coming on stream, growth will need to be sustained and broadened beyond the resource sectors over the long term in order to make a measurable impact on people's incomes across the country. In the Solomon Islands, whilst growth is projected to increase in 2008, the main source of revenue is logging, a resource which will soon be depleted. Fiji, whilst generally less aid dependent than other Pacific Island countries, has reduced growth estimates since the coup in December 2006.

**The productive sectors in the Pacific offer varying potential for increased economic growth.** Agriculture and fisheries provide livelihoods and social security for most people in the region. Mining and forestry are important for several countries as both sectors can generate significant foreign exchange and government revenues over the long-term if managed in a sustainable way. For resource-rich PNG, the immediate challenge will be to take full advantage of the commodities boom which has created a unique opportunity for development and sustainable employment creation especially if the revenue accruing to the government is used well. In Fiji, Samoa, Vanuatu, Cook Islands, Palau and other countries there is potential for growth through tourism.

Smaller Pacific Island countries are benefiting from the receipt of **remittances** from expatriate workers. The World Bank estimates that remittance flows to the Pacific are currently worth more than US\$500 million per annum. If current trends continue remittances are likely to exceed the value of aid flows to the region by 2009. While there is considerable variation between countries, remittances are an increasingly important share of GNI, foreign income and an important source of domestic finance. For example, over 90 per cent of households in Tonga receive income in the form of remittances, and remittances were over 40 per cent of GDP in 2004. For the smaller island states, especially those with limited domestic economic opportunities, labour mobility and remittances will become an increasingly important part of the economy, particularly when people are well trained and healthy and thus have the potential to earn more. (Details of the Australian Government's Pacific Seasonal Worker Pilot Scheme are provided on page 12).

**More needs to be done to encourage private sector growth.** The business environment in many Pacific Island countries makes it challenging to attract investment. In some countries the dominant role of State Owned Enterprises crowds out private enterprise that may provide goods and services more efficiently and cheaply. At the same time, small domestic markets can make it difficult for companies to develop a profitable market share. The region's dispersed and remote populations mean that transport costs can be high, making some goods unaffordable to buy or too expensive to produce. The complex legal and regulatory environment in many countries can also act as a disincentive for investment.

Pacific Island countries face challenges when integrating with the global economy. The Pacific Islands Countries Trade Agreement (PICTA), which was agreed in August 2001,

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<sup>2</sup> Includes East Timor

has yet to be fully implemented, and in many countries tariffs and other barriers to trade remain high. Often this is motivated by concerns over the loss of government revenue from tariffs, with many of the smaller countries particularly challenged when trying to raise revenue from other sources such as income or value-added taxes. **Freer regional trade in goods and services** will be an essential ingredient in achieving higher sustained rates of growth, increased employment and increased government revenues to fund improved service delivery. Regional free trade agreements like PICTA and the proposed Pacific Agreement on Closer Economic Relations with Australia and New Zealand, or PACER Plus, can help encourage economic development through increased trade and economic growth.

## IMPLICATIONS FOR AUSTRALIA: DEVELOPMENT ASSISTANCE RESPONSE

It is clear from their performance against the MDGs that many Pacific countries are having difficulty meeting the basic needs of their citizens. Even where government revenue is increasing, severe capacity constraints limit governments' ability to quickly translate revenues into improved basic services. As a result, **in most countries there will be a role for the aid program for many years to come – to strengthen systems and to support the provision of basic services.** In the smaller countries of the Pacific, there is likely to be a long-term role for aid in supporting the recurrent costs of basic services, as the economies in these countries are too small to generate sufficient revenue to provide for the basic services for their communities.

**Development assistance has an important role in supporting activities that directly target economic growth** as well as those that target the critical enablers of growth. In the Pacific, Australia's development assistance program is supporting initiatives to help improve economic management, trade policies, microeconomic reforms and productivity, as well helping to strengthen the rule of law, build and maintain infrastructure and support health and education services.

The Government has pledged to **increase ODA from 0.3 to 0.5 per cent of GNI by 2015.** The 2008-09 Budget provided an estimated \$999 million for the Pacific, up from \$872 million in 2007-08.

Country/Region	Budget Estimate 2008-09 (\$m)	
	Country program	Total ODA
Papua New Guinea	359.8	389.4
Solomon Islands	105.5	236.4 a
Vanuatu	37.4	51.8
Fiji	21.0	26.9
Tonga	13.2	19.3
Samoa	19.6	28.3
Kiribati	11.6	18.4
Tuvalu	4.3	6.3
Nauru	15.2	26.6 b
Micronesia	2.5	6.5 c
Cook Islands	2.7	5.1
Niue and Tokelau	1.6	2.7
Regional and Other Pacific		181.9 d
<b>Papua New Guinea and Pacific</b>		<b>999.5<sup>3</sup></b>

### 3 Notes to Table 2

- a) Includes ODA eligible Australian Government expenditure under the Regional Assistance Mission to Solomon Islands.  
b) Includes cash paid in each year in line with the Nauru Settlement Treaty, in addition to amounts through the AusAID Country Program for Nauru. This includes funding under a Memorandum of Understanding negotiated on an annual basis between the Australian Government and the Government of Nauru.  
c) For the purposes of this table, Micronesia includes the Federated States of Micronesia, Palau, and the Republic of the Marshall Islands.  
d) Regional and other Pacific ODA includes amounts attributable to the Pacific region (but not to a specific country) from the Pacific Regional Program as well as AusAID global programs and other government departments.



**Australia's development assistance accounts for just over half of international development assistance to the region.** In 2006, Australia provided over 80 per cent of all development assistance to PNG and over 70 per cent for the Solomon Islands<sup>4</sup>. Net aid from all donor sources to the Pacific<sup>5</sup> rose from US\$750 million in 1997 to about US\$1.1 billion in 2006, but due to population growth in the region has barely risen in per capita terms over this period. Solomon Islands is an exception, receiving big increases in ODA, especially since 2003. While PNG's net aid from all donors fell sharply in the late 1990s, it has risen gradually in recent years.

Many Pacific island countries have characteristics of fragile states. **Compared with other donors, Australia commits the highest proportion of its aid to fragile states**<sup>6</sup>. Since aid works best in environments where there is strong governance, it is more difficult to deliver effective development assistance in fragile states. Achieving faster progress towards the MDGs in the Pacific region will require more effective aid as well as strong commitment from the countries of the region. AusAID is working hard to increase the effectiveness of Australia's development assistance through improved coordination, increased analytical and evaluation capacity and the use of alternative modes of service delivery.

In 2005, Australia joined the **Paris Declaration on Aid Effectiveness**. The Paris Declaration sets out a practical, action-orientated roadmap to improve the quality of aid and its impact on development. The Declaration is based on five key principles: ownership, alignment, harmonisation, managing for results, and mutual accountability. In the Pacific, Australia has assisted in establishing localised versions of the Paris Declaration as a basis for improved coordination of development efforts. In September 2008, the Australian Government pledged its support to the Accra Agenda for Action (AAA) – a further step in the international community's commitment to aid effectiveness. Consistent with the AAA, Australia will increase its efforts to ensure development effectiveness in fragile states, ensure greater transparency and accountability for development results and commit to an enhanced approach to partnerships.

The Office of Development Effectiveness (ODE) monitors the quality and evaluates the impact of Australian ODA – producing the *Annual Review of Development Effectiveness (ARDE)*. In 2007, the first ARDE published recommended key areas where Australia could undertake further work to enhance aid effectiveness. In the Pacific this includes: broadening the ways Australia engages in fragile states to bring about more sustainable improvements in basic service delivery, political stability and the creation of more employment opportunities for young people; improving gender equality; and ensuring that the high levels of technical assistance used to deliver development assistance do not undermine local ownership and initiatives or bypass local systems.

In keeping with this commitment to aid effectiveness, AusAID is already pursuing **new ways of working in health and education at the sectoral level**. This involves closer

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<sup>4</sup> Data based on OECD data and refers to bilateral net ODA disbursements

<sup>5</sup> Includes East Timor

<sup>6</sup> *Annual Review of Development Effectiveness 2007*

integration between Australian assistance and local service delivery and improved levels of coordination with other donors. This will reduce transaction costs for partner governments as all donors adopt a common approach. In terms of technical assistance, **whole-of-Australian Government approaches, specifically the Strongim Gavman Program in PNG and RAMSI are increasing their focus on capacity building.** The Strongim Gavman Program replaced the Enhanced Cooperation Program (ECP), and is being redesigned to ensure greater ownership and leadership by the Government of PNG. **New ways of working, at the sub-national level and with alternative service providers, are also being explored to improve aid effectiveness** and ensure services are delivered to those most in need, such as in PNG through the sub-national program and through the Church Partnership Program (see Australia's Practical Responses for more details).

The ODE is currently undertaking a series of **flagship thematic evaluations**, led by international experts, to help inform AusAID's new approaches. These include: an evaluation of the impact of PNG's national response to HIV/AIDS; an evaluation of efforts to address violence against women in Melanesia and East Timor; and an assessment of methods to improve basic services for the poor in fragile environments in three key areas: health, education and water and sanitation.

In order to increase understanding of development challenges in the region, AusAID has also produced a range of **analytical studies**:

- *Tracking Development and Governance in the Pacific*<sup>7</sup> provides a snapshot of development and governance in the Pacific and will help track progress towards the MDGs;
- *2008 Pacific Economic Survey – Connecting the Region*<sup>8</sup> provides an update on economic performance in the Pacific and the outlook for the region, including key developments, opportunities and risks;
- *Vanuatu Drivers of Change Study* examines state capacity and the socio-economic drivers of change. Similar studies are being undertaken in PNG and Tonga in cooperation with government and other key donors;
- *Making Land Work* reports on reconciling customary land with social and economic development in the Pacific and will guide implementation of AusAID's Pacific Land Program; and
- *Valuing Pacific Fish: A Framework for Fisheries-Related Development Assistance in the Pacific* outlines a long-term program of assistance to maximise the flow of benefits to the Pacific from sustainable commercial and subsistence fisheries.

**Australia is working closely with New Zealand and other major donors** to reinforce Pacific partner countries' national and sectoral development efforts. For example, work with New Zealand includes efforts to strengthen partner country systems in statistics, finance and procurement and to delegate program management to each other in specific countries. AusAID, the World Bank, the Asian Development Bank and NZAID, under a Quadrilateral Cooperation Arrangement, are working to improve the quality and effectiveness of partnerships in PNG and the Pacific in areas such as infrastructure and private sector development. A new Australia-European Union Partnership Framework is being negotiated to cover enhanced development cooperation in the region. Australia also

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<sup>7</sup> Submitted for the information of the Committee

<sup>8</sup> Submitted for the information of the Committee

continues to explore ways to improve cooperation and engage with other donors on good donor practice and effective and transparent aid.

More broadly, **Australia is supporting regional efforts to reform and rationalise Pacific regional organisations** to provide a more integrated response to implementation of the Pacific Plan and to improve service delivery. Australia and New Zealand are currently undertaking a Joint Review of support to regional organisations in the Pacific. Outcomes of the review will inform the basis of funding support to these organisations from 2009 onwards (see [Annex 1](#) for more details).

## **PACIFIC PARTNERSHIPS FOR DEVELOPMENT**

In March 2008, Prime Minister Rudd committed Australia to a new era of cooperation in the Pacific in the **Port Moresby Declaration**. Central to this elevated engagement are the **Pacific Partnerships for Development** which focus on making more rapid, measurable progress towards the MDGs and the achievement of partner countries' own development objectives. In this context, the Port Moresby Declaration foreshadows that Pacific Partnerships for Development will include measures aimed at:

- improving economic infrastructure and enhancing local employment possibilities through infrastructure and broad-based economic growth;
- enhancing private sector development, including better access to microfinance;
- achieving quality universal basic education;
- improving health outcomes through better access to basic health services; and
- enhancing governance, including the role of civil society, and the role of non-government organisations in basic service delivery.

Pacific Partnerships for Development are based on the principles of '**mutual respect**' and '**mutual responsibility**', and signify a more equal partnership between Australia and Pacific neighbours. Mutual respect is established through Australia's recognition of our partners' leadership of development strategies and acknowledgement by partner governments of Australia's requirement to ensure aid is used effectively to promote economic and social development. Mutual responsibility is facilitated by: (i) commitments from Australia to new and additional bilateral assistance that is predictable over a longer term; (ii) commitments from partner countries to improve governance, increase investment in economic infrastructure and to achieve better outcomes in health and education; and (iii) a sharper focus on shared accountability for results, through regular joint evidence-based review of progress. These principles reinforce partner country leadership of development policy and a genuine development partnership with commitments on both sides.

The increased focus on MDGs and development outcomes require:

- balancing governance improvements with service delivery improvements to address the MDGs;
- building human and institutional capacity to deliver basic services within government systems and in non-state partners;
- supporting appropriate infrastructure improvements to facilitate growth, employment and basic service delivery;
- supporting economic growth which is broad-based and sustainable;
- addressing gender equity; and
- introducing or expanding performance-based aid and arrangements.

**Prime Minister Rudd signed Partnerships for Development with the Prime Ministers of PNG and Samoa at the 2008 Pacific Islands Forum Leaders' meeting in Niue in August.** Our Partnership with PNG aims to provide better access to markets and services through improved infrastructure; faster progress towards universal basic education; improved health outcomes; and strengthened public administration at the provincial and district levels. As Samoa is on track to meet the MDGs, our Partnership will assist Samoa to move beyond the MDGs by: supporting a more robust economy; better quality health and education services; improved governance; and addressing vulnerability to climate change.

Partnerships are expected to be finalised with Solomon Islands and Kiribati (by the end of 2008), Vanuatu (March 2009), Tonga and Nauru (June 2009) and Tuvalu (before the next Forum Leaders' Meeting in August-September 2009). Australia will seek to renew its development relationships with all other Pacific Island Forum countries by 2010 (although engagement with Fiji will be contingent on its return to democracy). Australia will also consider ways to work with the compact and free association states and territories in close cooperation with other development partners, in particular New Zealand and the United States.

## **PRACTICAL RESPONSES TO DEVELOPMENT CHALLENGES IN THE PACIFIC**

The following section provides details of Australia's development assistance to the Pacific, both through regional and bilateral programs, to promote broad based growth, support effective government and service delivery, improve human security, increase equity and opportunity and ensure environmental sustainability.

### **BROAD BASED AND SUSTAINABLE GROWTH**

Governance and policy settings, trade, investment, technological change, resource endowments and international commodity prices are among the elements affecting sustained growth in developing countries. The quality of growth also matters. Narrowly focussed economic growth, for example growth based on a limited range of commodity exports, is difficult to sustain and does not necessarily provide the broader community with access to opportunities and benefits of growth. Unbalanced growth can result in social and political instability and insecurity, as those without opportunity struggle to gain access.

**Development assistance has an important role in supporting more broad based economic growth.**

**Creating work opportunities** for youth in Pacific island countries is a major challenge. High population growth rates are resulting in a 'bulge' of unemployed or underemployed unskilled youth in these countries. Employment opportunities are limited by the narrow and weak private sector base, low levels of public and private sector investment, low education and skill levels and the small size of the formal sector in comparison with traditional and informal sectors. Through the aid program, Australia is helping to create employment opportunities, supporting and maintaining reliable infrastructure, increasing opportunities for education and skills development including through the Pacific Seasonal Worker Pilot Scheme.

Inadequate and unreliable infrastructure is a major constraint to economic growth. Increased public sector investment in economic and social infrastructure offers immediate opportunities for productive work particularly for unskilled and semi-skilled labour. Initially focused on Kiribati, Samoa, Tuvalu, Solomon Islands, Vanuatu and Tonga the new **Pacific Regional Infrastructure Facility**, to which Australia is contributing \$127 million, will undertake improvements to the quality, reliability and availability of infrastructure in rural and urban areas – crucial for boosting economic growth, creating jobs and improving access to basic services. The Facility will help develop competitive local private sectors to deliver infrastructure maintenance and construction services which will contribute to job creation. The Facility is the result of a new partnership with NZAID, the Asian Development Bank and the World Bank.

Separately, the \$280 million **PNG Transport Sector Support Program** is providing support to the Government of PNG to implement its National Transport Development Plan. Through this program Australia supports the maintenance of key transport infrastructure. This assistance has helped to increase the quality of the national road network from 20 per cent classed in good condition in 2005 to 27 per cent in 2007, cut travel time and led to increased job creation.

**Labour mobility** will make a significant contribution to enhancing economic development. The Pacific Seasonal Worker Pilot Scheme will offer employment, earnings and training opportunities for people from Vanuatu, Tonga, Kiribati and PNG. Under the three year pilot 2,500 visas will be available for workers for up to seven months in a twelve-month period in the horticulture industry in regional Australia. Workers will receive on-the-job training and experience. The Australian Government has committed to providing additional financial literacy, enterprise development and 'add-on' skills training to build the skill base of workers for employment both at home and overseas. The scheme will be reviewed after 18 months to assess its effectiveness.

The cost of sending workers' remittances to the Pacific islands is among the highest in the world, at around 15 to 20 per cent of the amount remitted, compared with a global average of around 5 per cent. The **Reducing the Cost of Remittances Program**, jointly developed and funded by Australia and New Zealand, will lower costs for people sending money from Australia and New Zealand to family members in the Pacific islands by allowing them to compare the costs of various remittance service providers through a website. The website is expected to be launched in early 2009. AusAID is also promoting the efficient use of remittances through financial literacy training, and encouraging enterprise development through microfinance and business skills training.

**Education and skills development** to improve job readiness are essential to help youth enter the labour market and for labour mobility. Most countries have vocational centres and colleges but not all have their own university. However, the quality of these institutions, in terms of teaching standards, resourcing and governance is variable; assisting to address these issues is a priority for the Government. Australia also provides **scholarship programs** for students to undertake study (from under-graduate to post-graduate levels) in Australia and in the region. There are currently 1078 students from Pacific Island countries on Australian Government-funded scholarships at a cost of more than \$55 million per annum.

Support for vocational training is provided through the **Australia Pacific Technical College (APTC)**. This four year, \$149.5 million initiative, will initially train 3,000 students to Australian qualification standards to enable them to compete for job opportunities locally, regionally and internationally. Training is provided in hospitality and tourism, community services, and in the automotive, construction, electrical and manufacturing trades and is delivered in Fiji, PNG, Samoa and Vanuatu. Support for local technical training and vocational education institutions will be expanded in parallel with the APTC. For example, in PNG, AusAID will assist the Port Moresby Technical College to provide training required for workers on the Liquefied Natural Gas (LNG) Project. Over time, this focus will be broadened to include other technical colleges and areas of tertiary education.

**Rural development** is key to promoting growth and sustaining livelihoods in the Pacific. In PNG, Australia is providing \$35 million through the Agricultural Research and Development Support Facility to strengthen the capacity of agricultural research and commodity institutions to deliver improved services to their rural stakeholders. This is increasing opportunities for farmers to improve productivity and market competitiveness. Australia is developing a comprehensive multi-year plan for longer-term rural development, including in the Pacific, which will lift agricultural productivity in key staple crops through sustained higher levels of research; and improve rural livelihoods by increasing the competitiveness of agriculture, fisheries and other rural enterprises.

**Support for trade negotiation and capacity building** includes a commitment of almost \$1 million to conduct regional trade studies alongside support for Pacific Islands Forum countries to undertake national studies on the impact and benefits of trade liberalization. Australian Leadership Award Trade Fellowships have been awarded to each Forum island country to train trade officials in trade policy and negotiation skills. Half of Australia's annual commitment to the WTO Global Trust Fund provides trade-related technical assistance to Pacific countries. Pacific Islands Forum Trade Ministers agreed in 2008 to deepen consultations to develop a road map for PACER Plus negotiations. This will ensure that Pacific officials are well prepared for new trade agreements.

Australia provides **trade development assistance** to help secure new trade opportunities for Pacific countries, help them manage the challenges of globalization and address internal constraints to increased trade. Existing programs such as the Regional Trade Facilitation Program and the Pacific Islands Trade and Investment Commission help Pacific businesses trade with the Australian market. Specific trade related programs complement Australia's broader aid program support to address structural impediments to economic growth – for example improving the reliability of economic infrastructure such as roads and ports, telecommunications and power, improving the policy and regulatory environment and reducing the costs of doing business in the Pacific.

**Support for investment and private sector development** in the Pacific is also a priority for Australia's aid program. The Enterprise Challenge Fund (ECF) is a six year \$20.5 million pilot program open to selected east Asian and Pacific Island countries (in the Pacific countries include Fiji, PNG, Solomon Islands and Vanuatu). The ECF provides finance for innovative business proposals that are pro-poor, will be commercially sustainable within three years and would not otherwise proceed due to market failure. In addition, partnerships with the Asian Development Bank and the World Bank's International Finance Corporation deliver programs that support regulation and legislative reform in Pacific countries to reduce barriers to business activity, and initiatives that promote access to finance and improve the functioning of financial markets. The Pacific Women and Private Sector Development initiative is helping to build women's entrepreneurial capacity and promote their economic empowerment to ensure private sector development is sustainable and inclusive.

**Microfinance** is critical to ensuring that financial services are made available to the poor. The Australian Government is strongly committed to increasing support in this area. AusAID is developing options to increase the access of the poor to financial services in general and to microfinance in particular. As a part of this process, AusAID is considering how poverty measurement tools can be integrated into microfinance programs so that the poverty reduction benefits can be quantified and programs targeted to those most in need.

## **EFFECTIVE GOVERNMENT AND SERVICE DELIVERY**

In order to make an impact on basic social indicators it is critical that Pacific island countries **improve performance in service delivery**. Even in countries where government revenues are increasing, this is not always translating into improved service delivery. For example, in the Solomon Islands, despite recent high levels of growth, albeit off a low base, the Government has been unable to significantly improve the delivery of basic services such as health and education because of weak capacity in government systems, including in public financial management and at the sub-national levels.

Most countries in the Pacific are performing well in terms of macroeconomic management, but less well on structural reforms, policies to promote inclusion and equity and government effectiveness. **Budget formulation and fiscal transparency** are generally improving and Pacific Island countries are making significant investments in their own development with most countries allocating substantial resources to poverty reduction. Australia is providing support which is contributing to better budget formulation. Some notable achievements in recent years have been in PNG, which has achieved significant reductions in public sector debt from 72 per cent of GDP in 2002 to 41.2 per cent in 2007. In Vanuatu, AusAID is helping to remove obstacles to economic growth and improve the management of public funds. The recent successful introduction of competition in telecommunications will deliver a strong boost to GDP as a result of deep price cuts and a massive increase in coverage from the mobile phone network. Other **economic reforms** are underway in the power and transport sectors. AusAID's long-standing assistance to the Ministry of Finance has helped Vanuatu achieve consistently positive ratings for the strength of its public financial management systems, as recognised by the International Monetary Fund.

By supporting **analytical and research work on the costs of service delivery**, AusAID is assisting the Government of PNG to identify the constraints to service delivery and provide concrete evidence of the value of better budget preparation and execution. The passing into law by the PNG Parliament of a new system for improving inter-governmental financing has followed five years of support by AusAID to PNG's National Economic Fiscal Commission. This new system will provide a more equitable distribution of budget funds to provincial and local-level governments. Other analysis undertaken by AusAID on funding required to achieve development targets in the road and education sectors will assist in providing a sound basis for dialogue with the PNG Government on the costs of meeting basic service needs.

Australia is engaged in a range of activities in the Pacific that focus on **improving transparency and accountability of government systems**. One of the key areas of improvement has been in improving audit capabilities. In PNG, Australian officials are supporting the Auditor-General's efforts to investigate cases of financial mismanagement and fraud. In the Solomon Islands our assistance through RAMSI has led to the completion of audits of all government financial accounts including nine provincial governments. **Anti corruption initiatives** are being expanded across the aid program in recognition of the widespread impacts corruption can have on development.

Australia is committed to scaling-up support for public sector capacity in the Pacific. A new \$107 million '**Investing in Pacific Public Sector Capacity**' initiative was announced in the 2008-09 budget. This initiative will help strengthen public administration in the Pacific by enhancing government and tertiary institutional partnerships between Australia and the region, addressing public workforce development needs and providing support for the planning and implementation of public sector reforms. As part of this support, Australia will work with Pacific Governments to produce a Pacific State of the Service Review. This review will assist Pacific Island Countries to collect the information they need for public service policy and planning purposes.

Support for leadership development is provided across the region, through programs designed to train emerging leaders, address women in leadership and encourage youth leadership (as discussed under 'Equity and Opportunity'). The four year, \$9 million **Pacific Executive (PACE) Program** was developed jointly by AusAID and the Australia and New



Zealand School of Government to enhance the management and leadership capacity of senior public servants in the Pacific as a way to improve administrative governance. PACE is aimed at increasing competencies in: project management; managing relations with ministers; administering and interpreting rules; formulating and advising government on public policy; public expenditure and budgeting; human resources management; ethics and accountability; and leadership. The program will also strengthen regional relationships and enhance professional opportunities for long-term institutional and personal linkages across the Pacific. The 2008 PACE Program comprises 40 mid-level and senior public servants from Fiji, Kiribati, Nauru, PNG, Samoa, Solomon Islands, Tonga and Vanuatu.

In PNG, decentralisation places the main service delivery burden onto local governments. AusAID's **sub-national capacity building** program provides support for provincial governments' budgeting and planning, including through PNG's Provincial Performance Improvement Initiative. Australian officials are now co-located in four provincial offices and Bougainville to assist in building provincial capacity.

Whilst efforts to improve government capacity are essential, there is a need to balance this with the more immediate needs of the poor. Where appropriate, AusAID explores the potential of working directly with non-government and private sector partners to deliver services to communities. The **PNG Church Partnership Program** is a good example of this approach in action, with churches responsible for around 50 per cent of education services across the country and 60 per cent of health services in rural areas. AusAID funding is helping to improve and expand the contribution of PNG churches to service delivery.

Most **land** in Pacific island countries is held under customary forms of tenure. However, customary tenure is subject to a range of emerging influences (including opportunities for economic development) that are challenging Pacific Island countries' ability to adapt, while maintaining tenure security. Growing numbers of Pacific islanders, particularly rapidly growing urban populations and vulnerable groups including women, no longer have certainty that their rights (or their group's rights) of access to land will be recognised by others and protected by the state if a dispute arises. The \$54 million Pacific Land Program aims to strengthen Pacific land systems to enable greater levels of social and economic development and reduce the potential for instability due to land-related conflict. Work has already commenced with Papua New Guinea, Solomon Islands and Vanuatu.

In 2008, AusAID published two reports on reconciling customary land with social and economic development in the Pacific under the title of ***Making Land Work***. More than 80 practitioners and experts, mostly from the Pacific as well as Australia and New Zealand, were involved in the project. The reports provide an important resource for governments undertaking land policy reform and will guide implementation of the Pacific Land Program.

## **HUMAN SECURITY**

Human security emphasises the need to protect people from life-threatening dangers and, in the context of this paper, ensure basic human rights such as access to law and justice.

HIV/AIDS is a growing threat in the region. Australia is significantly scaling up its response to **HIV and other Sexually Transmitted Infections (STIs)** and has committed \$30 million over the five years 2009-2013 for the Pacific Islands HIV and STI Response Fund. This will provide additional financial resources and technical assistance to

governments, civil society agencies and regional organisations for the implementation of the Pacific Regional HIV and STI Strategy 2009-2013. Australia is the lead donor supporting PNG's national HIV and AIDS response, providing \$178 million over 5 years, including a \$100 million program to expand prevention and treatment services throughout PNG. In 2007, 30 voluntary counselling and testing centres were established and 10,000 people were trained in testing, counselling and home-based care. 70,940 people participated in Community Awareness in HIV training, and 1,683 employees participated in Workplace Awareness in HIV training.

**Cross-border health risks from communicable diseases** like HIV/AIDS and multi-drug-resistant tuberculosis are a serious concern in the Torres Strait. Australia is working with PNG health services in the Western Province to better manage these risks. A package of measures is being developed for presentation to the 2009 Australia-PNG Ministerial Forum. This will involve AusAID, Department of Health and Ageing, and the Queensland Government combining their efforts to support PNG health services in the South Fly district.

In the health sector more generally, Australia is working closely with Pacific Island governments and other donors to help deliver on national health plans. Under the Delivering Better Health initiative \$25 million has been allocated to roll back **malaria** in the Pacific. AusAID is working with regional organisations, multilateral agencies, Pacific Island governments and other donors to develop new programs in the Pacific to eradicate malaria island-by-island commencing in the Solomon Islands and Vanuatu. This involves a coordinated program of treated bed net distribution, strengthened diagnostic services, widespread use of indoor residual spraying and use of artemisinin-based combination therapy (ACT).

AusAID's assistance in the **law and justice** sector makes an important contribution to the Australian government's efforts to promote effective states, regional cooperation, improved governance, investment and respect for the rule of law in the Pacific region. Assistance is provided for justice and security system reform efforts to strengthen formal agencies and address the functions and services provided by customary and community-based law and justice systems. AusAID supports bilateral law and justice programs in PNG, Vanuatu, Fiji, Samoa, Tonga and the Solomon Islands. Through RAMSI, Australia has helped to develop the public order management capabilities of the Solomon Islands Police Force on Guadalcanal and Malaita, including the provision of public order equipment for 200 officers, to support the creation of safe and secure communities. Prison incidents in the Solomon Islands have decreased from 91 in 2006-07 to 45 over the period July 2007-March 2008 indicating a significant improvement in prison security and prisoner safety. The Correctional Service of Solomon Islands Women's Network has also been re-established, providing an opportunity for female officers to discuss and promote women's issues within the corrections service. In PNG, AusAID's Law and Justice Sector Program has helped to improve community access to justice through a range of measures, from building or restoring infrastructure such as courthouses, prisons and offices for state lawyers through to improved legal and support services for victims of domestic violence and sexual assault.

In addition to these programs, AusAID supports three **regional initiatives**: the Pacific Regional Policing Initiative (PRPI), in cooperation with New Zealand; the Pacific Judicial Development Program (PJDP), also with New Zealand; and the Pacific Legal Information Institute (PacLII). The PRPI is providing capacity building and training for Pacific police services. The PJDP is aimed at improving judicial systems and providing training programs

and resources for Pacific judicial and court officers and the PacLII is developing a free, electronic database of legislation and judgements from Pacific jurisdictions.

The Australian Federal Police (AFP) International Deployment Group is strengthening its focus on **capacity building and community policing** and gradually taking responsibility for policing projects across the Pacific. AFP and AusAID are working together closely to ensure that policing programs are a part of efforts to improve the management and effectiveness of the broader law and justice sector. AusAID is also working closely with other departments such as the Attorney-General's Department and Commonwealth Ombudsman who are actively engaged in providing assistance in the law and justice sector, through twinning arrangements, training programs, or through the placement of Australian public servants into partner government ministries.

**There is a very high incidence of violence against women in the Pacific.** AusAID supports a number of activities in the region aimed at addressing this issue, including the Fiji Women's Crisis Centre, the Vanuatu Women's Centre and Solomon Islands Family Support Centre. AusAID is conducting an evaluation of practices to address violence against women in Melanesia and East Timor. The review is expected to generate a practical framework to guide an expanded response to this serious issue across the region.

Efforts to **build peace** in Pacific Island countries encompass a range of activities aimed at identifying and addressing the root causes of instability. These include: facilitating dialogue and supporting peace advocates; research into pressures on fragile states; supporting gender equity; strengthening the accountability and responsiveness of government to citizens and efforts to deal constructively with major causes of conflict such as land; and reducing the presence and trafficking of small arms. AusAID works closely with its whole of Government partners to deliver programs which support peace and security. A 'do no harm' approach is employed to ensure development efforts contribute to social cohesion and stability in communities and do not inadvertently heighten tensions or conflict.

Australia is providing funds to the Pacific Islands Forum Secretariat and the UNDP Pacific Centre to strengthen the region's focus on **crisis prevention and recovery, conflict analysis, gender issues, and violence reduction policies**. Australia is also providing substantial support to international efforts to address small arms through its regional capacity-building and **disarmament activities**. In March 2008, AusAID provided funding for a United Nations Institute of Disarmament Research activity in the Pacific. This study will focus on PNG, Fiji, Tonga, Vanuatu and Solomon Islands and develop a mechanism to help states identify their priorities for small arms assistance and communicate these priorities to potential donors.

Throughout the region, rural communities (85 per cent of people in PNG and half of the rest of the Pacific) are highly vulnerable to **natural disasters** (although urban communities are also vulnerable) such as earthquakes, cyclones and droughts that destroy food crops and livelihoods. Most Pacific Island countries do not have good disaster preparedness and response capabilities, which are important in reducing the impact of natural disasters. This was most evident during 2007 with the floods in PNG's Oro Province, and the Solomon Islands' tsunami. Poverty, land degradation and climate change are also important factors in the increased risk of natural disasters in Pacific Island countries.

Australia's **humanitarian program** in Pacific Island countries has been expanded in response to the increasing risk of disasters and the cost to human lives and livelihoods. The

\$12.4 million Pacific Enhanced Humanitarian Response Initiative will strengthen disaster mitigation, preparedness and response in the region, working through partners such as UNICEF, which we are supporting to pre-position emergency supplies, targeting mothers and children, for future disasters. Australia is also providing \$2 million to support Australian technical agencies to assist in **building the capacity of national disaster management organisations** and regional mechanisms in the Pacific to strengthen tsunami early warning. Under the Pacific Plan, Australia supports implementation of the Regional Disaster Risk Reduction and Disaster Management Framework for Action 2005-2015 (the Madang Framework). Efforts by regional organisations, partner countries and donors to combine and harmonise efforts to mitigate, reduce and respond to disasters are essential.

Access to **affordable food and fuel** is a growing concern globally and one which is beginning to impact on the Pacific. Increased energy prices have increased the price of food imports, and are increasing transportation costs for food brought from regional areas to urban centres. In the Solomon Islands, the price of rice has increased by 40 per cent since early 2008, and there are reports of up to 100 per cent increases in the cost of a parcel of vegetables from markets. Again, in the Solomon Islands, the cost of diesel, the most widely used fuel, has increased 150 per cent since 2003, and electricity is now 70 per cent higher than two years ago. However, increasing prices of imported food can be beneficial for local food producers, as consumers switch from imported food to locally grown produce. The increased demand for local foods has increased rural incomes in several Pacific countries. PNG has also benefited from increases in international prices for its commodity exports. High oil prices will continue to be an issue in the Pacific, including in PNG.

Food insecurity in the Pacific and PNG is a longstanding problem and the impacts are broader than those experienced through the recent food and fuel crisis. **Malnutrition**, especially protein malnutrition, is a significant problem in some parts of PNG and the Pacific. In PNG, an estimated 13 per cent of the population are malnourished and in the Pacific generally, most rural communities depend on coastal fishing for protein in their diet. Over-fishing is already impacting on the productivity of coastal fish resources. Assistance to improve food security needs to address the underlying causes of malnutrition, including improving access to a wider variety of foods, improving agricultural productivity and strengthening the management of fish resources.

Addressing food and fuel insecurity is a priority for the Australian Government. In the Pacific, the World Bank and Australia have established a working group of donors and regional organisations to assist countries most affected by rising fuel and food prices. Over the longer term, the Australian Government will develop a comprehensive action plan to lift Australia's engagement in international efforts to address the root causes of food insecurity in countries including in the Pacific and PNG. Efforts could include measures to address agricultural productivity and market constraints, support for fisheries, more efficient fuel procurement and handling, more efficient use of fuel by power and water utilities, and support for renewable energy options to reduce reliance on fossil fuels.

## **EQUITY AND OPPORTUNITY**

It is essential to ensure that development reaches those who are **most vulnerable or excluded**. These are most often women and children and people with disabilities. AusAID is giving priority to supporting quality education, promoting gender equality, and providing opportunities for people with disabilities. Programs to support youth through sport are also being funded.

The Australian Government recognises **education** to be one of the highest impact development investments. It provides the skills for full participation in society, increases access to employment and opens up opportunities for further education. Australia supports achievement of the MDGs and Education For All goals. A substantial scaling-up of education assistance is being undertaken which will strengthen national education systems, help put more children in school and improve the quality of education that is being provided. Australia will work with partner governments, non-state providers of education, NGOs, other donors and global partnerships such as the Education for All – Fast Track Initiative to develop and fund programs that contribute to service delivery and build the capacity of partner governments to make policy decisions, improve resource allocation and enhance efficiency to make the best use of scarce resources. This includes assistance for teacher training, curriculum reform and production of curriculum materials, improving school operations and enhancing essential school infrastructure. Focus will be given to improving gender equality of students and teachers.

In 2007-08, AusAID provided \$60 million for basic education in PNG and the Pacific (excluding scholarships) and funding will be progressively increased to improve education access and quality. Increasingly, Australia is working through sector wide approaches with partner governments and other donors to improve the delivery of education services by pooling resources and ensuring greater consistency and coordination.

**Gender equality** is essential to efforts to eradicate poverty, enhance economic growth and democratic governance, and to achieve sustainable development. In the Pacific, women are significantly under-represented in decision-making positions: an average of 2.5 per cent of members of parliaments in the Pacific region are women, compared with a world average of 17.7 per cent. Australia is working with Pacific Governments and the United Nations Women's Development Fund (UNIFEM) to strengthen women's leadership in the region, with support of \$6.2 million over five years to UNIFEM's Advancing Gender Equality in Political Governance in the Pacific: Stronger Women Citizens and Leaders program. This new program will provide civics education and train women in leadership, develop resource and training materials, and undertake research to examine examples of successes and barriers for women's leadership. The program will concentrate on PNG, Solomon Islands and Vanuatu but will also support women's participation in electoral politics in up to 15 Pacific Island countries.

The Australian Government recognises that poverty is both a cause and consequence of **disability** and is committed to ensuring that the benefits of development reach those who are most excluded, with a particular focus on people with disabilities. Australia is providing \$45 million over two years to develop an avoidable blindness program and a comprehensive disability strategy to guide Australia's international development assistance program. The strategy is being developed in consultation with key regional and Australian stakeholders, particularly people with disabilities and their representative organisations and will be launched in December 2008.

By supporting **sports-based activities** in the Pacific, AusAID is providing opportunities for young men and women to develop skills in leadership, team work, self-discipline and respect for themselves and others, as well as providing a positive outlet for their energies. The PNG-Australia Sport For Development Initiative (SFDI), is a 10-year partnership between the Governments of Australia and PNG providing annual funding of up to

\$5 million to assist the PNG Sports Foundation lead, manage and deliver programs in support of PNG Government policies. In Vanuatu, Samoa, Nauru, Kiribati and Fiji the Australian Sports Outreach Program (ASOP) is providing around \$1 million annually to assist country authorities and communities undertake develop sports-based programs, in partnership with the Australian Sports Commission. In Vanuatu, for example, 1,200 youth leaders will be trained to deliver village-based sports programs under the guidance of traditional leaders. The principles and approaches employed by the SFDI and ASOP are generating considerable political and community ownership, leadership and support in partner countries.

## **ENVIRONMENTAL SUSTAINABILITY**

With a large number of communities living in vulnerable coastal areas, Pacific Island countries are particularly susceptible to climate change impacts related to sea level rise and coastal zones, extreme weather events and marine ecosystems. Knowledge, skills and institutional capacities to build resilience and adapt to climate change are generally weak in PNG and the Pacific.

Australia is assisting the Pacific to prepare for, and adapt to, the effects of **climate change** through a significant new measure – the International Climate Change Adaptation Initiative – that will focus on the Pacific Island countries and East Timor. An initial commitment of \$14.8 million has been made including: a \$3 million Pacific Future Climate Leaders program that will support scholarships, exchange programs and community education; \$6 million for the Global Environment Facility’s Small Grants Program to support community-based adaptation programs in the Asia-Pacific Region; \$5 million to establish a dedicated facility in the region to deliver and coordinate Australia’s scientific and technical assistance; and \$800,000 towards strengthening Pacific meteorological services and to support efforts under the UN Framework Convention on Climate Change to identify new and innovative tools.

Ongoing Australian support to the Pacific for climate change monitoring and adaptation includes the \$9 million **Sea Level and Climate Monitoring Project**, which collects high quality, long term data on absolute sea level movements across the Pacific to assist Pacific countries monitor and plan for changes in sea level and the \$3 million **Climate Prediction Project**, to build capacity of meteorological services to interpret weather and climate data and provide climate prediction support to industry, government and community stakeholders.

Australia has also committed to cooperate with PNG on reducing emissions from deforestation and forest degradation, and to assist PNG to participate in forest carbon markets under Australia’s **International Forest Carbon Initiative**. In April 2008, Australia announced an initial commitment of \$3 million to support the development of a carbon accounting system for PNG and to prepare the country for participation in international forest carbon markets.

More broadly the aid program provides a range of support to help the Pacific deal with environmental degradation and manage threats to the environment. For example, the eight year, \$7.4 million **Persistent Organic Pollutants Project** has operated in 12 Pacific countries to locate and dispose of persistent organic pollutants which accumulate through natural food-chains and risk causing adverse effects to human health and the environment. In Tonga, AusAID’s **Solid Waste Management Project** has assisted in the growth of a

recycling business and the establishment for new waste management facility has reduced pollution of Nuku'alofa waterways.

Improved access to **water and sanitation** in the Pacific is a significant issue to be addressed to improve the region's performance against the MDGs. Australia will commit a proportion of the \$300 million **Water and Sanitation Initiative** to the Pacific to address the critical challenge to health and wellbeing posed by inadequate access to clean water and sanitation. Water and sanitation assistance will also be delivered through the **Pacific Regional Infrastructure Facility** in partnership with the Asian Development Bank. Other Australian support for water and sanitation in the Pacific includes core funding to the Pacific Applied Geoscience Commission (SOPAC) to improve access to potable drinking water and the \$4 million **Vulnerability and Adaptation Initiative** to improve the reliability of water supplies and support freshwater management.

Support for **sustainable fisheries** in the Pacific is an important element of the region's environmental sustainability. A recent AusAID publication, *Valuing Pacific Fish: A Framework for Fisheries-Related Development Assistance in the Pacific* outlines a long-term program of assistance to maximise the flow of benefits to Pacific island peoples from sustainable commercial and subsistence fisheries, and to implement effective ecosystem-based fisheries management. In 2007-08, Australia provided support for Pacific fisheries consisting of \$2.3 million for the Forum Fisheries Agency and over \$9 million for the Secretariat of the Pacific Community (SPC). This funding provides technical assistance to member countries to improve fisheries management and enhance fisheries development in the Pacific region, particularly relating to tuna. The SPC Coastal and Oceanic Fisheries Programs provide important scientific information on the status and value of Pacific fisheries for national and regional fisheries management and negotiations. Additional funding of \$500,000 was provided to the Forum Fisheries Agency to develop and implement a regional Monitoring, Control and Surveillance Strategy to deter illegal fishing. In partnership with the Asian Development Bank, an economic analysis of Pacific fisheries is being prepared for release in 2009.

**Annex 1**  
**Australia's support for Pacific Regional Organisations**

Australia's support to Pacific Regional Organisations (PROs) comprises the assessed membership and a program funding contribution towards member-endorsed programs. Australia's current annual core and program contributions are as follows:

- Pacific Islands Forum Secretariat (PIFS) (\$3m)
- Secretariat of the Pacific Community (SPC) (\$9.7m)
- Pacific Applied Geoscience Commission (SOPAC) (\$1.8m)
- Pacific Regional Environment Program (SPREP) (\$1.4m)
- Forum Fisheries Agency (FFA) (\$2.3m)
- South Pacific Board of Educational Assessment (SPBEA) (\$0.385m)
- University of South Pacific (USP) (\$3.3m)
- Fiji School of Medicine (FSMed) (\$0.5m)

Australia provided support for the Regional Institutional Framework (RIF) Review which recommended reform options to Pacific Leaders. New institutional arrangements arising from the RIF Review include the decision by Leaders in 2007 for (i) SPBEA to merge with SPC; (ii) for SPC and SPREP to absorb the functions of SOPAC; (iii) for PIFS to refocus its core business with the transfer of a number of 'technical programmes' to SPC; and (iv) for strategic partnership and collaboration between FFA and SPC. Australia is working closely with regional organisations to ensure progress is made against Leaders' decisions.

Australia is also assisting several PROs undertaking internal reform to ensure regional leaders' decisions and Pacific Plan priorities are accorded the necessary priority. This includes: financial support to implement corporate planning and budget review within the Forum Secretariat; strengthening the planning capacity of SPC to analyse current and future development trends and challenges and to propose multi-sectoral responses; and undertaking an independent corporate review of SPREP.