The Senate

Foreign Affairs, Defence and Trade References Committee

Volume I

Economic challenges facing Papua New Guinea and the island states of the southwest Pacific

C 261478

November 2009
Table of contents

Members of the committee iii
Acronyms and abbreviations xv
Executive summary xvii

CHAPTER 1
INTRODUCTION AND CONDUCT OF INQUIRY 1
Referral of inquiry 1
Terms of reference 1
Conduct of inquiry 2
Terminology 2
Previous inquiries 2
Scope of inquiry 2
Statistics 5
Structure of the report 5
Security 6
Acknowledgments 6

PART 1—PACIFIC ISLAND COUNTRIES—OVERVIEW OF ECONOMIC PERFORMANCE 7

CHAPTER 2
ECONOMIC PERFORMANCE 9
Economic growth 9
GDP per capita 11
Growth in context 12
Remittances 13
Overseas aid 14
Global economic turmoil 15
Human development 18
Conclusion 21

CHAPTER 3
STRUCTURAL IMPEDIMENTS TO ECONOMIC GROWTH 23
Population 23
Land mass 25
Natural endowments 25
Proximity to major markets 29
Natural disasters and climate change 30
Recent disasters 32
Climate change 32
Overcoming impediments to economic growth 34
Conclusion 35
**PART II—SUSTAINABLE DEVELOPMENT AND COMMERCIAL OPPORTUNITIES**

**CHAPTER 4**
**FOOD SECURITY—AGRICULTURE AND FISHERIES**

- Food security
- Sustainable development
- Research and development for increased productivity and food security
- Fisheries
- Coastal fisheries
- Commercial fisheries
- Over exploitation
- Distant Water Fishing Nations
- Illegal activities
- Conservation and management
- Capacity to engage in regional organisations and implement policy
- Conclusion

**CHAPTER 5**
**FORESTRY AND MINING**

- Forestry
- Forests and sustainable development
- Causes of forest degradation—priorities
- Understanding sustainable development
- Capacity and resources to manage forests
- Reinvestment for sustainable development
- Illegal activities and corruption
- Summary
- Mining
- Environmental concerns
- Summary
- Sustainable development, natural disasters and climate change
- Natural disasters
- Climate change
- Summary
- Conclusion

**CHAPTER 6**
**AUSTRALIA'S ASSISTANCE—SUSTAINABLE DEVELOPMENT**

- Food security
- Agriculture—research, development and capacity building
- CSIRO
- Fisheries—research, development and capacity building
- Managing resources
- Forestry
## CHAPTER 10
### EDUCATION AND TRAINING

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills shortages and unskilled workforce</td>
<td>149</td>
</tr>
<tr>
<td>Basic education</td>
<td>150</td>
</tr>
<tr>
<td>Literacy and numeracy</td>
<td>153</td>
</tr>
<tr>
<td>Secondary education</td>
<td>155</td>
</tr>
<tr>
<td>Non-formal education</td>
<td>156</td>
</tr>
<tr>
<td>Vocational education</td>
<td>157</td>
</tr>
<tr>
<td>Higher education</td>
<td>158</td>
</tr>
<tr>
<td>Impediments to higher educational standards</td>
<td>159</td>
</tr>
<tr>
<td>Affordability</td>
<td>159</td>
</tr>
<tr>
<td>Physical access</td>
<td>160</td>
</tr>
<tr>
<td>Facilities</td>
<td>160</td>
</tr>
<tr>
<td>Teacher training and supply of teachers</td>
<td>162</td>
</tr>
<tr>
<td>Curriculum and relevance</td>
<td>163</td>
</tr>
<tr>
<td>Standards</td>
<td>165</td>
</tr>
<tr>
<td>Funding</td>
<td>166</td>
</tr>
<tr>
<td>Governance and administration</td>
<td>168</td>
</tr>
<tr>
<td>Conclusion</td>
<td>169</td>
</tr>
</tbody>
</table>

## CHAPTER 11
### AUSTRALIA’S ASSISTANCE—EDUCATION AND TRAINING

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional initiatives</td>
<td>171</td>
</tr>
<tr>
<td>Australia's engagement in Pacific education and training</td>
<td>172</td>
</tr>
<tr>
<td>Pacific Partnerships for Development</td>
<td>173</td>
</tr>
<tr>
<td>Australia–Pacific Technical College</td>
<td>175</td>
</tr>
<tr>
<td>Range of activities</td>
<td>179</td>
</tr>
<tr>
<td>Scholarships</td>
<td>181</td>
</tr>
<tr>
<td>Brain drain</td>
<td>184</td>
</tr>
<tr>
<td>Statistics</td>
<td>185</td>
</tr>
<tr>
<td>Governance</td>
<td>185</td>
</tr>
<tr>
<td>Donors</td>
<td>186</td>
</tr>
<tr>
<td>Review of Australia's assistance to education and training in the region</td>
<td>188</td>
</tr>
</tbody>
</table>

## CHAPTER 12
### WORKFORCE

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistics</td>
<td>189</td>
</tr>
<tr>
<td>Employment in Pacific island countries</td>
<td>189</td>
</tr>
<tr>
<td>Unemployment and underemployment</td>
<td>191</td>
</tr>
<tr>
<td>Youth</td>
<td>192</td>
</tr>
<tr>
<td>Women</td>
<td>193</td>
</tr>
<tr>
<td>Implications for the region</td>
<td>194</td>
</tr>
<tr>
<td>Opportunities for job creation</td>
<td>195</td>
</tr>
<tr>
<td>Labour markets</td>
<td>195</td>
</tr>
<tr>
<td>Economic activity</td>
<td>196</td>
</tr>
</tbody>
</table>
Ease of doing business 250
Capacity to reform regulatory environment 255
Control of corruption 256
Law and order and political stability 259
Summary 262
Australia's assistance 263
  Improving business environment 263
  Creating a stable environment 264

CHAPTER 17
LAND TENURE AND ACCESS TO FINANCE 267
  Land ownership—obstacles to development 267
  Australia's assistance 271
  Summary 274
  Access to credit and financial services 274
  Australia's assistance 276

PART III—EFFECTIVENESS OF AUSTRALIA'S ASSISTANCE TO
THE REGION 281

CHAPTER 18
EFFECTIVENESS OF AUSTRALIAN AID—POLICY FRAMEWORK 283
  Australian official development assistance to the Pacific 283
  Priorities 285
    Formal versus informal sector 286
  Capacity building and institutional strengthening 290
    Transfer of skills 291
    Sustaining long term benefits 292
  Continuity of funding 293
  Ownership and complementarity 294
    Relevance and compatibility 296
  Other donor countries 297
    China and Taiwan 300
  NGOs 302
  Strategic planning 303
  Statistics 304
  Measuring effectiveness—Office of Development Effectiveness 305

CHAPTER 19
PACIFIC PARTNERSHIPS FOR DEVELOPMENT 307
  Priorities and commitments 307
  Implementation 308
  Collaboration 309
  Coordination with other donors 311
  Potential 311