



## **Inquiry into New Zealand's relationships with South Pacific countries**

Report of the Foreign Affairs, Defence  
and Trade Committee

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Forty-ninth Parliament  
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December 2010

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*Presented to the House of Representatives*



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## **Inquiry into New Zealand's relationships with South Pacific countries**

### **Summary of recommendations**

The Foreign Affairs, Defence and Trade Committee has conducted an inquiry into New Zealand's relationships with South Pacific countries, and makes the following recommendations.

#### **To the House**

We recommend that the House expand New Zealand's relations with Pacific parliamentarians, establishing an annual programme for Pacific parliamentarians to discuss issues of democracy, governance, and collective interest (page 33).

#### **To the Government**

We recommend that the Government

- acknowledge that, among the Pacific island states, priority should be given to assisting those territories with which New Zealand has special constitutional relationships, and whose populations are mainly citizens of New Zealand
- provide crucial support to Realm entities through negotiated agreement to provide services—especially in education, health, law and order and justice, and infrastructure—harmonised with those provided in New Zealand, while also examining jointly their reciprocal obligations and abilities to contribute to their own social and economic development. Such consideration should also address their capacity to contribute from domestic revenue sources to ensure that services are not reliant solely on external injections of funding.
- work to improve the standard of health, education, policing and justice services to communities encompassed by the Realm of New Zealand, with a view to:
  - harmonising the standards of such services received by citizens living within the Realm with those of comparably-sized population centres in New Zealand, while accommodating variations appropriate to local culture
  - facilitating the interoperability of personnel between New Zealand and the Realm entities (page 31).

We recommend that the Government provide funding under the aegis of the aid programme to promote leadership development, and particularly linkages and relationships amongst emerging leaders across the region. Visits and exchanges by parliamentarians could be funded under the Pacific Participation Facility, and by the Prime Minister's Fellowships. The proposed initiative, however, would be specifically aimed at emerging leaders (page 33).

We recommend that the Government consider developing mechanisms to co-ordinate strategies and direction for all Government agencies involved in the design and delivery of programmes that affect Pacific communities in New Zealand and other countries in the region (page 35).

We recommend that both the Government and Pacific community leaders encourage Pacific people living illegally in New Zealand to regularise their status (page 36).

We recommend that the Government increase the number of workers accepted under the Recognised Seasonal Employer Scheme, and extend its scope beyond the horticulture and viticulture industries (page 37).

We recommend that the Government continue efforts to reduce the costs of transferring funds from New Zealand to the Pacific islands, and to ensure that there is a competitive market for the transfer of remittances (page 37).

We recommend that a business development fund of up to \$100 million be established to encourage and support innovative and sustainable ventures in the Pacific through the existing banking system, and to help underwrite risks and compensate for a lack of local capital, with the objective of encouraging entrepreneurial activity (page 43).

We recommend that the Government investigate natural disaster insurance for Pacific islands, to mitigate the risks associated with new business ventures and provide reassurance to investors, while encouraging Pacific countries to ensure that their legislative and judicial regimes offer integrity of process to investors from overseas (page 43).

We recommend that the Government encourage much greater use of the fishing expertise of New Zealand companies, to help Pacific communities to harvest, process, and market their rich fisheries resources. This might involve joint ventures, and we would support the use of aid funds to mitigate risks where sound business cases had been established. The emphasis should be on helping Pacific people to secure sustainable employment and income from their resources (page 46).

We recommend that New Zealand's funding for surveillance flights over the region be increased to ensure more effective coverage (page 46). (*We note that this repeats a recommendation of the Henderson report, issued 20 years ago.*)

We recommend that NZODA funds be used to help Radio New Zealand International and Television New Zealand Limited improve their infrastructure and programming to provide continuous television and radio transmissions to all Pacific countries (page 49).

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## Executive summary

### Origin and purpose of the inquiry

This inquiry was initiated in 2006; the committee has reviewed the original submissions, and has travelled around New Zealand and the Pacific region to hear further evidence.

The key term of reference is “to investigate the role New Zealand plays and can play in assisting Pacific Island Forum nations (excluding Australia) to develop sustainable economies”.

New Zealand’s development efforts have yielded disappointing results. In the 20 years since relationships with Pacific countries were last reviewed, conditions in many Pacific islands have deteriorated. While in several countries population growth is putting significant pressure on opportunities for sustainable growth, in some others the population has declined to the point that their economic and social viability is at risk.

It is clearly time for a concerted effort by the New Zealand Government to develop a clear strategy toward each of its Pacific neighbours, and to act on it.

### Suggested areas of focus

This report does not attempt to address all of the issues and challenges facing Pacific island countries. Rather, it suggests some specific areas on which the Government could focus, with cross-party support, to implement practicable approaches in the short term.

*New Zealand’s special constitutional relationships with Tokelau, Niue and the Cook Islands:* We examine whether these relationships warrant special attention and different handling from normal aid relationships, and conclude that they do.

We propose a fundamental re-think of New Zealand’s assistance strategy, aimed at improving standards and delivery of basic services—such as education, health, policing and justice—for communities in Tokelau, the Cook Islands, and Niue, so as to bring them into line with New Zealand standards over time.

*The strong personal connections between New Zealand and Pacific islands:* We look at how these connections, which distinguish New Zealand from countries outside the region, can best be acknowledged and strengthened.

We propose a “whole-of-nation” approach to provide more centralised direction to Government agencies on the design and delivery of their Pacific programmes, and more involvement by private-sector companies, local bodies, and non-government entities. We also suggest more regular contact at the parliamentary level, and more consultation with Pacific communities residing in New Zealand, to make better use of their knowledge and expertise.

*The role New Zealand can play in assisting Pacific nations to develop sustainable economies:* We consider how New Zealand can best help Pacific nations' Governments, businesses, and communities to develop the resources that they own, and to gain the greatest possible benefit from them.

We recommend in Chapter 6 that New Zealand's assistance focus on supporting the development of private-sector enterprises,<sup>1</sup> particularly in tourism, agriculture, and fisheries, and improving the environment in which the private sector operates, by means including

- investment in or subsidies for infrastructure, especially transport and communications
- support for education and skills training
- access to finance at affordable rates
- access to markets, and the removal of impediments to investment and trade
- encouraging the development of a system of governance and legislation that will provide a stable environment in which business may flourish.

### **Issues for Pacific Governments**

In Chapter 7, we highlight some issues that we believe Pacific governments will need to address if their potential for development is to be realised, particularly land tenure systems and governance arrangements.

### **New Zealand's development assistance**

We suggest that the proportion of New Zealand's Official Development Assistance directed to the Pacific be increased beyond the current 50 percent.

We also propose that New Zealand's assistance should

- deal separately with support to Niue, Tokelau, and the Cook Islands
- focus more on providing adequate and diverse education and skills training
- increase support for the development of local productive enterprises, and the removal of impediments to Pacific communities finding capital and engaging in trade.
- require that development assistance
  - be fully accountable and transparent
  - be outcome focused
  - involve reciprocal responsibility to be encouraged by the recipient
  - be medium to long term, and consistent (provided that monitoring indicates that it is successful).

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<sup>1</sup> We want to make clear that the term "private-sector enterprises" does not exclude local productive enterprises.

**Country-specific strategies**

Specific suggestions regarding individual Pacific countries are offered in Chapter 9. In relation to Fiji, however, we endorse New Zealand's current policy toward the interim regime, and do not consider it appropriate to propose a specific strategy at this stage.

# 1 Introduction

This inquiry began during the term of the 48th Parliament. It was not completed, and accordingly passed to the 49th Parliament. The Pacific island countries discussed in this report extend from the Cook Islands to Kiribati and Papua New Guinea—French and American territories have been excluded.

The region is of vital importance to New Zealand. Key partners expect New Zealand to strongly support the maintenance of peace and stability in this region. Any instability in the neighbourhood has consequences for all its neighbours.

The disparate relationships and interactions throughout the region—especially with Polynesia—combined with growing cultural plurality mean New Zealand is increasingly part of the regional fabric. In global terms, New Zealand is a small actor but in the region it is seen as a large player.

In New Zealand the proportion of the population of Pacific island origin is growing rapidly. Auckland is the largest Polynesian city in the world. Nearly one in five New Zealanders is of Polynesian descent, and the percentage of those who are New Zealand-born continues to grow. Not only are our peoples bound by blood ties and connections through intermarriage, but they also share Pacific links through education, sports, clubs, and churches. Additionally, they share bonds through travel from the earliest days of exploration and migration to the now-common visits to each other's countries for holidays, education, and sporting and cultural exchanges. The close personal and family connections with the region distinguish New Zealand from other countries that seek engagement in the region. New Zealand's engagement is based on a unique and intimate understanding of the region.

## Setting

More than 20 years have passed since New Zealand's relationships with Pacific countries were examined by a team led by Dr John Henderson. In that time New Zealand has continued to provide significant Official Development Assistance (as have other bilateral and multilateral agencies), yet the political, economic, security, and environmental conditions in many Pacific islands have deteriorated. Moreover, while population growth in some areas of the region continues to be at globally high rates, the population of some other island communities has declined to the point that their viability is at risk. Niue's population of about 1,200 carries the burden of 20 members of Parliament and 440 public servants. Its present governance arrangements are neither viable nor sustainable, and a dialogue between the Niuean communities in Niue and in New Zealand is needed to develop a new model.

The Pacific Ocean is larger in surface area than all the land on the planet. As small specks of land mass in this vast ocean, most countries of the Pacific share similar features. Isolation from the rest of the world, transport difficulties, small size, and often poor soils pose challenges for economic development. These factors make it impossible for small

island communities to compete with larger and more populous centres of production. On the other hand, most Pacific countries share abundant marine and environmental resources, which present many opportunities for economic development, in areas such as ecotourism and organic food production.

Tokelau, Niue, and the Cook Islands face continuing depopulation, partly exacerbated by the New Zealand citizenship of most of their people, which allows them to gravitate easily toward better opportunities in education, health, and living standards. A conclusion which might be drawn from the continuing depopulation is that the members of those communities place a higher priority on tangible standards of living and services (especially in health, education, infrastructure, security, and justice). The populations of Tokelau and Niue have declined to an extent that it is becoming increasingly difficult for them to manage themselves as viable entities and in this respect the Cook Islands also faces challenges. Others, such as Kiribati, face threats to longer-term viability from overpopulation and seemingly inevitable environmental degradation. Meanwhile, political insecurity is facing Fiji, the Solomon Islands, Vanuatu, and Tonga. Some members consider it unfortunate that regions such as Bougainville have established bigger local governance structures which may be beyond the size the community can sustain. This issue confronts all of the region's Governments and is exacerbated by well-funded NGOs who compete with the region's Governments for competent individuals on terms and conditions that State Governments cannot meet.

Some Pacific States—Samoa and Tuvalu—are nevertheless examples of stable government, despite significant economic challenges. While it is hard to generalise and there are vast disparities throughout the region, this report requires us to do so. More detailed comment on the specific challenges facing individual Pacific island states is contained in Chapter 9.

### **The committee's approach**

This inquiry has been tackled in the same spirit of partnership that has characterised New Zealand's dealings with its Pacific neighbours. Comments in the report have been carefully considered—we make no apology for being direct and straightforward—in the hope that the positive, practical ideas we offer can be implemented by Government. The recommendations in the report represent the views of all our members. They do not attempt to consider all of the vast number of issues that the Pacific region inevitably faces, nor do they suggest revisiting established constitutional structures; but rather, they are focused on specific, practical areas where New Zealand can help strengthen the services provided to Pacific island countries, and especially those whose people are also New Zealand citizens. The report also focuses on ways that New Zealand can help Pacific Governments, businesses, and communities develop their own sustainable economies while preserving their vibrant cultures.

We think a fresh approach is needed to dealing with the challenges that Pacific island States face. The reality is that despite the best intentions over the past 50 years, New Zealand's development efforts in the region have yielded mixed and at times disappointing results. We have tried to determine why. Careful thinking about strategies for growth is needed. So too are ways for New Zealand, within its available resources, to help island economies get the best value and outcomes from utilising their own resources in a sustainable manner.

We recognise that there are usually various solutions to a problem. We also recognise that there are no quick fixes; a 10- to 15-year view needs to be taken on New Zealand's engagement with Pacific nations. In proposing a rigorously pragmatic approach to New Zealand's relationships with the Pacific, this report sets out to propose some high-level areas of focus and to suggest possible approaches, while leaving it to Governments—in New Zealand and in the Pacific, now and in the future—to work out how to achieve better outcomes for their communities. We understand some comments may annoy those who have a vested interest in preserving the *status quo*.

## **Suggested areas of focus**

### **Meeting our special responsibilities**

New Zealand's ability to help its neighbours is constrained by its size and resources. While it can never be the donor with the deepest pockets, it is in New Zealand's interests to focus on its relationships with and responsibilities to its neighbours in the Pacific. We believe that our first priority for assistance must be those countries with which New Zealand has a special constitutional relationship: the three "Realm" entities of Tokelau, Niue, and the Cook Islands. Most of their residents have New Zealand citizenship and no other. It is important that all communities of New Zealand citizens receive services—especially in education, health, infrastructure, and security—on a par with those enjoyed by similarly-sized population centres in New Zealand.

## **Recommendation**

We recommend that the Government consider both the viability and the means of delivering such services in these areas to the communities of Tokelau, Niue, and the Cook Islands through the same agencies responsible for delivering those services to communities in New Zealand.

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### **Strengthening Pacific connections**

We believe New Zealand should do more to build on the strong connections it already has with many Pacific countries. We advocate not just a whole-of-Government approach, but in a sense a "whole-of-nation" approach, improving links between parliamentarians, Government agencies, businesses, non-governmental agencies, and—especially—those between the communities of Pacific islanders living in New Zealand and with their counterparts offshore.

### **Assisting Pacific islands in developing their own resources**

The future prosperity of the region is ultimately the responsibility of Pacific communities and their leaders. New Zealand's focus should be on helping Pacific nations take or recover ownership of their resources, by helping them to engage in the sustainable harvesting, processing, and marketing of their resources to generate employment and wealth.

We believe this goal implies

- a focus on helping community committees to take responsibility for their own communities and peoples

- ensuring New Zealand aid does not undermine the cohesion or leadership of Pacific communities
- applying significant new resources to education and skills training related to sustainable economic activity
- increasing support for the development of entrepreneurial activity and local enterprises, and removing impediments to their finding capital and engaging in trade
- helping Pacific communities to cope better with risk
- increasing encouragement and support for Pacific island Governments' efforts to provide An "enabling environment" in which the entrepreneurship and the local productive sector has a better opportunity to succeed, including in the productive use of communally owned land.

### **The challenge of traditional versus modern**

In our discussions with submitters, we repeatedly heard of the difficulty many islands face in blending the traditional and modern strands in their social fabric. This is particularly true of Realm entities such as Tokelau and Niue. While traditional customs and ways of life clearly continue to be treasured, the realities of an increasingly globalised world are having a clear, and often adverse, impact on many Pacific island communities. In addition, in some instances, most of the already small populations have opted to live elsewhere. The evidence in those who leave, often to further their education, includes many of the most talented members of the community. This is of concern, as innovative thinking will clearly be essential for these island communities to develop strategies to sustain themselves, let alone to grow. We firmly believe that the strategic thinking needs to be owned by communities of Niueans and Tokelauans, including those living away from their home island and atolls; that is, by people who understand their traditions and wish to see them preserved, and also want to help their homelands survive and prosper in the modern world.

The special status of self-government in free association with New Zealand was established partly to allow autonomy and sovereignty under the aegis of the United Nations decolonisation process. The significant depopulation of the Cook Islands and Niue suggests that, while well-intentioned, the decolonisation experience has not been successful for micro-States. This has implications for the future of these countries. We have no view on the future constitutional arrangements of the Realm entities, but it is clear the New Zealand Government should take responsibility for ensuring the proper delivery of core services to New Zealand citizens in these countries.

### **Acting on the lessons of the past**

In the course of the inquiry, reference was made to earlier studies of the Pacific, including the 1990 report of a policy review group led by Dr John Henderson, *Towards a Pacific Island Community*. It was illuminating and of concern that many of the problems recognised and solutions suggested in that study remain relevant today. For example, the Henderson report noted

- the underutilisation of customary land, or its use for unsustainable short-term resource exploitation

- the benefits of private-sector development and the need to support entrepreneurship in the Pacific more effectively
- the need for Pacific governments to reduce the size and footprint of their public sectors to avoid stifling private-sector development
- the benefits of supporting non-governmental organisations
- the need for better quality control in agriculture
- the benefits of joint ventures between producers and marketing organisations
- the potential of eco-tourism.

Researching even further back, we were struck by the continuing relevance of a 1984 review of New Zealand policy toward some of the smallest island States, and by an assessment made nearly 50 years ago by former New Zealand Secretary of Foreign Affairs Frank Corner, around the time of Samoa's independence in 1962. He summarised lessons from New Zealand's administrative experience with Samoa, which remain valid today as essential factors in effective assistance:

- the need for broad strategic analysis and long-term planning
- the need for coordination among branches of the New Zealand Government structure so it can bring its full resources to bear
- the need to ensure that officials working on Pacific affairs actually have knowledge of Pacific customs and languages
- the mutual benefits of exchanges of personnel, and the need to encourage them by making service in the islands more attractive
- acknowledgement of the validity of Pacific culture.

We are disappointed that the efforts of New Zealand agencies—especially the Ministry of Foreign Affairs and Trade and NZAID—have not been more successful in addressing these longstanding issues with Realm Governments.

We invite the ministry to devote more effort to this area. We also recognise that New Zealand Governments need to be more willing to address these challenges than they appear to have been to date.

Finally, in our discussions with Pacific Island submitters, we heard that they are wary of their issues being studied, their advice not being heeded, and little good coming of the recommendations made in the resulting reports.

The time has come for the New Zealand Government to undertake a concerted effort to address issues that have been raised time and again by past studies—to develop a clear strategy, and then act on it. This would justify and reward the effort of submitters who contributed to this exercise. We also recognise that success in such endeavours also needs full commitment from Pacific partner Governments, which has not always been forthcoming.

## 2 Background

### **Inquiry process**

This inquiry into New Zealand's relationship with South Pacific countries was initiated in March 2006 by the 48th Parliament. Over the following two and a half years the Foreign Affairs, Defence and Trade Committee received 116 written submissions and heard a number of witnesses.

In resuming the inquiry in the 49th Parliament, we reviewed the submissions, and have travelled to the Pacific islands of Tonga, Samoa, Niue, the Cook Islands, Tuvalu, Kiribati, and the Solomon Islands to meet representatives, including leaders, from those countries and Tokelau. We also held meetings in Auckland, Christchurch, and Wellington to hear further submissions from Pacific communities and individuals resident in New Zealand. We received advice from the Ministry of Foreign Affairs and Trade, and have drawn on information papers about individual countries prepared by the ministry.

### **Terms of reference**

The inquiry's terms of reference, established on 15 March 2007, are as follows:

To investigate the role New Zealand plays and can play in assisting Pacific Island Forum nations (excluding Australia) to develop sustainable economies, with particular attention to the following:

- Identifying New Zealand's key interests and responsibilities in countries belonging to the Pacific Forum.
- Identifying strategic threats to New Zealand's relationship with Pacific Forum members.
- Identifying opportunities to advance New Zealand's relationships with governments and peoples in the Pacific Forum countries.
- Identifying current and potential actions to encourage sustainable economic development in, and two way trade with, Pacific Forum countries.
- Identifying the strategic objectives for expenditure of New Zealand Aid in Pacific Forum countries.
- Identifying the appropriate level and type of aid.

### **Submissions**

A list of submitters is attached as Appendix B.

Many valuable ideas were raised in submissions, and many of them have been incorporated into this report. While we have been unable to address some of the issues raised, we do not intend to let the submissions be lost. They will be made available publicly and to officials;

we want to see them form a basis for constructive thinking both within the Government here, and in partnership with Pacific countries' Governments.

## 3 Strategic overview

### Key terms of reference:

*Identifying New Zealand's key interests and responsibilities in countries belonging to the Pacific Forum.*

*Identifying strategic threats to New Zealand's relationship with Pacific Forum members.*

*Identifying opportunities to advance New Zealand's relationships with governments and peoples in the Pacific Forum countries.*

### Recognising New Zealand's place in the world

An assessment of New Zealand's engagement with the countries of the Pacific must start with a clear acknowledgement of what New Zealand is: a small multi-ethnic country in the South Pacific, with 20 percent of its population of Polynesian descent.

By world standards, New Zealand is small and therefore not particularly influential. Yet from the standpoint of an islander on a Pacific atoll, or that of a European, Asian, or American, New Zealand is one of the two main influences in this region. It would be short-sighted of New Zealand not to acknowledge this position by giving priority to assisting its own region first. If New Zealand does not give sufficient attention to the Pacific this will allow other players who may be less attuned to Pacific issues and aspirations to take on larger roles and exercise more influence.

Increasingly, New Zealand and Australia have worked together in the Pacific. We wish to see this collaboration continue and grow. However, Australia's size, wealth, and geographic links to Melanesia and Asia mean that New Zealand's positions and interests, while related, will never be identical.

The international economic and financial crisis has served as a reminder that with New Zealand's limited human and material resources, it cannot do everything. New Zealand must prioritise and concentrate its efforts on meeting its obligations, and doing so as well as it possibly can.

### National interests

We concur that it is in New Zealand's interests that there be a stable South Pacific region of peace, harmony, security, and economic prosperity. New Zealand has an obligation to countries beyond the region to pull its weight in promoting stability and prosperity in the Pacific region.

Accepting that New Zealand is part of the Pacific means recognising that threats to stability and prosperity in the Pacific also threaten it. Challenges facing Pacific island countries are many and varied. They include issues of safety and security which threaten the stability and integrity of governments, institutions and borders, as well as the natural disasters that are frequent in the region. Challenges also include sustainability in the face of the depopulation of some islands and overpopulation in others, and health issues such as

HIV/AIDS, and diabetes and other non-communicable diseases. Many environmental challenges threaten the fragile island systems, from the pollution of local water supplies to the risks of extreme weather and inundation caused by climate change. Finally, and always, there is the economic challenge of sustaining a thriving economy from a small, remote and isolated base.

We believe New Zealand's contribution should be to

- support and encourage communities in taking responsibility for addressing and finding solutions to their own problems
- recognise that poverty can be eliminated through sustainable economic growth and wealth creation, investment, and job creation
- encourage Pacific countries to recover ownership of their resources, particularly fish, timber, and minerals, and to extract, process, and market them sustainably
- encourage honest and stable leadership, the form of which may differ between countries
- promote human rights consistent with the United Nations' norms
- respect custom and traditional forms of governance, while encouraging Pacific island countries to consider adaptations to internationally acceptable norms and standards of democracy. Least damage will be done to traditional leadership systems if sustainable economic activity is corruption-free and governed by clear rules applied equally to all.

### **Working with external partners**

Competition for influence in the Pacific is increasing, with more and more external actors jockeying for diplomatic and commercial advantage and access to resources—fish, tropical timber, and minerals. It is in New Zealand's interests that engagement by all players in the Pacific be geared towards longer-term sustainable development in the region. As the two developed country members of the Pacific Forum, New Zealand and Australia have an interest in working together to address Pacific issues. Collaboration and coherence with other regional partners, including the European Union, United States, United Kingdom, France, Japan, China, and Taiwan, should be central to our approach in the Pacific.

We agree with the Henderson report that it is not New Zealand's business to choose other people's friends for them.

The attitude that New Zealand takes to the involvement of such outside powers must be based on clear-headed realism. Even if we were disposed to do so, nothing New Zealand can do either on its own, or in concert with others in the region, will change the political will to sustain involvement that the outside countries intend. Our interests lie in seeking to influence the way in which such involvement is pursued.<sup>2</sup>

It notes, however, that the special relationship with the three "Realm" countries warrants higher expectation of New Zealand's relations with them.

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<sup>2</sup> Report of the South Pacific Policy Review Group, p. 69.

New Zealand's interests lie in maintaining close contact and an open dialogue with all Pacific neighbours.

### **Acknowledging special relationships and responsibilities**

Within the network of New Zealand's Pacific connections, its relationships with some islands stand out for historical and constitutional reasons. The people of three countries—Tokelau, the Cook Islands, and Niue—hold New Zealand citizenship, share the Queen as Head of State, and are part of the Realm of New Zealand.

We believe a new approach is required in New Zealand's assistance to these three communities. We believe that it is difficult to accept that there should be communities of New Zealand citizens overseas who receive lower standards of basic services than New Zealanders living in similar-sized population centres in New Zealand. There needs to be an acknowledgement that the way the decolonisation experiment has been applied to the Cook Islands and Niue (it is still on offer to Tokelau) has largely fallen short of the expectations all parties, despite considerable effort and very substantial development assistance. We consider that the governance structures, combined with the disadvantage faced by small, isolated island economies, have not delivered reasonable outcomes for the people. This limits the extent to which these people have been able to properly determine their own future. This is discussed further in Chapter 4.

A special relationship also exists between New Zealand and Samoa, underpinned by the unique Treaty of Friendship, signed in 1962, and bolstered by the large number of New Zealanders of Samoan descent or origin living in New Zealand. Considering that an estimated 131,100 Samoans now live in New Zealand, making up around 50 percent of this country's Pacific island population (2006 census), we see grounds for Samoa also to receive particular attention and assistance from New Zealand.

This is not to minimise the importance of New Zealand's relations with other Pacific countries, nor to turn a blind eye to areas of real need or poverty. But we believe it is appropriate to recognise New Zealand's constitutional connections, and consider it makes sense for New Zealand, as a small country with limited resources, to prioritise and direct its outward efforts in some proportion to this connectedness, while also recognising each country's specific needs.

Kiribati and to a lesser extent in Tuvalu, for example, are small remote island countries facing significant challenges from overpopulation and environmental degradation, along with the looming risks of climate change. We believe Kiribati in particular has been significantly overlooked in New Zealand's assistance programme, and deserves substantially more support. We also believe that New Zealand must engage in collaborative research into the risks to low-lying Pacific atolls from climate change.

In all the Pacific countries, we suggest that the Government redirect development assistance, with more aid directed through NGOs. Submitters expressed concern that it seemed too often New Zealand's overseas development aid ends up being captured by governments, which use it to grow to unsustainable size at the expense of productive elements of the economy. We also believe New Zealand should target its efforts to the specific areas where it can hope to make a significant difference, leaving other sectors to donors with deeper pockets. Where help is sought by Pacific Governments and there is

clear political commitment to action, New Zealand should be prepared to provide technical assistance, advice, and coordination.

We also acknowledge that many of the poorest Pacific societies are to be found in Melanesia, rather than Polynesia. Our desire to progress the sustainable development of countries in our immediate region of the Pacific should therefore be tempered by the need to simultaneously address very low standards of living in parts of Melanesia.

### **Regional security challenges**

It is in New Zealand's clear interests that the Governments in the neighbourhood remain stable and generally well-disposed to New Zealand, that their borders are protected, and that governmental and financial institutions operate with transparency and integrity.

Some countries have weak or unlawful governments, and public discontent in these countries is controlled by force, by the military and the police. In some communities—especially Melanesia where development assistance, provided with best of intentions, has destabilised traditional leadership and community structures—democratic processes have unwittingly brought non-traditional leaders to positions of authority and to central Government. In some countries central Governments have little impact on service delivery to remote communities. Corruption in Government and business is incompatible with New Zealand values. In addition, the level of corruption in some Pacific states is destabilising and hampers sustainable economic development. We recognise that pressures continue to build in the region as a result of the process of globalisation. Helping Pacific countries to manage these pressures and changes effectively needs to be at the heart of New Zealand's relationship with the region.

While globalisation is inevitable, careful attention needs to be given to the real dangers inherent in it. Few Pacific countries are well placed to assess and manage the complex proposals now being put to them from a variety of sources. They include, for example, initiatives to develop offshore finance centres and to exploit the use of internet domain names. Some Pacific Governments have been attracted by the financial possibilities of allowing their names to be linked with the provision of offshore banking facilities. Inevitably a lack of competent management and technical resources means an inability to distinguish clean from laundered money; so locations with the least competent and intrusive oversight will be the most popular with money launderers and criminals. It is in their and New Zealand's national interests to preserve the integrity and reputations of the financial services sector in the region.

While many such proposals represent legitimate opportunities for the generation of revenue, usually with little local effort, others have opened up some island Governments to the attention of less savoury external interests, including organised crime. We believe it is very much in the interest of all Pacific countries, and certainly in New Zealand's, for the region to be vigilant and well prepared to deal with such proposals. New Zealand expertise could, and should, be available to help evaluate proposals that raise questions of probity. In the case of the Realm entities, we consider that their New Zealand citizenship brings with it an obligation to work closely with New Zealand authorities to ensure no damage is done to Realm interests.

Corrupted or soft border controls in the Pacific entry points expose Pacific island states and regional neighbours to greater risks from terrorism, the drugs trade, illegal migration, biosecurity threats, and organised crime. It is in the interest of the whole region to ensure that all countries operate corruption-free, robust border controls without penalising entrepreneurship in the region. Particular attention needs to be given to this challenge in respect of the three Realm entities whose borders are in effect those of New Zealand.

### **Regional security responses**

We do not support the suggestion that the region consider developing a regional defence force. First, such an arrangement would stretch the capacity of many South Pacific countries to provide resources and personnel. Secondly, over-dependence on military force has caused problems in Fiji, and poorly led paramilitary forces have caused difficulties in Papua New Guinea, the Solomon Islands, and Vanuatu; we are not convinced that a combined force would not be subject to adverse influences.

The region is central to New Zealand's security and defence policy because of its geographic proximity, community links, commercial interests, humanitarian needs, and importance to New Zealand diplomacy. Accordingly, it makes sense for Government agencies to collaborate extensively on Pacific issues. The New Zealand Defence Force, the New Zealand Police, the Ministry of Foreign Affairs and Trade, and the Ministry of Justice work together to help Pacific island countries maintain law and order and security capabilities. New Zealand also co-operates closely with Australia, France, and the United States of America on security issues in the South Pacific region. The New Zealand Defence Force and the Police Force have assisted with peacekeeping and maintaining law and order in the Solomon Islands, Tonga, and Bougainville.

New Zealand is required by legislation to take particularly seriously its constitutional responsibilities for the defence of the Cook Islands, Niue, and Tokelau. In addition to consulting these countries and assisting with their defence and security, New Zealand provides advice on potential security threats. While New Zealand's Treaty of Friendship with Samoa contains no specific references to defence, relationships in this area are close. The New Zealand Army and the Air Force have both carried out training exercises in Samoa in the past. Through the New Zealand Defence Force's Mutual Assistance Programme, New Zealand has provided training for the Samoan Police, including preparation for deployments of Samoan civilian police officers to the United Nations in East Timor. The refreshed Pacific Prevention of Domestic Violence Programme and the location of a Pacific Police Liaison Officer in Apia are other examples.

### **Focus of New Zealand's security assistance**

The main security threat in the Pacific is the near-certainty that each year some part of their region will suffer the destructive force of a cyclone. The region depends on New Zealand and other donors continuing to predict, and help it prepare for and recover from, natural disasters.

Services provided by the New Zealand Defence Force under the Mutual Assistance Programme have value insofar as they include training in technical, engineering, medical, and dental skills rather than direct military assistance.

Along with disaster surveillance and recovery assistance, the protection of fisheries resources through surveillance flights over the region's maritime zones is a highly valued area of assistance. As we discuss in more detail in chapter 6, there is a strong case for the number of surveillance flights to be significantly increased to protect the region's resource base.

### **Environmental challenges**

The pristine environmental image of Pacific islands is at risk. There is ample evidence that climate change, waste, marine chemical pollution, tourism-related pressures, and overpopulation have created major threats to the environment of some Pacific islands, Kiribati being a leading example.

Submitters expressed concern that some island countries lacked clean water and effective waste management and sewerage systems. Inadequate sewerage infrastructure may threaten the health of citizens and impair the enjoyment of tourists and consequently the economies of these countries. Similarly destructive logging, for example in Papua New Guinea and the Solomon Islands, can destroy ecosystems of global importance. Pacific communities and their Governments must take more responsibility for stopping corruption regarding logging, and restore and maintain their environments for the benefit of future generations.

### **Climate change**

Submitters have expressed concern about the current and ongoing effect of climate change and resulting sea-level rise on low-lying Pacific islands. Of particular concern is the potential impact of extreme weather events. The most severely affected would be the atolls such as Kiribati, Tuvalu, Tokelau, the northern Cook Islands and those in the Papua New Guinea archipelago, which sit less than 2 metres above sea level. Suggested measures to reduce local greenhouse gas emissions, such as halting deforestation, adopting a carbon credit scheme, and developing renewable energy resources, might have economic benefits and send a signal to large emitters in other countries; but even eliminating local carbon dioxide emissions completely from these tiny economies would not halt or reverse global warming. However, New Zealand should acknowledge the importance Pacific island countries attach to the efforts of Alliance of Small Island States (AOSIS) to promote their situations within the climate change negotiation process. Addressing illegal logging would, however, reduce the vulnerability of islands to consequences of extreme weather such as landslides and flooding. As a last resort, planning for moving people from low-lying islands is a practical measure.

These measures have economic and environmental merit; in chapter 6, we also consider ways New Zealand could assist in areas such as forestry and renewable electricity generation but the Pacific nations would appreciate any initiatives New Zealand takes. Helen Clark, Administrator of the United Nations Development Programme, briefed us on the role of the UNDP in helping Pacific Governments to access funding for mitigation of and adaptation to climate change. She pointed out that small countries can face particular difficulty because they lack resources to obtain access to global funding. Ms Clark also said it was important that countries integrate climate-change strategies into their overall development agenda, so they are not dealt with piecemeal.

In Samoa the Pacific Oil Factory produces coconut oil and supplies product to the Electric Power Corporation for blending with regular diesel (for use in diesel generators). It appears there was little local knowledge of how to obtain carbon credits. It may be that the output would not justify many credits, but it is important to get expert guidance to help Pacific island countries to take advantage of carbon trading where and when it is possible.

One possibility is developing a Pacific island regional interest in carbon credits that work through the European Union and the World Bank or private New Zealand carbon trading agencies, to achieve an economy of scale.

### **Marine environment**

The Pacific currently faces a very real threat from overfishing, exploitation of marine resources and the destruction of coral reefs. If left unaddressed this could have a devastating effect on the entire marine ecosystem, the environment, human livelihood and society.

Overexploitation of fisheries by subsistence, recreational, and commercial fishing can result in the mortality of target and non-target species and cause severe damage to coral reefs. Pacific island states would appreciate any initiatives taken by New Zealand for the protection of Pacific fishing stocks and the marine environment. In particular a focus on sustainable fishing practices and help with the regeneration of fishing stocks would be of considerable use to Pacific island states. A portion of New Zealand's aid budget could also be directed to assist Pacific island Governments to create marine reserves and coral reef regeneration schemes.

### **Sexual and reproductive health**

Across the region sexual and reproductive health issues such as HIV–AIDS, sexually transmitted infections, and maternal mortality affect families and communities, as do high infant mortality rates in some countries. The World Health Organisation and other United Nations programmes are active in these areas. The magnitude of the problem is such that it makes sense for New Zealand to contribute assistance in this area through regional programmes.

The September 2009 report of the New Zealand Parliamentarians' Group on Population and Development noted that reducing the maternal mortality rate has made the least progress of all the Millennium Development Goals in developing countries. In its recommendations, the group strongly encouraged NZAID to ring-fence 15 percent of Official Development Assistance specifically for sexual and reproductive health, with a proportion allocated for family planning and care during and after pregnancy and childbirth.<sup>3</sup>

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<sup>3</sup> *Making Maternal Health Matter*; Report of the New Zealand Parliamentarians' Group on Population and Development, Open Hearing on Maternal Health in the Pacific, 21 September 2009.

In the section on Kiribati we describe a special case history. The principle behind our recommendations, however, could be applied to many other places.

## 4 The Realm entities: responsibilities to New Zealand citizens overseas

We are concerned about depopulation, as are the Governments of the countries and territories affected. It appears that those who move away from their island homes do so because they seek better service delivery, especially regarding health, education, and economic opportunity.

The “self government in free association model” has, for various reasons, not delivered services to the level expected by island communities. The model has also resulted in disproportionate growth of the public sector at the expense of the private sector. For example, we were told that of the approximately 1,200 Niuean permanent residents remaining on Niue, some 440 are employed as public servants and another 20 as Members of Parliament. The problem is replicated on Tokelau, where most residents receive some form of public wage. This undermines the need for entrepreneurial activity. In this context it needs to be recognised that decisions about public-sector size have rested with island administrations rather than New Zealand, and that the dominance of island bureaucracies in all three Realm entities has been the subject of criticism for a long time. The consistent refusal to move away from public-sector dominance to a more balanced employment model needs to be addressed in policy development by New Zealand and the Realm administrations.

In the Cook Islands there is a similar problem. If Auckland had the same ratio of Members of Parliament as the Cook Islands there would be 2,400 Auckland Members of Parliament. The self-government model has resulted in administration that cannot be sustained by local communities and which, especially in Niue, is choking any local entrepreneurial spirit. It is likely to do so in Tokelau.

Significant budget support from New Zealand since 1972 (with additional funding from other donors) has not necessarily produced expenditure of the kinds most appropriate to developing those economies. We are concerned that the lessons from the experience of the Cook Islands and Niue over several decades about the viability of “self-government in free association with New Zealand” do not appear to have been learned and applied to Tokelau. We believe that, until there is a far clearer discussion with Tokelau leaders and the wider Tokelauan community in New Zealand, Tokelau leaders and officials will continue to be distracted from their core responsibilities—which we consider must be the provision of better conditions on each atoll by delivering essential services to levels similar to those available to similarly remote communities in New Zealand and elsewhere in the Realm. We are concerned at the large amount of effort Tokelau is devoting to developing international activities of questionable relevance to the needs of its atoll communities.

We invite the Government to develop a broad-based dialogue with Tokelauans, in Tokelau and New Zealand, about the realities facing Tokelau and its people, with a view to finding alternatives to the “self-government” model which seems quite inappropriate in the current circumstances.

While New Zealand and the administrations of the Cook Islands, Niue, and Tokelau are all committed to reversing the causes of depopulation, we do not feel this is possible under the present arrangements.

We have not recommended changes to constitutional arrangements between New Zealand and the three “Realm” entities. These arrangements were established by Acts of Parliament; the Cook Islands Constitution Act 1965, the Niue Constitution Act 1974, and the Tokelau Act 1948. This should not be construed, however, to mean that we support these arrangements. In many ways they are not working, and they need to be seriously reviewed at a Government-to-Government level, and in the communities of Cook Islanders, Niueans, and Tokelauans in New Zealand and in their home islands. However, we are deeply concerned that there are island communities of people with New Zealand citizenship who receive services of lower standard—particularly regarding health and education—than those available to people living in New Zealand in similar-sized population centres.

### **Causes of depopulation**

The population of the Cook Islands is shrinking at the rate of about 500 residents a year, from about 18,000 a decade ago to about 12,000 now. The decline in Tokelau is less marked but still significant—the three atolls now have a population of about 1,400, with nearly eight times this number living in New Zealand. Niue’s challenges are the most severe. With a resident Niuean population of only about 1,000 (in a total population of about 1,200)—less than the roll of many New Zealand high schools—the question of whether Niue (or indeed any Realm country) can be a sustainable self-governing entity becomes pressing.

We believe this trend has been driven or at least exacerbated by disparity with New Zealand standards of health, education, and economic opportunity. If the Realm entities are to preserve their unique cultures and stem emigration of their people, then immediate action needs to be taken to encourage serious debate on more practical and effective governance structures.

### **Improving services to New Zealand citizens overseas**

Ultimately the New Zealand Government must be the final guarantor of key services to all people with New Zealand citizenship living within the Realm of New Zealand.

Accordingly, we propose that New Zealand and the administrations of the Cook Islands, Tokelau, and Niue adopt a strategy to harmonise the standards of key services—including education, health, policing and access to justice—and infrastructure for New Zealand citizens living in Tokelau, the Cook Islands and Niue with the standards of such services delivered to similarly-sized population centres in New Zealand. In making this recommendation, however, we understand that allowance needs to be made for the significant additional costs associated with isolation.

### **Funding delivery mechanisms**

We believe that improving the situation for New Zealand citizens in the Realm entities should be New Zealand’s highest development priority. We question, however, whether the aid programme, in its current configuration, is the appropriate vehicle to deliver these

improvements, because 40 years of efforts in this direction have not delivered quality and enduring outcomes.

Historically, New Zealand dealt with these countries through the Department of Island Territories. This responsibility was subsumed within the Ministry of Foreign Affairs in the early 1970s, and more recently assumed by NZAID. It seems anomalous for assistance to New Zealand citizens to be delivered through foreign aid channels. We acknowledge that considerable effort has been devoted to these relationships and that there have been some successes. It is clear, however, that a fundamental rethink is essential. At present there appears to be a disconnection between New Zealand objectives for the funding of high-quality services in these Realm entities and the willingness of Pacific island Governments to take steps to ensure good outcomes and clear value for money.

We believe that, for adequate core service delivery to be assured, it is essential that direct delivery of these services by core New Zealand-based agencies be considered by island communities and Governments. This would require a whole-of-Government approach, which we consider to be appropriate. This would involve far more harmonisation and exchange between New Zealand Government agencies and professionals in Realm entities. We understand that the active cooperation of Realm Governments will be essential to achieve the desired degree of collaboration and quality of services.

We recommend to the Government that it direct New Zealand's education, health, and law and order agencies to support Realm entities in harmonising service delivery in these sectors. Secondments and exchanges of professionals between New Zealand and countries in the wider Realm, along with apprenticeships and training, would help overcome chronic skill shortages, especially in Tokelau and Niue and the outer Cook Islands.

We would like to see rotational service in these communities made attractive to New Zealand professionals, as a means of overcoming skills shortages and building capacity in the islands. An initial step might be to write off student loan repayments in return for service overseas.

Funding of this approach would be a challenge but not, we believe, an insurmountable one. At present substantial resources are provided in the form of direct budget support payments to both Niue and Tokelau, to assist the delivery of the core services that we consider need to be brought up to standard. We encourage both the New Zealand Government and the administrations of the three Realm entities to consider changes to budget support funding, to allow closer collaboration between New Zealand and Realm authorities in the core service-delivery sectors. We are conscious that existing funding for health and education in Niue and Tokelau is not providing good outcomes for the people of those countries, and that better results can be achieved without major additional resources.

## **Education**

We consider that New Zealand should fund the same standard of education, from early childhood to the end of secondary school, for children of Tokelau, Niue, and the Cook Islands as other citizens receive in comparable population centres in New Zealand. This would mean harmonising Ministry of Education services and Education Review Office assessments, but with curricula tailored to the retention of local languages and customs.

Such an approach might require an increase in education resources; and to encourage the rotation of teaching professionals we envisage salaries being progressively increased over an extended, but finite, period; and all teachers in a united service should be paid on the basis of standards achieved during a period of transition.

## **Health**

We considered various means of delivering New Zealand standards of health services to isolated communities in the Pacific, including investment in a medical ship, the provision of specialist equipment such as dialysis machines, or the use of roving naval medical teams.

Given the need for specialist skills and equipment and the difficulty of maintaining technology in isolated regions, we believe tertiary care, and much secondary care, is logically best delivered in New Zealand. Priority should, however, be given to upgrading local delivery of primary and maternal health care and emergency medicine. Recognising the critical role of public health and the need to focus on maintaining wellness rather than treating illness in small isolated communities is also a priority. We acknowledge that some Realm patients will always need to be referred to New Zealand for further medical attention. We wish, however, to signal our concern at the high cost of several existing referral schemes, and the often unnecessary costs resulting from automatic approval of accompanying helpers under the Tokelau scheme.

## **Police and justice services**

Another challenging issue in small remote communities is the delivery of fair legal and justice services. New Zealand should be ready to help these countries to deliver the standards of service available in New Zealand.

## **Structural implications**

Within the three Realm entities New Zealand will need to continue to shoulder much of the cost of major infrastructure programmes. In approving such projects the Government needs to monitor the financial resources and commitment of Realm administrations to maintaining this infrastructure.

If our premise—that the services New Zealand funds for its three Realm territories are, in essence, services to New Zealand citizens who happen to live in isolated places overseas—is accepted then several implications follow:

- The provision of funding needs to be more closely managed by both Foreign Affairs and relevant line ministries in New Zealand. The potential for New Zealand-based Realm communities to contribute to the continued viability of their home islands, particularly their economic development, needs to be recognised and welcomed by both New Zealand and the island administrations.
- There should logically be more participation in these countries' economic development by their citizens who are resident in New Zealand.

## **Recommendations**

We recommend that the Government

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- acknowledge that, among the Pacific island states, priority should be given to assisting those territories with which New Zealand has special constitutional relationships, and whose populations are mainly citizens of New Zealand
  - provide crucial support to Realm entities through negotiated agreement to provide services—especially in education, health, law and order and justice, and infrastructure—harmonised with those provided in New Zealand, while also examining jointly their reciprocal obligations and abilities to contribute to their own social and economic development. Such consideration should also address their capacity to contribute from domestic revenue sources to ensure that services are not reliant solely on external injections of funding.
  - work to improve the standard of health, education, policing and justice services to communities encompassed by the Realm of New Zealand, with a view to
    - harmonising the standards of such services received by citizens living within the Realm with those of comparably-sized population centres in New Zealand, while accommodating variations appropriate to local culture
    - facilitating the interoperability of personnel between New Zealand and the Realm entities.
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## 5 Advancing relationships Pacific-wide

### Key terms of reference:

*Identifying opportunities to advance New Zealand's relationships with governments and peoples in the Pacific Forum countries*

Personal relationships between New Zealand and Pacific people at many levels are this country's greatest strength in the region. The health of such relationships is a strong indicator of the overall health of New Zealand's Pacific relationships.

We think there is plenty of scope to build on individual relationships including those between the region's leaders and parliamentarians. New Zealand could also make better use of its greatest strategic asset in this respect—the Pacific communities living in New Zealand.

Numerous submitters argued for more involvement of Pacific people living in New Zealand in its dealings with their countries of origin, especially where aid funded consultants were being used in the region. They argued for a whole-of-Government approach to New Zealand's dealings with the Pacific. We would take this further and suggest there is a need for a “whole-of-nation” approach, with centralised direction not only of Government agencies in the design and delivery of their Pacific programmes, but also of developments involving private-sector companies, local bodies, and non-government entities.

A significant fault of the system used for the past 40 years is that engagement has been largely confined to regular exchanges between Government officials. One consequence of this has been that aid spending on the Government sector has sometimes been at the expense of support for entrepreneurship and creating productive jobs. This has contributed to the growth of bureaucracies that cannot be sustained by their communities. They have grown at the expense of Pacific countries' private sectors, entrepreneurship, and job creation.

On the one hand, no Government will want to risk causing instability by introducing sudden change, but on the other we think future assistance from New Zealand needs to help the growth of Pacific private sectors and the creation of sustainable jobs.

Accordingly we propose an immediate cap on New Zealand aid to partner Governments for the support of Government structure.

### Communication and relationships

Forty years ago when the South Pacific Forum was created, leaders spent considerable time together in retreats getting to know each other. This fitted the “Pacific way” where communication tends to be oral, and personal relationships are vital.

Over the years forum meetings have become compressed in time, and orchestrated by officials rather than leaders. The opportunity for leaders to get to know each other has diminished. Officials now tend to both set the agenda and prescribe the outcomes. Particularly in the Pacific Forum context Pacific leaders' roles have substantially been taken over by officials.

Various submitters emphasised the importance of opportunities for the region's leaders to form relationships. To develop positive linkages and advance communications, we propose an annual parliamentary gathering in the New Zealand Parliament, with a week set aside for the consideration of Pacific issues.

### **Parliamentary linkages**

There is much to be gained by Parliament setting aside a week of its annual calendar and inviting Pacific leaders to join a dialogue dedicated to developing a better understanding of issues of concern to Pacific neighbours. We recommend that Pacific island parliamentarians be funded under the aid programme to come to New Zealand for such sessions.

In proposing an annual parliamentary gathering, we feel the emphasis should be on facilitating exchanges between the next generation of leaders; opportunities for exchanges of views at ministerial level already exist in the region, but there is a need to bring together younger parliamentarians, to build linkages that will develop and last.

We also suggest including Pacific representatives in the New Zealand Business and Parliament Trust, a non-partisan educational charity established in 1991 to build understanding between the public and private sectors by funding study courses for MPs and business people.

## **Recommendations**

We recommend that the House expand its relations with Pacific parliamentarians, setting aside a week of the New Zealand Parliament's time to host them and focus on "Pacific issues" of concern to the neighbourhood and domestically, and issues of common regional interest.

We recommend that the Government provide funding under the aegis of the aid programme to promote leadership development, and particularly linkages and relationships amongst emerging leaders across the region. Visits and exchanges by parliamentarians could be funded under the Pacific Participation Facility, and by the Prime Minister's Fellowships. The proposed initiative, however, would be specifically aimed at emerging leaders.

### **New Zealand-based Pacific communities**

We agree with submitters who saw scope for New Zealand to make better use of the knowledge and expertise of Pacific people residing in New Zealand, particularly regarding the provision of services to Pacific people and the aid programme. Many Pacific people living in New Zealand have strong links with and an understanding of the culture, values, and aspirations of Pacific communities. They represent an underutilised asset on which New Zealand could capitalise.

At the same time New Zealand should remain alert to the sensitivities of Pacific leaders, who do not want New Zealand-dwelling communities to interfere in their island governance structures. There is a fear that with more of their people residing overseas than at home, local leadership may be undermined. New Zealand communities can have a voice in and participate in consideration of its policies regarding neighbouring countries through many channels. However, we feel that this is an area where communication could be more effective. Regular consultations would also fit with the long tradition of oral consultation in Pacific societies. Regular consultative talks could be held to keep the machinery of Government properly informed of local opinion on matters affecting Pacific island people residing both in New Zealand and in the islands.

### **Partnering with New Zealand business community**

We believe the New Zealand private sector can make a much greater contribution in the Pacific and that this can be facilitated by aid. We heard from several submitters that obtaining aid funding was not the issue; the problem was bottlenecks in translating money into action and outcomes. Moving funding out of Pacific island bureaucracies and into the private sector could significantly improve this situation, while direct linkages with New Zealand entrepreneurs could help transfer skills.

There is a place for aid aimed specifically at exploiting resources owned by Pacific communities. Very often Pacific entrepreneurs encounter difficulty getting access to capital. New Zealand-based businesses could help Pacific producers to broaden their ranges of products and to achieve higher returns from them by improving the harvesting, marketing, and processing of Pacific-sourced goods and services. New Zealand entrepreneurs could also help transfer skills.

### **Coordinating Government agencies**

Despite efforts to adopt a whole-of-Government approach by the many New Zealand Government agencies engaged with their counterparts in the region to some degree, we are concerned about the evidence of agencies operating in silo mentalities. We acknowledge that particular effort is made to coordinate New Zealand's regional security actively, especially in defence and fisheries protection.

Funding is currently provided through the State Sector Development Partnerships Fund to encourage State-sector agencies to engage in sustainable development projects with Pacific island countries. We note that the fund's budget allocation in 2010/11 is \$5 million.<sup>4</sup>

While such efforts to involve a broad range of Government agencies in supporting capacity development in the Pacific are to be commended, we are concerned that engagement by departments seems to be ad hoc, and that coordination and long-term commitment are lacking. This is despite efforts by MFAT to work with Government agencies on a more comprehensive approach to support, developing overarching memoranda of understanding on support for the Pacific and ensuring coordination between agencies (for example, the New Zealand Customs Service, the Ministry of Agriculture and Forestry, the Department of Labour, and Statistics New Zealand are coordinating efforts on Pacific trade support).

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<sup>4</sup> Established in 2009, the Development Partnerships Fund replaced the New Zealand Government Agencies Fund (GAF), which had operated since 2005.

In its submission the Ministry of Pacific Island Affairs said that “an active, strengthened, meaningful and informed collaborative relationship is needed between the Ministry of Pacific Island Affairs and the Ministry of Foreign Affairs and Trade.” We consider that the need for clearer direction and more collaborative relationships extends beyond these two departments. Accordingly we recommend that mechanisms be developed to provide strategic direction to all Government agencies involved in the design and delivery of programmes that affect Pacific islanders. Several submitters suggested that the Ministry of Pacific Island Affairs could be the logical coordinator, except where services are provided by agencies in specialised areas such as education, health, policing, and justice.

### **Recommendation**

We recommend that the Government consider developing mechanisms to co-ordinate strategies and direction for all Government agencies involved in the design and delivery of programmes that affect Pacific communities in New Zealand and other countries in the region.

### **Non-government agencies**

It is clear to us that responsibility for a country’s development does not lie just with Governments. A crucial role is played by civil society organisations (CSOs) in promoting sustainable development, democratic processes, human rights, good governance, citizenship, and community development. The term CSO covers non-government organisations, and also encompasses community groups, women’s and youth groups, professional associations and trade unions, activist groups, indigenous people’s organisations, faith-based groups, media organisations, voluntary organisations, and not-for-profit business groups such as Chambers of Commerce.

In 2008/09, 11.5 percent of New Zealand’s ODA funding for the Pacific was channelled through CSOs. We would like to see more emphasis on aid for education, both to support education in the island nations themselves, and in scholarships to enable more Pacific people to undertake education in New Zealand.

### **Educational scholarships and fees**

We note that education provides an enduring means of strengthening relationships—in a number of Cabinets in the region, more than half of the Ministers were educated in New Zealand. We heard repeated expressions of concern from submitters that the number of scholarships provided to students from Pacific islands has declined, and that New Zealand’s educational fees have become prohibitively high.

We consider that funding for education services and distance learning services should be a high priority in New Zealand’s assistance to the Pacific. We think that efforts should also be made to reduce the cost of secondary and tertiary education for Pacific students wanting to study in New Zealand.

Education and skills training are discussed further in chapter 6 in relation to fostering economic development.

## **Labour mobility and migration**

The flow of labour from the Pacific islands to New Zealand is an important long-standing aspect of our relationships. It has provided a mutually-beneficial safety valve for population pressures in some islands, especially Samoa; but in Tokelau, Niue, and the Cook Islands, migration has led to depopulation and weakened their viability.

Submitters suggested that New Zealand could consider allowing Pacific islanders to enter New Zealand freely, for example to address labour shortages as New Zealand's population ages. Others advocated increasing the quotas under which New Zealand issues visas to countries such as Samoa and Tonga. A number of submitters expressed concern about the cost of visas, suggesting that multi-year visas should be issued. Many, especially at community meetings, urged that amnesty be provided for illegal overstayers. We are not inclined to adopt this last suggestion because of the signal it would send about respect for the law. We were concerned, however, by reports of significant numbers of Pacific people with irregular immigration status. This was causing stress to young people who as a result could not access education or medical, especially hospital, care. It seems important that Pacific communities take responsibility for encouraging illegal residents to take steps to regularise their status. In this situation Members of Parliament's constituency offices would be a good source of advice and help.

### **Recommendation**

We recommend that both the Government and Pacific community leaders encourage Pacific people living illegally in New Zealand to regularise their status.

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## **Recognised seasonal employer scheme**

Submitters expressed strong support for this scheme because of the remittances generated. Under the scheme, introduced in 2006, unskilled and semi-skilled workers from Pacific islands may be recruited for temporary work in New Zealand to address shortages of labour especially in the horticulture and viticulture industries.

The obvious success of the scheme suggests there are grounds for increasing access as labour market conditions in New Zealand improve. The Government might also consider expanding the scheme beyond the horticulture and viticulture industries.

We also agree with a suggestion that it would be useful to explore means of strengthening the linkages between the communities in New Zealand that take such workers and their home communities in the Pacific. This may be an area where aid could be used to support ties between communities.

We were concerned to hear that some seasonal employees were said to have swapped blood samples in order to avoid detection of infectious diseases. We also heard that there were many unplanned pregnancies among such workers. We are adamant that reciprocal responsibility must be imposed on seasonal workers, who should be warned they could be sent home immediately if they transgress the law or the terms of their visas.

## Recommendation

We recommend that the Government increase the number of workers accepted under the Recognised Seasonal Employer Scheme, and extend its scope beyond the horticulture and viticulture industries.

## Remittances

No data is available on the amount of funds remitted to Pacific Island States from Pacific people living in New Zealand. Estimating the level of remittances is difficult, not least because they are often sent in small amounts via informal channels, and may take the form of goods or telephone cards. However, it is clear that remittances from New Zealand make a significant contribution to Pacific island economies. For example, the IMF estimated that in 2005 Pacific island countries received a total of US\$425 million in remittances, representing 22.5 percent of GDP on average across Polynesia, and as much as 40 percent in Tonga.<sup>5</sup> Significantly, in several countries the amount of remittances exceeds aid flows, which average 17.2 percent of GDP in Polynesia.

When submissions were received in 2007, a number of submitters expressed concern about the high transaction costs associated with sending remittances to the islands. At the time, fees were around 15 to 20 percent. Changes in both the public and private sectors, in the form of new regulation and increased competition, have since reduced the cost of remitting funds to Pacific communities.

We are pleased by these measures, but urge the Government to continue to monitor transaction fees and to ensure competitively priced options are available, especially for the remittance of small sums. We are encouraged to learn that the New Zealand Aid Programme jointly funds a website, “[www.send.money.pacific](http://www.send.money.pacific)”, which publishes remittance costs, creating competition between service providers and thus lowering costs.

## Recommendation

We recommend that the Government continue efforts to reduce the costs of transferring funds from New Zealand to the Pacific islands, and to ensure that there is a competitive market for the transfer of remittances.

## Visas

We contemplated the feasibility of introducing multiple-entry or multi-year visas to reduce costs, particularly for seasonal workers under the Recognised Seasonal Employer scheme. We concluded that a number of difficulties made such a proposal unworkable.

## Overstayers

Among issues raised at meetings with Pacific people living in New Zealand was a proposal for an amnesty for illegal immigrants, such as that in 2000.

While we have decided not to call for an amnesty, we recommend that the New Zealand Immigration Service give sympathetic consideration to the provision of residence for law-

<sup>5</sup> Browne and Mineshima, *Remittances in the Pacific Region*, IMF Working Paper WP/07/35, February 2007.

abiding overstayers from Pacific countries who are already well-settled in our country and come forward to regularise their status. We would prefer more positive incentives, and believe that in the short term extending the seasonal employer scheme could reduce the incentive to overstay by providing enough seasonal income to allow workers to maintain a reasonable standard of living in their home States. In the longer term, we consider that unlocking entrepreneurship in the Pacific economies is the best way to encourage job creation, and would allow people to remain in, or return to, their homelands.

We are concerned about reports that a significant number of children of Pacific island descent are not attending schools because of their irregular immigration status. Others attend school or receive medical care under assumed names. We think it is wrong for any child living in New Zealand to be disadvantaged regarding access to education and healthcare.

We raised this issue with the Minister of Immigration, and are strongly of the view that it should be addressed. We urge the leaders of Pacific communities in New Zealand to encourage those living outside the law to regularise the situation for the sake of their children.

### **Portability of superannuation**

New Zealand has a superannuation agreement with some Pacific countries. The arrangement recognises the contribution Pacific people make to New Zealand and the inability of Pacific countries to take on the reciprocal obligations necessary to conclude social security agreements with New Zealand.

To qualify for portable superannuation, a person must be ordinarily resident in New Zealand at the time of application. We were told that some applicants return from the islands specifically to apply for New Zealand Superannuation, with the intention of returning to a Pacific country as soon as the application has been processed; they are not then considered to be ordinarily resident in New Zealand on the date they apply. Proportional superannuation payments are based on the number of years (at least 10 years) a person has been a resident in New Zealand. Initially superannuitants are paid 50 percent of the superannuation payment, and the remaining 50 percent is apportioned over the next 10 years. To be eligible for full portability, a person must have been resident in New Zealand for 20 years after turning 20, residing in New Zealand for more than five years between the ages of 50 and 65.

Given the potential impact of experienced people with some capital on consumption, business development, and job creation in an island economy, we suggest that citizens of the Cook Islands, Niue, and Tokelau, as New Zealand citizens, should be eligible for a New Zealand pension in the same way as New Zealanders living in the Chatham Islands. Such a step would help move money past island bureaucracies to support private-sector activity. It might be no bad thing to make the same arrangement for all Pacific territories.

## 6 Encouraging sustainable economic development

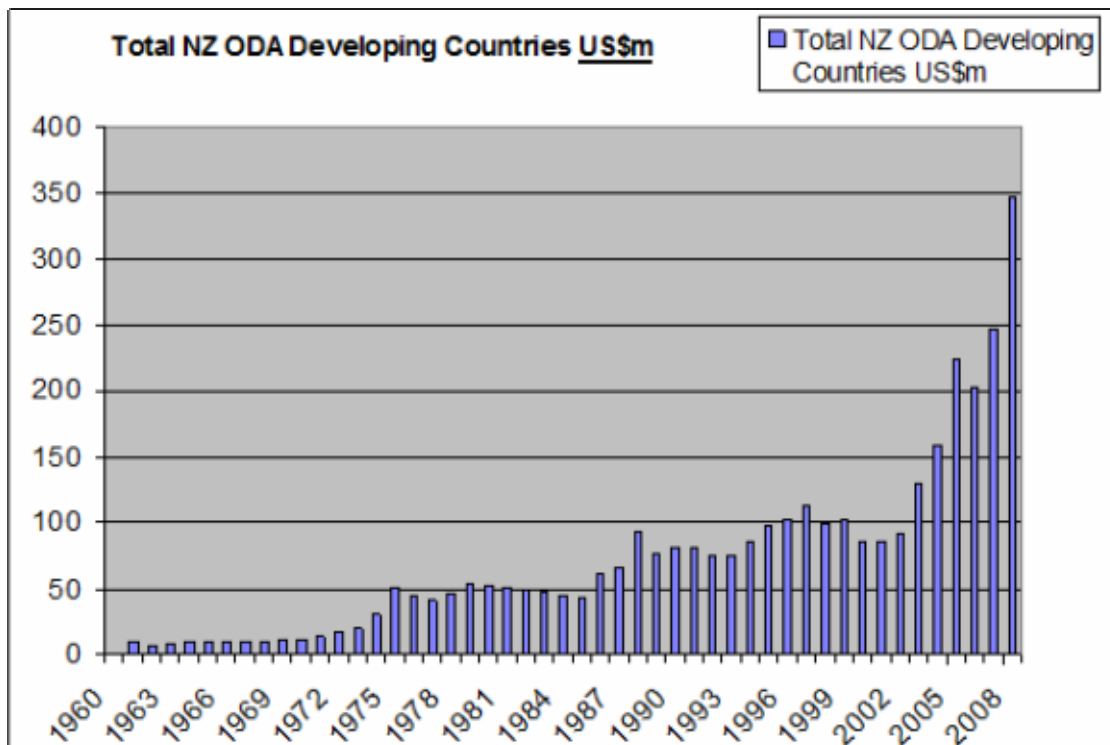
### Key terms of reference:

*Identifying current and potential actions to encourage sustainable economic development in, and two way trade with, Pacific Forum countries.*

*Identifying the strategic objectives for expenditure of New Zealand Aid in Pacific Forum countries.*

Our overarching task is to “investigate the role New Zealand plays and can play in assisting Pacific Island Forum nations (excluding Australia) to develop sustainable economies.” We draw attention to the word “assisting”. It is not for New Zealand to dictate to Pacific nations how they should manage their futures. It is for Pacific Governments, businesses, and communities to take the lead in developing their own resources, and to derive the most benefit they can from them. There is, however, a reality to acknowledge: that Pacific countries inhabit a common ocean, and our prosperity and futures are inextricably interwoven.

**Table 1: Total NZ ODA Developing Countries US\$m**



New Zealand has given considerable assistance to Pacific countries over the past forty years, with mixed results. The adequacy of the results needs to be questioned in relation to the Cook Islands, Niue, and Tokelau. In each case Government bureaucracies have grown

large in proportion to the population, while the local productive sector has remained small, except in parts of the Cook Islands.

There needs to be serious reconsideration of New Zealand's aid to these three countries. In Niue, for example, it is hard to justify spending the vast bulk of New Zealand assistance on what is effectively salaries for an oversized public sector that appears to be little more than a full employment programme by another name. It is also difficult to understand why there need to be 20 members of Parliament to serve a population of 1,200. It is all too clear that the level of spending on these MPs, and on other Government officials, for international travel among other purposes, is excessive in a territory with such a tiny population. No equivalent New Zealand community would behave this way or have such expectations of funding. In addition to this clear waste of New Zealand-provided resources, we would also note the need for such funds to be diverted to support real growth in Niue's wider community, particularly by supporting the private sector.

Our view is that aid to these three countries needs to be redirected, with a particular emphasis on improving service delivery in such areas as education and health, and on improving infrastructure. Thought might also be given to the mechanisms to help Pacific Governments to compete for the best and most competent people, including those from their own communities outside their home islands and atolls, to fill key jobs.

We received a wide variety of views from submitters on the factors New Zealand should take into account in its policies towards the South Pacific. Some questioned whether true sustainability is a realistic objective, given the small size of many island economies, their weak infrastructure, and their distance from international markets. Others took an optimistic view, focusing on practical solutions to known impediments to the economic development of island economies and their trading opportunities. There was a view that New Zealand can do more to promote sustainable wealth creation, particularly in the development of local resources like agriculture, fish, tourist attractions, timber, and mineral deposits.

We believe such assistance to local enterprise should focus on the following aims:

- enabling access to finance at reasonable rates.
- helping gain access to markets
- improving the infrastructural environment, including land and sea transport, schools, hospitals, legal processes and governance.
- helping enterprises to attain ecological best practice.

In this chapter we have focused on sectors where many Pacific island countries have good prospects for economic development—tourism, agriculture, and fisheries—and examined some of the prerequisites for growth in these sectors such as access to skills, finance, and markets. In the following chapter we look at potential obstacles to development, which we believe New Zealand could encourage Pacific island Governments to address.

## **Access to education and skills**

We note that in many parts of the Pacific access to education is still inadequate, particularly for women. The core issue here is the ability of families to pay school fees and other education costs.

In an ideal world education would come at no charge to every Pacific Island child. It can be argued that resources misallocated to poorly performing or unnecessary bureaucracy might have a far greater impact spent on education. New Zealand itself does not have sufficient resources to meet the cost of educating every Pacific child, but it could do two things. First, we suggest the closest possible cooperation between the New Zealand Ministry of Education and the education ministries of the Cook Islands, Niue, and Tokelau—while allowing them appropriate autonomy—to address the problem and cost of educating New Zealand citizens. This would provide channels of communication to lift education and teaching standards in remote parts of the Realm of New Zealand. Secondly, other aid donors could be encouraged to prioritise the education sectors of Pacific States.

We envisage teachers in the Cook Islands, Tokelau, and Niue progressively upgrading their skills and eventually being paid the same rates as teachers elsewhere in the service who have attained the same level of competence. We envisage teachers of the same standard being paid the same whether they are working in Invercargill, Tokelau, Alofi, or Manaia.

It is obvious, however, that Niue or Eketahuna cannot sustain broad-spectrum education curriculum development units. We envisage specialist services being provided centrally for the Realm entities, but with proper acknowledgement of different cultural needs.

To supplement the skill base in Niue, the Cook Islands, and Tokelau and to encourage Pacific graduates to contribute to the development of their island homes, we think consideration should be given to writing off student debt in exchange for new graduates working in their countries of origin, along the lines of the scheme operating in New Zealand to retain medical and veterinary graduates.

Education must be provided in tandem with practical opportunities to use it, or the benefits can be lost, particularly as the populations of Pacific islands become increasingly connected to the possibilities offered by the wider world. New Zealand is well placed to offer training and mentoring to develop the business and entrepreneurial base for job creation. We endorse the valuable role of Volunteer Service Abroad, and would like to see it receive significantly more funding to expand its activities into supporting entrepreneurial activity in Pacific countries.

Several submitters pointed out that many Pacific island countries suffer a serious mismatch between labour needs and the skills available. We believe it vital that their vocational training needs be analysed and that support be targeted to filling the gaps.

More could also be done to draw on the skills and resources of New Zealand businesses, especially those of entrepreneurs of Pacific island origin living in New Zealand, to help to train their counterparts in the Pacific.

## **Impact of regional and international organisations**

We have noted our concern over the effect of generously funded regional and international agencies competing for competent employees in a small talent pool, reducing the talent available for both Government and private-sector development. The Pacific hosts a large number of regional and international agencies which, because of their resources and status, tend to employ the most able and capable local people, offering remuneration, terms, and conditions which simply cannot be matched by Pacific Governments and organisations. This is true throughout the region, with the exception of PNG which has a bigger talent pool.

This competition makes it harder for Pacific countries to develop robust, sustainable economies. We raised this issue during our meeting with Helen Clark, Administrator of the United Nations Development Programme. We understand that employment of local staff by the numerous United Nations agencies and in United Nations-funded regional programmes contributes significantly to this problem. Miss Clark acknowledged that the UNDP tended to be a price leader in local economies, but said it tried to balance attracting good staff with ensuring that the terms it offered reflected local conditions accurately. This is an issue New Zealand could usefully pursue with regional and international agencies.

## **Access to finance**

We repeatedly heard from submitters that access to capital and the high cost of bank finance and insurance were among the main difficulties faced by Pacific entrepreneurs. Opportunities for development are often easy to find, but the comparative risks of Pacific ventures, including uncertain legal processes, can deter investors, or attract prohibitively high interest and insurance rates.

Given the difficulties entrepreneurs can have providing collateral for loans—including not being able to use communally owned land for this purpose—there is scope for New Zealand to assist small and medium-sized Pacific enterprises by facilitating access to finance and underwriting some of the risk. We are aware of a successful New Zealand aid project in Samoa, the Small Business Enterprise Loan Guarantee Scheme, under which funding was made available to three local commercial banks as collateral for loans to small enterprises. As a result of the success of the scheme, the Asian Development Bank provided additional funding to allow substantially increased lending. We would like to see similar funding for small businesses provided in other parts of the Pacific. This could take the form of a revolving sum for the aid programme—say \$50 to \$100 million—which might be made available through trading banks already operating in the Pacific countries to lend to Pacific people assessed by NZAid to have sound business plans, who lack the capital or asset base to commercialise their ideas. We would also like to see aid funds used to underwrite the risks of medium-sized ventures likely to create reasonable numbers of new jobs for Pacific people in their own countries. The focus should be on developing existing resources to the point where they could operate on a commercial basis, which would ultimately promote job creation.

## **Recommendation**

We recommend that a business development fund of up to \$100 million be established to encourage and support innovative and sustainable ventures in the Pacific through the

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existing banking system, and to help underwrite risks and compensate for a lack of local capital, with the objective of encouraging entrepreneurial activity.

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The Pacific's vulnerability to natural disasters can reduce the availability of insurance for businesses, or attract steep premiums. We understand that typically only larger companies, such as major hotels, take out insurance cover. While New Zealand has tended to step in with help after disasters, for example by providing interest subsidies or grants for Samoan businesses to rebuild after the 2009 tsunami and 2010 Cook Island cyclone, we believe prospective investors want more certainty that risks will be covered. New Zealand's current approach of setting aside a budget allocation for emergency relief funding misses an opportunity by failing to provide private enterprise with the reassurance it needs. Further work should be done on risk mitigation approaches, such as micro-insurance schemes or underwriting natural disaster insurance through the aid programme, possibly drawing on New Zealand expertise in earthquake insurance.

### **Recommendation**

We recommend that the Government investigate natural disaster insurance for Pacific islands, to mitigate the risks associated with new business ventures and provide reassurance to investors, while encouraging Pacific countries to ensure that their legislative and judicial regimes offer integrity of process to investors from overseas.

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### **Access to markets**

Some submitters raised questions about New Zealand's advocacy of trade liberalisation, arguing that this does not sit well with the challenges faced by smaller developing countries in the South Pacific. Oxfam, for example, pointed out that while market opportunities are welcome, the major problems faced by Pacific exporters are typically not closed markets but an inability to overcome non-tariff barriers, to meet the high standards required to enter the New Zealand and other markets, and to provide sufficient quantities of quality products at acceptable prices. They also said that cheaper imported goods affect local production, leading to rising unemployment, and that removal of tariffs could lead to a decline in Pacific Governments' revenue.

We acknowledge these concerns and advise our Government to take them into account when pushing for tariff reductions in the Pacific. The New Zealand Aid Programme has a number of programmes intended to help Pacific countries meet New Zealand's stringent sanitary and phyto-sanitary regulations and safety standards, modernise their customs and biosecurity regulations, upgrade transport infrastructure and facilities, and strengthen the capacity of the authorities to promote and regulate trade. Whether proper partnerships have been established and sufficient resources are being devoted to these programmes is uncertain. We would like to see New Zealand address the development of Pacific businesses more actively. There is a strong case for providing more support to the development and facilitation of trade in the Pacific; also for reviewing the major non-tariff barriers, particularly the overly complex and restrictive Rules of Origin that Pacific businesses face when exporting to New Zealand.

We heard from various submitters that New Zealand supermarkets impose barriers in their supply contracts that Pacific producers find difficult to meet. This is a matter of concern.

We would like to see supermarket chains consider how they might provide opportunities for Pacific produce to gain access to shelf space in New Zealand.

## **Tourism**

Tourism offers strong income earnings for many Pacific countries. It has both direct benefits in the form of employment opportunities and indirect benefits in the form of demand for locally produced food, handcrafts, and fashion items.

This is not to suggest that Pacific communities should seek to replicate Hawaii—there are many risks in large-scale development, with benefits often accruing to overseas investors rather than local people. There are also justifiable concerns about the impact of tourism on traditional cultural values and on the environment.

We hope that NZAID and New Zealand Tourism entities do more to help Pacific partners to develop low-impact, small and medium-scale tourism enterprises, based on the Pacific's distinctive landscapes and marine ecosystems, and in some cases owned and operated by village communities themselves. The Pacific is ideally suited to build on the global movement toward ecotourism. New Zealand is well placed to offer support in the development and protection of environmentally sensitive tourism ventures. For example, New Zealand might help the Solomon Islands or Tokelau to secure UNESCO World Heritage status for Morovo Lagoon or the Tokelau atolls. Similarly the expertise of the managers of Maori tourism businesses such as Kaikoura's whale-watching venture could be harnessed to benefit some Pacific States. While New Zealand aid provides some support in this area, we hope that it might be given more emphasis because of its potential to create jobs.

Similarly, there is scope for the Department of Conservation, for example, to take a greater role in helping Pacific islands to develop sustainable tourist ventures. We would also like to see partnerships with New Zealand businesses encouraged, along the lines of the approach being taken to New Zealand's cycleway projects.

Airline pricing and scheduling decisions can make or break tourism development. It was suggested that the Government should use its leverage as the majority shareholder in Air New Zealand to do more for Pacific tourism. We note that the Government provides an incentive payment of up to \$250,000 per annum to support the continuation of air services to Niue, and has paid out \$900,000 since 2005.

## **Fisheries**

For Pacific countries to develop sustainable economies they will need to maximise the development of their resources—fish, timber, minerals, tourism, and agriculture and horticultural production. Developing and retaining earnings from and ownership of their resources will be critical to increasing the wealth of Pacific people.

During a visit to Tuvalu one of our members observed a mother ship in the lagoon operating with two fishing vessels. This was a totally foreign operation. Also in the lagoon was an aid-funded marine training school training Tuvaluans in marine skills to crew foreign ships. Every Tuvaluan knows how to catch fish.

At present, most income earned by Pacific island countries from their marine resources is a fraction of that which can be earned by issuing fishing licenses to foreign operators. Getting more local people engaged in catching, processing, and marketing their own fish stocks would assist the creation of sustainable jobs and incomes, and result in more economic independence for Pacific communities. Engagement in this area could lead to fish farming and aquaculture throughout the Pacific.

The tuna stocks of the western and central Pacific represent over 50 percent of the world's total tuna resource, and generate annual revenue of around US\$4 billion, of which US\$1.6 billion is from fish caught in the exclusive economic zones of Pacific island countries. Most of this income accrues to the foreign fishers licensed to fish there. It is estimated that only US\$380 million worth—less than a quarter of the total value—is caught by Pacific island countries themselves. Income from access agreements is valued at \$78 million to Pacific island Governments.<sup>6</sup>

Although Pacific tuna stocks are relatively healthy compared with those of the rest of the world, both big-eye and yellow-fin are on the verge of being classified as over-fished. The challenge for Forum Fisheries Agency members is to increase the economic return from this resource while managing fish stocks sustainably for future generations.

The Forum Fisheries Agency provides technical and administrative support to members relating to the several regional arrangements and agreements applying to the management of the Pacific's tuna fisheries.<sup>7</sup> We are aware that the FFA has been working increasingly on fisheries development, and has been assessing various small-scale tuna fishing methods. New Zealand plays a prominent role in the FFA, and provides development assistance to it and to individual Pacific island Governments.<sup>8</sup>

Increasingly, a sub-group of tuna-rich Pacific countries have been exercising their collective weight to seek greater economic returns. Known as the Parties to the Nauru Agreement, this group comprises Papua New Guinea, the Solomon Islands, Palau, the Federated States of Micronesia, the Marshall Islands, Tuvalu, Nauru, and Kiribati. New Zealand should assist such cooperative endeavours where Pacific people are taking ownership of and responsibility for catching, processing, and marketing their fish.

We are pleased that support for the fisheries sector already forms a key part of New Zealand's Pacific development agenda, but believe much more can be done through the involvement of New Zealand fishing companies rather than Government officials. There is a need to encourage joint ventures between Pacific entrepreneurs and New Zealand fishing companies to transfer management, processing, and marketing skills to Pacific island-owned ventures. This would also help Pacific island Governments to monitor illegal fishing in their own territories.

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<sup>6</sup> This \$78 million is from "access agreements between PICs and distant water fishing nations".

<sup>7</sup> They include the Western and Central Pacific Fisheries Convention, the United States Tuna Treaty, the Nauru Agreement, and the Forum Fisheries Agency Agreement.

<sup>8</sup> In 2008/09 fisheries-related development assistance was provided through the FFA (\$3.3 million), as well as support for marine and fisheries sectors in the Cook Islands (\$1.4 million) and the Solomon Islands (\$2.25 million). NZAID also made a \$5 million contribution to the South Pacific Community's tuna tagging scheme.

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**Recommendation**

We recommend that the Government encourage much greater use of the fishing expertise of New Zealand companies, to help Pacific communities to harvest, process, and market their rich fisheries resources. This might involve joint ventures, and we would support the use of aid funds to mitigate risks where sound business cases had been established. The emphasis should be on helping Pacific people to secure sustainable employment and income from their resources.

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**Fisheries protection**

Illegal, unreported, and unregulated fishing in the Pacific, although hard to measure, is estimated to be worth up to \$400 million a year. While some illicit fishing is carried out by unlicensed vessels, much more is likely to consist of licensed operators under-reporting their catches, and under-paying license fees, or fishing outside the terms of their licenses.

To help Pacific islands combat this illegal conduct, New Zealand provides 320 hours a year of surveillance flights (10 to 12 flights, or a quarter of our Defence Force's total flight time, in the region covering the Exclusive Economic Zones of all Forum members. We understand that a recent survey by the Forum Fisheries Agency assessed such surveillance to be one of the best-performing elements in regional programmes; New Zealand's Ministry of Fisheries has helped in the prosecution of several vessels in recent years, resulting in compensation of over NZ\$2 million to the Cook Islands Government, and US\$250,000 to the Government of Tonga.

We agree that surveillance flights are a practical form of "good neighbour" security assistance New Zealand provides to the region. Consideration could be given to increasing New Zealand activity in this area.

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**Recommendation**

We recommend that New Zealand's funding for surveillance flights over the region be increased to ensure more effective coverage. (*We note that this repeats a recommendation of the Henderson report, issued 20 years ago.*)

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**Aquaculture and onshore fisheries**

While offshore fisheries offer significant development potential, 80 percent of the fish and shellfish consumed in the world are farmed. The development of aquaculture with New Zealand aid backing could provide sustainable livelihoods in most of the Pacific. Several countries face challenges from pollution or over-fishing inshore; this is an area where New Zealand may be able to help with technical assistance, particularly regarding the managing and treating of effluent. We also note that marine reserve areas around Rarotonga have played a valuable role in enabling fish stocks to multiply; this has provided a significant tourist attraction, and improved onshore fishing outside the protected zones. There is scope for similar protected areas across the Pacific.

**Agriculture**

A number of submitters drew attention to the fact that Pacific produce has all but disappeared from New Zealand grocery and supermarket shelves. There is a case for a

concerted effort to overcome non-tariff barriers which make it difficult for Pacific growers to access New Zealand's markets.

While we received a useful submission from MAF setting out the main biosecurity barriers facing Pacific produce exports to New Zealand, and the steps being taken to facilitate trade while continuing to protect New Zealand's biosecurity interests, we consider there is scope to do much better. We recommend a high-level interdepartmental taskforce on reducing barriers to increasing the quantity and variety of Pacific agricultural produce on New Zealand supermarket shelves.

We are also aware that many islands find it difficult to produce enough fresh produce even for their local markets—a particular problem for hotel operators in growing tourist markets. However, we have also heard that interest in agricultural work is not always strong. This may be in part a legacy of the capture of aid by the Government rather than the productive sector. We have reservations about the extent to which New Zealand should concern itself with agricultural development in the region. Australia has far more expertise in tropical commercial agriculture, and might be better placed than New Zealand to help island countries to expand agricultural production. But we see scope for New Zealand to provide technical assistance in areas such as, for example, small-scale vegetable production, organic farming techniques, and skills such as cash-flow management to help small-scale producers seeking to supply local markets.

Rather than supporting the production of basic agricultural products for export, a more strategic approach might be to help add value to agricultural production, with specific attention to marketing. We heard that problems in the past have stemmed from export agriculture being driven from the production side, rather than led by the market. There is merit in exploring the potential for public–private-sector partnerships to enhance skills and opportunities in this area. We acknowledge, however, that transport is an issue in selling horticultural produce both domestically and overseas.

## **Other sectors**

### **Forestry**

We are concerned about illegal, corrupt, unsustainable logging practices, particularly in Papua New Guinea and the Solomon Islands. Communities are being ripped off, ecosystems are being destroyed with consequences for tourist income as well as the environment, schoolgirls are being induced into prostitution, and Governments that could be expected to act with responsibility are turning a blind eye. New Zealand should speak out against these practices, support the development of sustainable logging, and apply pressure at an international level to reduce illegal and corrupt logging practice, particularly by companies from China, Malaysia, Korea, and Indonesia. Aid funds might be used to encourage local processing of tropical timber to create jobs and to add value by producing dressed timber for export rather than logs. We believe it would be of great benefit if Pacific Governments could be encouraged to put a tax on the export of whole logs to discourage it.

### **Mining**

The examples of Nauru, Christmas Island, and Bougainville inject a cautionary note into any contemplation of extracting value from Pacific countries' mineral resources. The

Solomon Islands and Papua New Guinea have land-based mineral wealth. We are aware that some countries such as the Cook Islands are investigating the possibility of under-sea mining of manganese nodules. Evidence presented to us highlighted the risks of such activity, including scams, suggesting that such possibilities should be approached very cautiously.

### **Transport links**

Transport is one of the most crucial and difficult issues of the Pacific, particularly for smaller remote communities lacking the critical mass to pay for regular, affordable transport, which is critical to addressing isolation. We believe New Zealand needs to strengthen its contribution in this area and increase funding to meet the cost of essential commercial air and shipping links to underpin economic development.

We consider New Zealand has a special responsibility to provide adequate transport services for the Realm entities, especially Tokelau. We share Tokelauans' concern about the safety of some of the vessels currently in service, which are ageing and need replacement. Although we are aware that the Samoan Shipping Corporation's Lady Naomi is currently doing the passenger runs, we believe it may be more viable in the longer term to set up an air link for passengers, especially if tourism is to develop. However, we do not think air transport can entirely replace a frequent shipping service, and any promotion of an air link would need to be accompanied by careful consideration of environmental issues and the possible impact of tourism.

### **Renewable energy**

Submitters explained that the high cost of power can be a major hurdle for tourism ventures, and sought more New Zealand involvement in the development of renewable energy sources, particularly wind, solar, and tidal power. The economic benefits to Pacific nation States are an obvious additional factor. Given the amount of funding required, New Zealand might have to work with larger aid donors to properly fund such projects.

However, we are mindful of the difficulty of maintaining equipment in isolated Pacific islands, and believe that advice and technical assistance could usefully be provided to help ensure that the scale of any such development is appropriate, and that maintenance issues and environmental impacts are addressed.

### **Communications**

Communications are fundamental to New Zealand's relationship with South Pacific nations. Several submitters provided evidence that Television New Zealand and Radio New Zealand International have a critical role in disseminating a wide range of information that these countries might not otherwise have access to. Television and radio also provide a New Zealand "face" and thus contribute to New Zealand's influence and presence throughout the region.

TVNZ operates a Pacific Service under a memorandum of understanding with the Ministry for Culture and Heritage and the Ministry of Foreign Affairs and Trade. It is required to broadcast a minimum of 11 hours of programming to the South Pacific region per week. The majority of programmes are re-broadcast at a time convenient to the local broadcaster; news and current affairs programmes are usually broadcast live or within a restricted

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period. While TVNZ would like to broadcast more programmes to the region, infrastructure constraints mean it is unable to do so.

Radio New Zealand International broadcasts to the region in both analogue and digital short-wave modes. However, RNZI has limited capacity to broadcast its programmes in all the Pacific island languages. Programmes are transmitted to local Pacific radio stations and are either broadcast live or replayed. In the cyclone season individual short-wave listeners can receive timely weather information from RNZI.

The two broadcasters told us that their broadcast infrastructure serving the region is not only inadequate, but in RNZI's case nearing the end of its useful life. Submissions suggested that for a modest investment New Zealand could substantially extend its reach and presence in the Pacific by providing additional resources to Radio New Zealand International and TVNZ. We accept and agree that there are good strategic and long-term reasons for asking the Government to urgently expand New Zealand's national television and radio services to the Pacific by means of an injection of approximately \$16 million from aid funds.

### **Recommendation**

That NZODA funds be used to help Radio New Zealand International and Television New Zealand improve their infrastructure and programming to provide continuous television and radio transmissions to all Pacific countries.

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### **Broadband**

The availability of high-speed broadband throughout Pacific countries is a critical precondition to expanding the range of employment opportunities for highly qualified Pacific islanders who might wish to work at home, and is increasingly important for distance learning. Because of the potential impact of broadband on sustainable development and wealth creation, we consider that more aid funding should be used to develop broadband infrastructure, first in the Realm entities and then in other Pacific island States.

## 7 Potential obstacles to development

### Land tenure

The complications presented by traditional systems of land tenure and ownership were a recurrent theme in submissions and our discussions with witnesses. We frequently heard that these factors made it difficult to develop land for business ventures and often resulted in land and buildings lying idle. Difficulties in obtaining either effective leases or title for land can encourage investors to adopt short-term strategies of exploiting resources unsustainably.

This is a long-standing issue that will need to be tackled by Pacific Governments if their potential for development is to be realised.

We agree with a submission by the Pacific Cooperation Foundation that New Zealand may be able to draw on the experience of Maori communities to help Pacific islands communities to make more effective commercial use of their land while retaining traditional ownership structures. Land ownership and tenure arrangements vary widely around the Pacific. Each community needs to find its own solution, but it is clear that efforts are required to overcome the difficulties of sustainable economic activity on communally owned land.

### Governance

Stable and affordable governance is an essential precondition for economic growth. Without transparent and effective legal systems and clear rules for the operation of businesses, people will not have the confidence to start their own ventures, nor be able to attract the investment they need to grow.

In 2000, the Pacific Island Forum in Kiribati agreed on the Biketawa Declaration. This document stated that good governance is open, transparent, accountable, participatory, consultative, fair, and equitable. It endorsed democratic principles including the peaceful transfer of power, the rule of law, and the independence of the judiciary. Furthermore, it included indigenous rights, cultural rights, and civil society in its list of mainly uncontroversial aims.

We are concerned that observable reality often differs markedly from these admirable goals. Central to New Zealand's engagement in Pacific countries should be a dialogue on issues of governance, and its relation to matters of concern to Pacific communities. This does not mean that New Zealand should seek to impose its own approach. While each country should chart its own path, appropriate to local needs and traditions, it should be acknowledged that aid donors' funds should be directed to Governments that are sensibly sized and focussed on issues relevant to the Pacific communities they are elected to represent.

### **Size of governments**

In the context of the Realm entities, self-government entails the right to choose such structures as their Pacific communities see fit.

We are concerned that the governance arrangements in a number of the Pacific islands have created structures and practices that are unwieldy and unaffordable for the community they represent, and this is often compounded by a dwindling population. Niue, for example, has 20 members of Parliament for 600 voters. We were pleased to learn that the Cook Islands Government has recently embarked on a process of reviewing its political structures, and publicly discussing what changes might be desirable. We would like to see the Government encourage all Pacific states to develop Government structures which their communities can sustain.

### **Public sectors**

The size of public sectors is a further concern. A large public sector can crowd out entrepreneurial activity and reduce the potential for private-sector job creation. We note that in Tokelau, for example, the public service provides 90 percent of paid employment.

Those responsible for New Zealand policy on aid must bear part of the responsibility for burgeoning Pacific bureaucracies. We do not accept that lowering standards of accountability for New Zealand taxpayer funds is acceptable. We believe that Pacific island Governments must recognise the need for discipline, common sense, and sustainable governance focused on issues of concern to their communities.

The number of regional and international organisations has grown vastly over the past 20 years, yet the foreign ministries in many Pacific countries have relatively few staff. We do not believe it is logical for each Pacific government to seek to maintain a connection with all the international organisations, or to be represented at every overseas conference that is held.

In our view, Pacific island leaders could gain by sharing such monitoring and representation tasks around the region, allowing more resources to be focused on challenges at home. The Realm entities in particular could work far more cooperatively on international issues to allow their administrations to focus on service delivery.

## 8 Development assistance

### Key terms of reference:

*Identifying the strategic objectives for expenditure of New Zealand Aid in Pacific Forum countries.*

*Identifying the appropriate level and type of aid.*

### Summary

We consider it appropriate for New Zealand's Official Development Assistance (ODA) Programme to retain the Pacific as its primary focus. We suggest that New Zealand's assistance devoted to the Pacific be significantly increased, in recognition of the importance of New Zealand's role in this part of the world. We are also aware that some donors such as Canada have decided to focus aid on just 20 countries and within those countries on only four sectors. There are strong arguments for limiting the sphere of ODA and focusing it on sectors where a real difference can be made. As discussed in detail in Chapter 4, however, we question whether aid is the appropriate channel for assistance to the Realm entities of Tokelau, Niue, and the Cook Islands. We propose a fundamental re-think of New Zealand's approach to these three countries, on the basis that New Zealand should provide consistent standards of service to all its citizens, including those living in isolated parts of the Realm.

It is clear from submissions that over the past 40 years many Pacific people with New Zealand citizenship have felt let down by the present system. The changes we recommend might entail new structures for the delivery of New Zealand's assistance to the Pacific, with the wider Pacific assisted through ODA channels, while funding and delivery of some services to Realm entities became incorporated into core New Zealand Government activity. We believe some core services to New Zealanders living in Realm entities should be provided in collaboration with their communities through core New Zealand Government agencies.

### Current structure of official development assistance

At present the Pacific accounts for 70 per cent of New Zealand's bilateral aid, and over 50 per cent of the country's total aid. Although the higher per capita recipients of New Zealand aid are the Cook Islands, Niue, and Tokelau, New Zealand's largest engagements are with Papua New Guinea, the Solomon Islands, and Vanuatu, on the basis that this is where the majority of Pacific people live, and where they are most at risk of not meeting the Millennium Development Goals agreed by United Nations members. New Zealand also recognises our close ties with Polynesia, maintaining significant bilateral development relationships with Fiji (subject to sanctions), Kiribati, Samoa, Tonga, and Tuvalu, and acknowledging statutory obligations to the Cook Islands, Niue, and Tokelau, whose people are New Zealand citizens. Budgetary and technical assistance is provided to Niue and Tokelau, and New Zealand is the largest donor in the Cook Islands.

Part of the aid programme is aimed at fostering regionalism. New Zealand is the second largest contributor to Pacific regional agencies such as the University of the South Pacific and the Pacific Islands Forum Secretariat. New Zealand also supports various regional initiatives consistent with the Pacific Plan to strengthen regional cooperation and integration.

The breakdown of New Zealand's aid is shown in the table in Appendix A.

In 2008/09 47.5 percent of the aid programme was channelled through a partner or New Zealand Government agency, with a further 22 percent channelled through regional or multilateral agencies. Another 11.5 percent was channelled through civil society organisations, including NGOs and voluntary groups, while 10 percent was channelled through private-sector entities, consultancies, or other providers of technical assistance. Close to 10 per cent was channelled through scholarship, training, or education providers.

### **Concerns about current approaches**

We are concerned about the effectiveness of New Zealand's current approach to assisting the Pacific. In the course of our inquiry, we heard repeatedly from worried Pacific islanders that too often the good intentions of donors, New Zealand and others, resulted in aid dependency. Moreover, there is a perception that aid is too often funding bloated public sectors and crowding out nascent entrepreneurial activity. We heard, for example, that the high salaries paid by donor and regional organisations often attract the best talent, leaving Pacific Governments unable to compete for competent staff. As noted in respect of the situation in Honiara in 2000, this can have a destabilising effect.

The obvious depopulation of the Realm entities, whose people have open access to New Zealand, is further evidence that New Zealand's approach to aid is not working as well as we would like. Per head of population, Niue, Tokelau and the Cook Islands receive the highest per capita funding—\$20,000—yet not only has this support failed to result in appreciable growth, but the steady depletion of their populations seriously threatens their viability.

We believe that New Zealand's assistance should be focused in five key areas: education, health, law and order, economic development, and infrastructure, all of which contribute to eradicating poverty. To minimise aid dependency and to enable the creation of jobs to empower individuals and communities to secure sustainable livelihoods, there must be a shift in emphasis to promoting employment opportunities and economic activity.

### **Proposed focus**

We were struck by a submitter's comment that in the islands what determines whether a project succeeds or fails is often not the amount of money put into it, but the local commitment to and capacity for seeing it through. New Zealand can never be the donor with the deepest pockets, but by helping Pacific Governments, entrepreneurs, and communities to develop their skills and capabilities, and to think strategically about their futures, New Zealand should be able to help bring about sustainable change. This is what friends and neighbours should do.

We agree with submitters who argued that the focus of assistance should be on the development of Pacific countries' private sectors, on promoting wealth creation and developing an economic base. This would also mean developing human capacity, and a focus on removing obstacles to growth.

We propose that New Zealand's assistance be reallocated and reprioritised as follows:

- Deal separately with support to Niue, Tokelau, and the Cook Islands, with much of the funding provided directly through integrated departments providing basic services such as education and health.

The objective should be to ensure that all New Zealand citizens receive a comparable standard of service delivery irrespective of where they live in the Realm.

- Focus on providing more and varied education and skills training. This would entail both more access to New Zealand centres of learning—schools, universities, and technical training establishments—funded under the aid programme, and also more technical assistance and practical skills development through exchanges of people, at Government, private-sector, and non-governmental levels.

The maintenance and strengthening of Pacific island centres of learning is crucial. In this regard, perhaps agreement as to what disciplines (and at what level) are best nurtured in which institution would be useful.

- Increase support for the development of private-sector enterprises, removing impediments to their finding capital and engaging in trade. At present, about 17 percent of New Zealand's total aid allocation to the Pacific is specifically intended to support private-sector development. We consider that this proportion should be increased, progressively and very substantially.

### **Aid delivery**

New Zealand's ODA history has involved significant expenditure of public money, with an inadequate outcome. New Zealand needs to review its actions, learn from its mistakes, and put the lessons into practice.

It needs to be understood that neither New Zealand nor Pacific Governments should take all the blame for the patchy success of ODA activity. Actions have been taken with goodwill on all sides; but the reality of disappointing outcomes must be addressed. We need to learn what has and has not worked, and prioritise aid assistance that will lead to people being able to find sustainable jobs.

More long-term strategic thinking about and analysis of Pacific problems is needed in Wellington, along with closer monitoring of the outcomes from expenditures. New Zealand needs to engage staff experienced in Pacific issues and with a range of specialist skills—entrepreneurial, ecological, economic, and developmental. We consider that the rotation policies of the Ministry of Foreign Affairs and Trade and the employment of aid issue specialists should be changed, in order to build a specialist base of South Pacific knowledge and pertinent entrepreneurial and other specialist experience. This could involve combining the expertise of staff with a long-term commitment to Pacific affairs with a through-flow of young, fresh minds from varied backgrounds.

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- New Zealand could learn from Canada's experience and focus its efforts on a small number of ODA recipients in fewer assistance areas. The objective should be to make a real difference rather than spreading aid too thinly.
  - New Zealand should do more to coordinate Government activity in respect of the Pacific. We suggest more involvement of non-governmental agency resources to bring New Zealand's full talents and capabilities to bear on Pacific problems. This might entail giving a larger role to the Ministry of Pacific Island Affairs.
  - Officials serving in the Pacific should have a solid grounding in Pacific customs and languages; this might require longer-term and repeat postings.
  - There should be more exchanges of professionals and public servants, particularly with Realm entities. We believe an expectation of service in the islands should be part of the promotion structure for teachers and nurses, for example, and in departments such as Treasury, Agriculture, Fisheries and Forestry, and the Ministries of Education and Health, Environment, and Conservation.

## 9 Country-specific strategies

### Cook Islands

The Cook Islands is among the best-performing Pacific economies, with comparatively high GDP per capita and a reasonably well-developed private sector. Its economic base is, however, relatively narrow, being based largely on tourism—which is estimated to account for around 50 percent of GDP—and marine resources. This makes it vulnerable to external shocks. Threats to the Cook Islands' economic growth include environmental damage, infrastructure constraints, capacity weaknesses, and an emerging labour shortage.

The key development challenges facing the Cook Islands include low levels of basic social services in the outer islands, a declining population, and a narrow economic base. While the Cook Islands does not have as much poverty as some other Pacific island countries, there are nevertheless pronounced disparities of income and opportunity between Rarotonga and the outer Cook Islands.

As discussed in Chapter 4, we propose a fundamental re-think of New Zealand's assistance strategy, in order to ensure that, as regards basic services such as education and health, the same standard of service is received by citizens living in the Cook Islands (and Tokelau and Niue) as by citizens living in similar-sized population centres in New Zealand.

Because the Cook Islands' prospects in tourism are reasonable and relatively well-developed, we see New Zealand's role as predominantly facilitative, to redress deficiencies in service delivery in key areas and to reorient ODA to productive sectors including fishing and tourism; to address issues such as access to capital; and to build the capacity of local businesses to encourage the development of sustainable jobs.

Specifically, we would like to see the following possibilities explored:

- Marine reserves and aquaculture could be expanded, and small-scale ecotourism ventures developed, especially in outer islands, where there is potential for the Conservation Department to contribute to developing ecotourism infrastructure.
- The Cook Islands' Treasury hires three or four graduates from New Zealand universities each year. We consider that Cook Island graduates could be encouraged home to work in exchange for a reduction in student loans.
- A Customs New Zealand official is currently on secondment to the Cook Islands for a year. However, a longer-term arrangement would be more desirable, as would closer harmonising of customs operations within the Realm.
- The Cook Islands is seeking financial assistance for a one-million-dollar upgrade of its harbour, to allow bigger ships to enter.
- The Cook Islands could benefit from help monitoring and policing its valuable fishing grounds.

- About US\$10 million to US\$15 million each year is required to provide effective surveillance of the Cook Islands' waters. The Cook Islands' Government would like the surveillance to cover 25 percent of the Cook Islands' waters.
- Aerial patrols are more cost-effective than nautical patrols. We are aware that, as part of the Realm, the Cook Islands is a priority for the aerial surveillance provided by the New Zealand Defence Force. Furthermore, we believe New Zealand will benefit from helping the Cook Islands to augment its aerial monitoring squadron.
- New Zealand might consider establishing mechanisms for loans to enable Cook islanders to hire fishing vessels to promote local employment.
- New Zealand might consider helping with managing waste, which is affecting lagoons and tourism.

## Niue

We are deeply concerned that ODA expenditure on Niue over 40 years has yielded almost no return. Further, we consider that having 20 members of Parliament for a country of just 600 voters is an abuse of trust and responsibility. We have serious concerns about Niue's economic and constitutional viability as its population continues to decline. With a population in Niue itself of about 1,200 and a global population of 50,000, the vast majority of Niueans now live overseas. As New Zealand citizens, Niueans have open entry to New Zealand, and many are also in Australia.

The Niuean economy is very fragile. Most of New Zealand's budget support has been consumed in the form of salaries for public servants. Niue faces many constraints, including a shortage of skilled professionals and managers and entrepreneurial expertise, poor soil, and difficult access as there is no readily usable port. It has also been severely affected by natural disasters. Niue is caught in a vicious cycle, with its economic difficulties both exacerbated by, and reflected in, the long-term decline of its population. A fundamental problem is that the Niue Government has allowed the public service to capture too great a share of aid money at the expense of the private sector.

### **Suggested strategic focus**

We believe that Niue has reached the point where it should be accepted that it can never be a sustainable economic entity. Niue's future direction will require close engagement with the Niuean community resident in New Zealand, and between Governments. We think it needs to be said that there is no realistic possibility of Niue becoming a self-sustaining economy by developing the private sector and it would be wrong to promote the idea. The best that can be hoped for is that New Zealand assistance will help the Niue private sector to grow to as large as possible. Attracting a retirement village operator might be a good place to start.

Future New Zealand aid should be directed to the development of Niue's private sector. That is the only way to provide real jobs and wealth-creation opportunities on Niue. We note that the Government of Niue has prioritised tourism as a growth sector and is discussing with New Zealand how it might assist. We were interested in the assessment outlined in a recent report on Niue's tourism options, and would like to see it used as a guide in New Zealand's discussions with the Niuean Government on development

options.<sup>9</sup> However Niue's lack of beaches and other natural attractions to tourism would suggest it would be difficult for it to compete with Fiji, Samoa, Tonga, the Cook Islands, and Tahiti. Whatever direction Niue takes it needs to be driven by entrepreneurs, not public servants.

If adopted, our proposal for harmonisation of services with New Zealand could help stem the outflow of Niueans for education and health reasons. We would encourage the people of Niue to look closely at its very large political structure, which is well in excess of the needs of 1,200 people. While New Zealand can be expected to be a reliable and supportive partner, it must also be able to assure its own taxpayers that their aid funds are being well spent. The present arrangement gives no comfort that this is happening.

We are more inclined to favour options involving the promotion of Niue as an attractive location for retirees. The climate is excellent, existing buildings could be brought into service, and health facilities are satisfactory. Retirees would bring steady cash flow and contribute to stable employment options. Most important, they could contribute to the viability of businesses providing goods and services to residents and visitors. Any development proposals, however, might require assistance from New Zealand, as well as difficult decisions on the part of Niuean people. For example, a retirement village development would require attention to land tenure arrangements and immigration options.

Our specific suggestions include the following:

- Partnership between Niuean people and New Zealand fishing and aquaculture companies could be encouraged.
- Policies should be pursued to encourage nonessential aid-employed Niuean officials to move to Niue's private sector, to reduce the unsustainable size of the bureaucracy.
- To facilitate the growth of the private sector, the New Zealand Government might continue to underwrite an air link between Niue and New Zealand. This would help the tourism and possibly the retirement industry to grow.
- Along with accommodation, banking, restaurants, and telecommunications infrastructure are needed to attract short-term vacationers and residents from New Zealand and Australia. Aid funds could be used to help local entrepreneurs to develop infrastructure.
- To attract donors, the Niue Development Bank is working with an Auckland accounting firm to clean up its accounts. This is a step in the right direction toward ensuring accountability and full transparency, but we consider that New Zealand should encourage the Niue Development Bank to wind up its affairs in favour of a professional commercial alternative.

## **Tokelau**

We are concerned about Tokelau's economic options if its population continues to decline at the rate recorded since the most recent referendum on Tokelau's political future. We

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<sup>9</sup> Report to Foreign Affairs Minister, Hon Murray McCully, by Trevor Hall, dated September 2009.

share the doubts expressed by submitters that a community of 1,466 people can realistically be a fully self-governing entity.

In recent years Tokelau has, at the instigation of the Ministry of Foreign Affairs and Trade and utilising significant aid funds, held two self-determination referenda regarding the country's readiness for self-government. The more recent referendum was held in October 2007, and was monitored by the United Nations Special Committee on Decolonisation. The referendum did not produce the two-thirds majority of valid votes set by Tokelau's General Fono as the threshold for the atolls to become self-governing in free association with New Zealand.<sup>10</sup> We note the decision of the General Fono in February 2008 to defer indefinitely any further consideration of self-determination, and the agreement of New Zealand and Tokelau to increase efforts to improve essential services and infrastructure on the atolls. However, we see the current state of New Zealand's relationship with its territory Tokelau as needing further attention. After the two self-determination referenda where on both occasions Tokelau's tiny electorate did not pass the threshold (set by Tokelau itself) for a change of status, we call for both parties in this relationship—New Zealand and Tokelau—to address the longer-term relationship with a view to bringing it into a relevant, 21st century context. We note with some concern that in the view of Tokelau's Government the draft Treaty of Free Association (which was to apply if Tokelau shifted to self-government status as a result of these referenda) is still considered to be on the table. Our view is that New Zealand should place the draft treaty in abeyance while the issue is resolved. None of this should be seen as diminishing in any way New Zealand's commitment to Tokelau but rather an affirmation of the importance New Zealand attaches to the most realistic approach by New Zealand to its responsibilities in this area.

We also agree with submitters that economic development is a key priority for Tokelau. We consider that the creation of a private sector as far as that is practicable would contribute to such development. One submitter wrote:

As things stand at present, the islands are supported wholly by aid money and renter payments (for stamps, coins etc and international fishing rights to the territorial waters). Almost everyone has a government job of some sort, and this means that the group is in effect simply a branch office of the Pacific Division of MFAT.

Some submitters referred to the difficulties faced by Niue in the years since it became self-governing, and were concerned that Tokelau could become similarly aid-dependent.

We wish to see New Zealand continue to provide a sensible, committed understanding of Tokelau's problems, and strongly urge future Parliaments to resist pressure to implement self-government reform. We further believe that New Zealand must give the people of Tokelau as much space as they need to consider their future relationship with New Zealand, in consultation with the Tokelauan community resident in New Zealand. Whatever course is chosen, it will take time, intelligence, and significant effort.

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<sup>10</sup> Special Committee on Decolonisation, [www.un.org](http://www.un.org), accessed 5 August 2008.

### **Suggested strategic focus**

We propose a fundamental re-think of New Zealand's current assistance strategy, aimed at bringing the standards of basic services such as education, health, policing, and justice received by citizens living in Tokelau to the level received by citizens living in New Zealand.

Specific suggestions include the following:

- New Zealand might help Tokelau officials plan for the eventual rise in sea level by providing technical assistance.
- New Zealand provided the ship MV Tokelau, the island's lifeline to its nearest neighbour, Samoa. This has been greatly appreciated, and now Tokelau has requested help with the procurement of a replacement for the ageing vessel. We are mindful that the global financial crisis inflicted heavy and unexpected pressures on the New Zealand taxpayer, so it may not be immediately possible to satisfy this request. However, the MV Tokelau will eventually need to be replaced with a more efficient and safer vessel. New Zealand should explore options for helping Tokelau in this respect as a matter of high priority. We also recommend a technical report on building a landing strip for aircraft.
- More work needs to be done on filling the gaps between customary law, Crown law, and traditional decree. Other Pacific Islands face the same issue. New Zealand can specifically assist Tokelau by drawing on its own rich bicultural heritage and unique legal experience.
- It would be worth exploring with the people of Tokelau and UNESCO prospects for securing World Heritage status for the atolls to help protect Tokelau's unique environment. For this to be possible Tokelau would need to seriously tackle problems of waste management.

### **Samoa**

Samoa gained its independence from New Zealand in 1962, and has been a success story as the first independent Pacific island nation, politically and economically. Samoa has enjoyed a long period of prosperity and peace, which can be partly attributed to its large population, the New Zealand-based part of which has grown significantly, and contributed a great deal by way of remittances over the years. Its success has been founded on a well-thought-out transition period, recognising both the importance of the Matai system (the traditional authority of the nation's chiefs and orators) and the need for a modern Government for a sovereign independent State. Samoa's leaders must be credited with this success, along with guidance by the United Nations and New Zealand Government.

New Zealand has a Treaty of Friendship with Samoa—the only one of its kind ever concluded by either party—which forms the basis of a close partnership between our countries. In recent years an annual dialogue has been established between the Prime Ministers, Ministers, and bureaucrats of the two countries to give substance to the spirit of that treaty. Although Samoa sits in 70th place on the human development index, only 20 percent of its population is below the poverty line. Because of its special relationship with New Zealand, much more needs to be done to help the people of Samoa develop sustainable commercial activity and the country's private sector.

At present, New Zealand aid programs provide about \$700,000 annually to support private-sector development in Samoa, mainly through the Private Sector Support Facility, and Samoa's Small Business Enterprise Centre (SBEC). The former is a partnership initiative with the Government of Samoa and the United Nations Development Programme, providing a contestable fund of about \$500,000 annually for small and medium-sized businesses. The SBEC provides advisory services and training to small business, and administers the Small Business Enterprise Loan Guarantee Scheme, through which funding provided by New Zealand and the Asian Development Bank serves as collateral to guarantee loans to small business clients.

The Small Business Enterprise Loan Guarantee Scheme, initiated in 1995, is designed to facilitate access to finance for small businesses. New Zealand initially provided about SAT\$460,000, which was deposited by SBEC with commercial banks in Samoa to act as collateral for loans to small and medium-sized enterprises. The scheme guarantees up to 80 percent of the principal of small loans by the participating banks to SBEC clients. Because of the success of the scheme, the Asian Development Bank provided an additional SAT\$10 million in deposits to underpin additional lending.

#### **Postgraduate scholarships in education**

Samoa leaders have emphasized the high value placed on postgraduate education scholarships in areas such as medicine, law, engineering, and business. This applies to most Pacific Island countries. More funded scholarships would be welcomed, but recipients should be bonded to return to serve in their countries of origin.

#### **Private medical school**

This school has been in existence for several years but has had mainly overseas graduates so far. It is potentially good for educational choice in Samoa and the Pacific. This will make Samoa less reliant on the University of the South Pacific and Fiji, provided the institution continues adhering to the highest international standards. The school may develop links with New Zealand. Bonding agreements would be needed to ensure that graduates from Pacific island countries took their qualifications and expertise home for at least a specified period.

#### **Science innovation**

The Research Organisation of Samoa includes an experimental coconut biodiesel production plant. Studies of organic foods and the development of brands are also being undertaken.

If it were requested, significant leverage could be gained with New Zealand universities or Crown Research Institutes. New Zealand advice might be useful specifically in patenting and commercialisation.

#### **Suggested strategic focus**

The strength of New Zealand's connections with Samoa, and our unique Treaty of Friendship, warrant a higher priority for Samoa in New Zealand's aid programme, second only to the three "Realm" countries.

These are the specific areas we would like to see explored:

- Existing schemes to facilitate access to finance by small enterprises should be continued, and extended to medium-sized businesses.
- Biosecurity barriers to Samoan exports into New Zealand need to be addressed.
- Ways for Samoa's agriculture sector to add value to produce should be explored, including the possibilities for organic produce and processing of existing products.
- The Regional Seasonal Employer Scheme should be extended.
- We understand that some children of Samoan descent who live in New Zealand do not have access to education because of their immigration status. Efforts should be made with the Samoan community in New Zealand to regularise their families' status or return them to Samoa.
- An exchange programme for nurses between New Zealand and Samoa should be established, with appropriate funding.
- At least \$25 million should be made available through trading banks to facilitate entrepreneurial activity on commercial terms to encourage ventures to provide sustainable jobs.

## Tonga

We commend recent moves by King George Tupou V to voluntarily surrender his extensive powers to meet the democratic aspirations of many of his people. His Majesty was reported as saying that

the monarchy must be an instrument of change and he will now take guidance from the Prime Minister in all matters of governance save judicial powers ... the appointment of judges, king's counsel, clemency and commuting prison sentences must be free of political interference ... he will cede some Privy Council functions to cabinet ahead of elections under a new system in 2010.<sup>11</sup>

We congratulate His Majesty and the Tongan Government for the impressive election held on 25 November 2010 monitored by a cross party group from the New Zealand parliament. The election was genuine, free and fair. We reaffirm the recommendation from the Inquiry into New Zealand's relationship with the Kingdom of Tonga that the New Zealand government continue to work alongside the Tongan Government in a supportive role to support equal civil and political rights of all Tongans irrespective of gender.

Tonga has a strong entrepreneurial community. It has drawn to our attention the difficulty in accessing the New Zealand market for many goods produced in Tonga (this applies in particular to biosecurity facilities). We hope that the Ministry of Foreign Affairs and Trade will lead a whole-of-Government approach to helping the Tongan private sector develop its industry, processes, and infrastructure to meet the requirements of the New Zealand market as a matter of priority.

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<sup>11</sup> <http://www.rnzi.com/pages/news.php?op=read&id=41145>, date accessed 20 August 2008.

**Suggested strategic focus**

We note that a scheme has recently been established to increase investment in export-related ventures, in a joint initiative between New Zealand aid programmes, the Government of Tonga, and the private sector. Under this Business Opportunity Support Scheme (BOSS), grants will be made available for feasibility studies in export-related, import-substituting, and tourism ventures. We also note that a multi-year tourism support programme is being developed, with input from New Zealand's Ministry of Tourism and private sector.

We endorse these approaches, and would like to see more focus on support for business development in Tonga, particularly in the tourism sector.

Our specific suggestions are as follows:

- New Zealand biosecurity requirements are a major obstacle for Tongan exporters. Tonga might benefit from New Zealand help with technical skills training and new infrastructure to help process produce and ensure that these and other exports comply with New Zealand's tight biosecurity and phyto-sanitary regulations.
- Because of an unhealthy diet and lack of exercise, many Tongans are afflicted with diabetes and its complications. New Zealand might examine the feasibility of helping develop a diabetes treatment centre in Tonga, so that people would no longer have to travel to New Zealand to receive dialysis treatment. Tonga does not have the resources or expertise to maintain a dialysis machine; New Zealand might need to provide training and technical support.
- New Zealand might also dedicate more efforts to diabetes education and awareness campaigns in Tonga. Prevention is more cost-effective than treatment.
- New Zealand could provide \$20 million of its aid through trading banks to help development on commercial terms, encouraging bankable commercial projects to create sustainable jobs.
- Half of the members of the Tongan Cabinet were educated in New Zealand. Today, fewer Tongan students study in New Zealand as (apart from those on scholarships) they have to pay international tuition fees. We feel that this trend if it continues will threaten the strategic alliance between Tonga and New Zealand. To ensure that our relations remain strong and to attract well educated young Tongans back to their islands, we suggest that more scholarships be given to students on the condition that they return to Tonga to work for a specified number of years.
- To attract young entrepreneurs, New Zealand could help establish a small-business incubator in Nuku'alofa.
- New Zealand might help ensure that Tonga has reliable airline services to the New Zealand and Australian markets to help expand its tourism sector.

- New Zealand could do more to help kick-start struggling or nascent industries in Tonga, as a strategy to tackle its high unemployment. For example, the New Zealand fishing industry could work with Tongan entrepreneurs, possibly with aid finance extended through trading banks on commercial terms, to harvest, process, and market locally-caught fish or to develop aquaculture projects, reversing the decline of the Tongan fishing industry.
- Tonga receives long hours of uninterrupted sunlight. More might be done to encourage investment in solar electricity generation. New Zealand firms might be encouraged to use Tonga to showcase their technologies.
- New Zealand might encourage the establishment of call-centres in Tonga to service the North American, UK, and Oceania markets. Many young Tongans have spent much time overseas and should quickly learn the necessary skills.
- New Zealand may need to provide support for Tonga in its progress toward political reform.

## Vanuatu

In the last five years Vanuatu's economy has shown encouraging signs of sustained growth, after more than a decade of stagnation. This has been mainly derived from tourism, real estate sales, and construction, assisted by Vanuatu's relative political stability and successful institutional reforms. However, the population of approximately 220,000 is growing at the rate of 2.7 percent annually, making it difficult for the agriculture sector and rural economic growth to keep pace. Nearly 80 percent of the population lives in rural areas, mainly supported by subsistence agriculture.

Vanuatu has participated in the Recognised Seasonal Employer scheme since its inception in 2006. New Zealand employers have shown considerable interest in recruiting temporary labour from Vanuatu, with some 1,700 workers travelling to New Zealand in the first season, and 2,525 in the 2008/09 year. Indications are that remittances from the scheme are already the third- or fourth-biggest contributor to Vanuatu's foreign exchange earnings.

### Suggested strategic focus

We suggest the following areas of strategic focus in our aid efforts regarding Vanuatu:

- maintaining New Zealand aid programme's current focus on education, by providing tertiary scholarships and increasing access to and the quality of basic education in Vanuatu
- continuing support for improving law and order to provide stability
- assistance for development of the productive sector, especially to create livelihood opportunities for outer island communities
- enhancement of shipping links.

## Kiribati

This very remote group of coral atolls, spanning over 3,000 square kilometres of the Pacific, is extremely vulnerable to rising sea levels, with most of the land only one metre above sea level. Half of the 100,000 people who live in Kiribati reside on part of Tarawa

atoll, where rapid urban population growth is placing pressure on the fragile environment and limited resource base.

### **Economic prospects**

Kiribati is classified by the United Nations as a least developed country. Its economic prospects are severely constrained by its dispersed and isolated geography and narrow resource base. There is little potential for agricultural development, and limited fresh water supplies. Low-lying atolls are threatened by any substantial rise in sea levels. There is a modest manufacturing sector, and agriculture is predominantly subsistence. The major commercial activity is the harvesting of coconuts for domestic consumption and for the export of copra and coconut oil. The main source of formal employment is the public sector.

Exploitation of Kiribati's extensive marine resources, primarily skipjack and yellow-fin tuna, is a major source of income for Kiribati through the licensing of foreign fishing vessels. Kiribati, like other Forum Fisheries Agency members, also receives revenue from a multilateral treaty with the United States and the European Union. It has bilateral fisheries arrangements with Japan, Taiwan, the Republic of Korea, and Spain. Fishing is also an important subsistence activity, and an estimated 80 percent of households make a living or subsist through fishing.

The Royal New Zealand Air Force assists Kiribati with maritime surveillance flights to help police its huge exclusive economic zone against illegal, unregulated, and unreported fishing. At 3.55 million square kilometres, it is the second-largest such zone in the world.

The end of phosphate mining on Banaba Island in 1979 had a serious impact on the Kiribati economy. Using phosphate reserves, the British Government established a trust fund in 1956, the Revenue Equalisation Reserve Fund, which now has a value of about A\$580 million, to finance the annual fiscal deficit.

Rapid urban population growth, overcrowding, and unsustainable development are taking their toll, particularly in South Tarawa where half the population lives. There are serious problems with potable water, sewage and waste disposal, coastal erosion, over-fishing, and health issues. Forty percent of the population is under the age of 15 and the population is expected to double in the next 20 years, exacerbating these problems.

New Zealand's bilateral assistance to Kiribati in 2009/10 is NZ\$7 million. Kiribati faces challenges including limited land-based resources, lack of opportunity, and urban population pressures on Tarawa. New Zealand aid programmes are focused on four areas: a sustainable towns programme, improving education, improving the performance of the public sector, and human resources development.

The relationship between New Zealand and Kiribati has been assisted by the Recognised Seasonal Employer scheme, and by the annual allocation of 75 residential permits under the Pacific Access Category. There is an I-Kiribati community of over 2,000 people in New Zealand.

**Suggested strategic focus**

We believe that Kiribati has been relatively overlooked in New Zealand's aid strategies, and warrants a greater priority, and a higher proportion of New Zealand's aid.

While we would like to see more aid expenditure, we also think New Zealand could usefully help to coordinate other aid partners. As the fourth- or fifth-largest donor to Kiribati, contributing between 5 and 10 percent of its annual budget, New Zealand plays a significant but by no means large role in Kiribati's economy. Other donors such as Taiwan have been providing substantial help towards developing agriculture and hydroponics, while Japan is providing increasing assistance for climate-change strategies.

With its vast exclusive economic zone and many trained seafarers, Kiribati has huge potential in fisheries, but little experience in getting a catch to the global market. New Zealand could focus on technical assistance in developing business and marketing skills, and on seeking and underwriting partnership opportunities with private New Zealand shipping companies. With its population pressures, much could also be done to assist Kiribati in health, education, and family planning. We also urge that opportunities be explored for developing small-scale renewable energy sources, possibly in partnership with other donors.

We have been told that New Zealand advisers have produced very positive results for Kiribati in the past, for example in air services. Technical assistance is an area where New Zealand can build on its strengths, for a relatively small investment.

**Special case study—South Tarawa Kiribati**

Kiribati is classified by the United Nations as a least developed country. There is little potential for agricultural development and limited fresh water, but there are opportunities for far better use of its extensive marine resources.

In South Tarawa, where half of the population live (about 50,000), rapid urban population growth, with resultant overcrowding and unsustainable development, is taking its toll. The risks associated with climate change are considered to have profound implications.

Population density is 2,558 persons per square kilometre. There are serious problems with potable water, sewerage and waste disposal, coastal erosion, over-fishing and health issues. With 40 percent of the people aged under 15, the population is expected to double in the next 20 years, exacerbating these problems.

There is a high fertility rate, a significant rate of sexually transmitted disease including AIDS/HIV, and significant family violence. While there may be limited opportunity for some of the population to move to other islands in the Kiribati group, it appears there is an urgent need for first-class reproductive health services including effective family planning. (We understand that the Roman Catholic Church will allow women to have a tubal ligation only for "health reasons" and it requires written permission.

Under the circumstances, possible approaches of assistance might include the following:

- Ensuring there are enough trained health professionals (doctors, nurses, midwives, nurse aids, counsellors) to work with local leaders, particularly women's leaders to help with reproductive health education and services at a grass roots level.

- These services should be set up at user-friendly places throughout Tarawa, in a way that is acceptable to local people.
- Every effort should be made to work with women's and men's groups, NGOs, and churches to find acceptable local ways of achieving good reproductive health and family planning.
- Every effort should be made to work with the Government to persuade the leadership, from the President down, to accept the reality of reproductive health statistics and achieve a realistic local plan to improve reproductive health.
- Accurate up-to-date statistics should be kept and monitored carefully.
- Ensuring sufficient supplies of contraceptive pills and devices for people prepared to use them.
- Ensuring an efficient and safe service for sterilisation for those who wish it, and for safe termination of pregnancy where it is indicated under the law.
- Considering an incentive scheme linked to micro-development programmes (such as those used in Thailand), to encourage people to take up family planning.
- Following international best practice through such organisations as International Family Planning and the World Health Organisation to develop a long term strategy with assured funding for at least two decades.
- Drawing upon the experience of countries such as the Netherlands, which has a large Roman Catholic population but nevertheless developed a very effective national reproductive health and family planning policy through extensive, thoughtful community and interfaith dialogue.

There is a strong case for New Zealand to direct a significant portion of its aid to Kiribati and Tuvalu, for a number of specific purposes:

- cleaning up the environment
- enabling Kiribati and Tuvalu to catch their own fish; New Zealand should help with the management and marketing
- encouraging Tuvaluans to be less dependent on foreign aid and remittances by incentivising economic development programmes.

We consider it necessary to accept that to be effective, aid for these purposes must be medium to long term.

### **Sexual and reproductive health**

Throughout the region sexual and reproductive health issues such as HIV/AIDS, sexually transmitted infections, and maternal mortality affect families and communities, along with high infant mortality rates in some countries. The World Health Organisation and well-funded United Nations programmes are active in these areas. The magnitude of the problem is such that it makes sense for New Zealand to contribute assistance in this area through regional programmes.

The September 2009 report of the New Zealand Parliamentarians' Group on Population and Development noted that efforts to reduce the maternal mortality rate have made the least progress of all the Millennium Development Goals in developing countries. In its recommendations, the NZPPD strongly encouraged NZAID to ring-fence 15 percent of Official Development Assistance specifically for sexual and reproductive health, with a proportion dedicated for family planning and care during and after pregnancy and childbirth.

## **Tuvalu**

Tuvalu is a United Nations' designated Least Developed Country, in recognition of its small size, almost total lack of exploitable resources, very limited potential for economic development, and vulnerability to external economic and environmental shocks. It is further constrained by a small population of approximately 12,177 (2008 estimate).

Most Tuvaluans are involved in traditional subsistence agriculture and fisheries, which are highly susceptible to adverse weather and rising sea levels. Around two thirds of the formal workforce is employed by the Government, leaving little room for private-sector activity. Development of the economy is heavily reliant on overseas aid, traditionally from Australia, the United Kingdom and New Zealand, and now, increasingly from Japan, the European Union, and Taiwan.

The Tuvalu Trust Fund plays an important part in the economy. The fund was created out of donations from the Governments of New Zealand, Australia, the United Kingdom and Tuvalu in 1987, and is regarded as a success though it has been adversely affected by the global economic crisis. With an initial capital of about NZ\$30 million at independence, it now totals approximately A\$100 million. Tuvalu is today the largest contributor. The capital is invested globally and distributions are paid back into the Government's consolidated account, providing about 11 percent of the annual Government budget. This provides an important cushion for Tuvalu's highly variable income from other sources.

As well as capitalising on the right to the highly marketable internet domain name ".tv", Tuvalu earns foreign exchange from fishing licence fees; it has licence agreements with Taiwan and Japan and is also party to a multilateral fishing agreement with the United States. Tuvalu has also sold shares in an international telecommunications venture which leases Tuvalu lines and markets them internationally.

### **Suggested strategic focus**

We understand that New Zealand entered into a partnership agreement with the Government of Tuvalu in 2008 for a five-year Ship to Shore Transport project, designed to improve the safety and efficacy of shipping services for passengers and goods in the eight outer islands. We agree that effective shipping links are of vital importance to Tuvalu, and suggest that New Zealand's assistance should also focus on support for education, and private-sector development as far as possible.

## **Solomon Islands**

New Zealand's relationship with the Solomon Islands has developed over many years of close association, including the Guadalcanal-Solomon Islands campaign during World War II and early missionary activity. The political goodwill that has built up over that time has

been enhanced in recent years by New Zealand's strong support and involvement in the Regional Assistance Mission to Solomon Islands (RAMSI).

Initially established in 2003 to restore law and order after the "tensions" of the preceding five years, RAMSI's focus has evolved in response to the Solomon Islands' needs. It includes capacity-building efforts in various sectors to help Solomon Islanders to rebuild their society and economy. RAMSI is founded on assistance in three key areas:

- Law and Justice (police, courts, prisons).
- Economic Governance (Government finance and economic reforms).
- Machinery of Government (public service, accountability institutions, electoral commission, Parliament).

RAMSI comprises a police component of 286 officers (with representatives from all Forum countries), a military component (with personnel from Australia, New Zealand, Tonga and Papua New Guinea), and a large civilian component of about 150, with advisers placed in key agencies such as the Ministry of Finance and the justice system.

Although Australia is by far the greatest contributor to RAMSI, all Pacific Forum countries contribute personnel and other support. New Zealand is the second-largest contributor, providing NZ\$18.511m (including NZ\$7.118 of New Zealand Aid Programme funding) in 2008/09, covering 88 New Zealand personnel. The Solomon Islands is New Zealand's largest bilateral development assistance programme, currently costing \$38 million, including funding for RAMSI of around \$13 million annually. The funding priorities have been education and skills development, improving livelihoods, and promoting broad-based economic growth.

The Central Bank of the Solomon Islands recognises a number of significant challenges to the Solomon Islands economy. They include the islands' narrow production base, rapid population growth, unsustainable debt burden, dependency on donors, weak governance, and political instability.

### **Suggested strategic focus**

We support New Zealand's continued assistance in the RAMSI joint effort. However, while we accept that the mission is not intended to do everything that is needed, we are concerned that the issue central to the Solomon Islands' civil instability—the system of land tenure—is not being addressed. Issues of land will need to be tackled if the investment of RAMSI is to achieve its objective. In addition to continuing support for RAMSI, we believe New Zealand should support investment in productive enterprises by providing funding through the banking system to assist private-sector enterprises with sound business plans.

### **Papua New Guinea**

Papua New Guinea's extensive mineral deposits (gas, oil, gold and copper) and other natural resources (forests and fisheries) provide a firm foundation for prosperity. Their potential has been bolstered in recent years by sound development strategies and responsible fiscal management. Nevertheless, Papua New Guinea continues to face huge development challenges. About 85 percent of its population relies on subsistence

agriculture and fishing. Its communities include some of the world's most isolated, who receive little trickle-down benefit from commodity exports. Papua New Guinea remains one of the world's least developed countries.

The rapid spread of HIV/AIDS has potentially serious consequences for Papua New Guinea (and the region). The World Health Organisation estimates that 2 percent (over 100,000 people) of Papua New Guinea's population is HIV-positive, with 150 more people infected each month.

New Zealand's bilateral aid programme in Papua New Guinea is its second-largest after its contribution to the Solomon Islands. In 2008/09 the assistance totalled NZ\$23.5 million. The programme focuses on health, primary education, law and order, governance, civil society, and rural development. Under New Zealand's strategy for 2008 to 2018, agreed with the Government of Papua New Guinea in July 2008, New Zealand's assistance is directed towards two outcomes:

- better social services in education and health
- better livelihood opportunities for rural people.

The programme makes provision for assistance to Bougainville, including economic and social development projects, capacity building for the administration, and support for the law and justice sector through a community policing project and local NGOs.

### **Suggested strategic focus**

Papua New Guinea's size and the scale of its challenges mean that New Zealand's development assistance is limited in its impact. We believe that relative to other donors New Zealand can expect to be only a niche player; the challenge is to find a niche where it can make a real difference.

Given New Zealand's record of involvement in Bougainville, we believe New Zealand should continue to assist there. A possible niche at national level could be maternal health services. As in other areas of the Pacific, we believe New Zealand should offer support for investment in private-sector job creation, by providing funding to help enterprises with sound business plans.

### **Fiji**

We are deeply concerned about the welfare of the people of Fiji, who must bear the burden of suppression of human rights and poor economic performance resulting from successive coups. New Zealand has strong family and personal links with Fiji, and long-standing cultural ties, and we wish to see relations between our countries normalised as quickly as possible. We would like to see Fiji return to its former place as a leader among the family of Pacific nations.

We endorse the political consensus in New Zealand towards Fiji's administration, based on the refusal of visas to supporters of Commodore Bainimarama's regime and their close families in the absence of any concrete progress toward democracy. We note that development assistance continues to be provided, through non-governmental channels. While we support the absence of restrictions on tourism, trade, or investment, we note that

the private-sector investment needed for the country's long-term development is unlikely to occur in the current environment. We also note that those who leave Fiji represent a skill loss the country can ill afford.

It is in the interests of the region that Fiji should not collapse. We believe New Zealand must continue to seek a sound long-term basis for our relations with Fiji, based on an early restoration of democratic government, in unity with our Pacific Islands Forum, UN, and Commonwealth partners. We must, as a concerned neighbour, remain ready to help more when conditions allow.

We note that many admirable aspirations are set out in the People's Charter adopted by the Bainimarama regime. However, the behaviour of the regime differs significantly from its rhetoric, with violations of the key principles of good governance, including transparency, due process, and electoral and judicial accountability. Disturbing trends include arbitrary decrees, the arrests of Methodist Church leaders, suppression of media freedom and the freedom of assembly, and abuses of basic rights of citizens. We remain uncertain whether there is a fair and independent judiciary.

We accept that New Zealand's Westminster form of democracy is not the only possible or workable variant. What is critical, in our view, is that whatever model of democracy is adopted should uphold certain fundamental rights and freedoms of citizens through its institutions, including an impartial judiciary and free media.

Because of our deep-rooted concerns, we have decided not to offer suggestions for a specific New Zealand strategy regarding Fiji's sustainable development at this stage, other than to express a wish to see every effort made for a return to constitutional government in Fiji as soon as possible.

### **Republic of the Marshall Islands**

The Marshall Islands, which have a population of about 59,000, achieved independence in 1986 under a Compact of Free Association with the United States, which funds about 70 percent of its Gross Domestic Product through grants and a trust fund. Tuna fishing licenses are the country's other main source of revenue.

New Zealand's relationship with the Marshall Islands is based mainly on membership of the Pacific Islands Forum. Areas of common interest are fisheries, regional trade, climate change, and security issues such as terrorism, money laundering, and people smuggling. New Zealand is represented through its High Commissioner in Kiribati. Assistance to the Marshall Islands is covered under New Zealand's regional programmes in education, health, environment, good governance, and emergency preparedness and disaster management.

The Marshall Islands' Government is looking for ways to develop the productive sectors of its economy, particularly its fisheries, and to reduce the very high level of Government involvement in the economy. There are opportunities for the expansion of tourism, especially diving and sport fishing.

**Suggested strategic focus**

We continue to support aid through regional programmes, the Pacific Island Forum and the joint fisheries surveillance activity.

**Federated States of Micronesia**

Like the Marshall Islands, the Federated States of Micronesia gained independence in 1986 under a Compact of Free Association with the United States, with which it retains close links. The latest compact, signed in 2003, provides for funding of US\$1.8 billion over the next 20 years, some of which will be used to build up a trust fund to replace direct financial assistance from 2024.

Micronesia's economic development is constrained by its remote and dispersed geography and fragile environment. However, it has rich fisheries, and its fish exports, mainly to Japan, account for 80 percent of its export earnings. Micronesia also earns an estimated US\$20 million annually from the licensing of foreign fishing vessels from the United States, Japan, Taiwan, and Korea. Pohnpei is the headquarters for the Western and Central Pacific Fisheries Commission.

The country's long-term strategy is to develop the domestic fishing industry. Japan has made substantial investments in the development of its port infrastructure. There is also potential to develop the tourism industry, focused on some of the world's best World War II wreck diving. Visitors currently number about 15,000 a year, mainly from Japan and Taiwan. Further development would require better air links and hotel infrastructure.

New Zealand's relationship with Micronesia is limited, and centres on our shared membership of regional and international organisations. New Zealand provides assistance through New Zealand's regional programmes in education, health, the environment, good governance, and emergency preparedness and disaster management.

**Suggested strategic focus**

We continue to support aid through regional programmes, the Pacific Island Forum and joint fisheries surveillance activity.

**Nauru**

Nauru has made significant progress towards economic recovery since 2004, when Forum leaders agreed a programme of economic and governance assistance (Pacific Regional Assistance to Nauru, known as the PRAN initiative) in the face of Nauru's failing finances and out-of-control debt. In August 2009 it was agreed that the PRAN was no longer required, as Nauru had emerged from crisis phase. However, Nauru continues to face serious economic and environmental challenges. Nauru's total outstanding debt, estimated at A\$869 million (or 20 times Nauru's Gross Domestic Product) is beyond its ability to repay. Nauru is seeking remission of as much of the debt as possible.

Nauru's environment has been devastated by decades of phosphate mining. There is minimal local agriculture, and the water supply is unreliable. The rehabilitation of mined land remains an important long-term challenge for Nauru.

Although most of Nauru's primary phosphate reserves were exhausted before independence, mining its remaining phosphate reserves (they are mainly secondary, and more difficult to extract) promises a modest source of income and employment. The remaining reserves are projected to last for about 20 years. Another important source of income for Nauru is fishing licences issued to China, Taiwan, Japan, and Korea. Nauru and other tuna-rich Pacific Island States are seeking to extract more value from their fisheries resources and ensure that fish stocks are managed sustainably by restricting supply.

Nauru maintains close relations with a number of Pacific Islands Forum countries, as well as with Japan. Australia remains Nauru's largest bilateral development partner. At present, New Zealand provides about \$2.3 million annually in aid to Nauru, focusing on education and justice. This represents a continuation on a bilateral basis of the development assistance New Zealand had been providing through PRAN. New Zealand's bilateral relationship with Nauru is mainly based on common membership of the Pacific Islands Forum and shared interests in regional issues such as fisheries, development coordination, regional trade, climate change, and renewable energy.

#### **Suggested strategic focus**

We continue to support aid through regional programmes, the Pacific Island Forum and joint fisheries surveillance activity.

### **Palau**

Although it is not in the South Pacific, we include Palau in this report as our terms of reference cover Pacific Islands Forum members. Situated east of the Philippines and north-east of Indonesia, Palau comprises more than 300 islands, of which nine are inhabited. Since 1994 Palau has been an independent republic in free association with the United States, which provides direct financial assistance equivalent to 20 percent of its GDP.

The people of Palau enjoy comparatively high living standards, with a per capita income twice that of the Philippines and most of Micronesia. The country's main revenue earner is tourism, with the majority of visitors coming from Japan and Taiwan, and significant numbers from Korea and the United States. Palau has a rich fishery resource which is critical to domestic food supply. Locally based tuna shipping companies export sashimi-grade tuna, mainly to Japan; and the licensing of vessels from United States, Japan, Taiwan and China is a significant source of foreign exchange.

New Zealand's links with Palau are based on membership of the Pacific Islands Forum and common interests including regional security, sustainable fisheries management, climate change, and regional trade.

New Zealand Official Development Assistance to Palau is covered under New Zealand's regional programmes in education, health, the environment, good governance, and emergency preparedness and disaster management.

#### **Suggested strategic focus**

We continue to support aid through regional programmes, the Pacific Island Forum and the joint fisheries surveillance activity.

## 10 Summary of principles

In general, we believe that New Zealand should adopt the following principles in its dealings with Pacific island countries:

- Expanding the range of governmental channels of contact with island Governments at levels including at the parliamentary.
- Encouraging good governance in the interests of nation-building and stability.
- Supporting economic growth and wealth creation by facilitating entrepreneurial activity and minimising disincentives at our borders.
- Supporting Pacific countries in managing their resources sustainably while extracting their full benefit.
- Promoting at central Government and community levels the protection of human rights through law and policy.
- Respecting custom and traditional forms of governance while encouraging changes conducive to stability and a sound economy.
- Improving its understanding of Polynesia, Melanesia, and Micronesia, by means including requiring the Ministry of Foreign Affairs and Trade and other agencies at the interface with Pacific people to develop staff who are fluent in the languages of the Pacific.

We must not lose sight of several central considerations:

- Small, vulnerable communities can lose the ability to sustain comprehensive governance institutions and elementary services.
- Harvesting of fish, timber, and other resources may be exceeding sustainable yields.
- Labour mobility and remittances are going to remain a key part of future policy.
- Climate change needs a clear policy approach and planning.

# 11 Recommendations

## Recommendations

We recommend that the House expand New Zealand's relations with Pacific parliamentarians, establishing an annual programme for Pacific parliamentarians to discuss issues of democracy, governance, and collective interest.

We recommend that the Government, recognising the partnership between New Zealand and Pacific island countries and their involvement in each other's economic and social fabric, take the following steps and adopt the following measures:

### General assistance strategy

- Adopt a strategic approach to its assistance in the region, in order to enable Pacific islands to develop and maximise the benefit of their own resources for sustainable economic growth.
- Acknowledge that, among the Pacific island states, priority should be given to assisting the territories with which New Zealand has special constitutional relationships, whose people are citizens of New Zealand.
- In its assistance to the region, give priority to education, in order to build Pacific islanders' own capabilities, and to the development of the island countries' private sectors, in order to promote wealth creation and develop a more durable economic base.
- Favour projects that strengthen people-to-people relationships with New Zealand.
- Utilise better the knowledge and expertise of Pacific people residing in New Zealand, particularly in the provision of services to Pacific people and in the aid programme.
- Work to achieve coherence between New Zealand's aid, security, and trade policy agendas.

### Countries within the Realm of New Zealand: Tokelau, Niue, and the Cook Islands

- Work to improve the standard of health, education, policing, and justice services to communities encompassed by the Realm of New Zealand, with a view to improving such services to citizens living in the Pacific to the standard of those enjoyed by comparably-sized communities in New Zealand, while allowing for variations appropriate to local cultures, and facilitating exchanges of personnel.
- Facilitate exchanges in personnel.
- Discuss with the Governments of Tokelau, Niue and the Cook Islands the scope for progressively raising public-sector pay rates to a level comparable with those in New Zealand.

It seems clear that the experiment of the past 40 years has not worked to the benefit of the communities in Cook Islands, Niue and Tokelau and the size of their Governments, and their associated public services, is quite unsustainable. A new direction, drawing on the experiences of the past should be a matter of the highest priority.

### **Access to finance and risk mitigation**

- Establish a fund of \$50 million, to be made available through the banking system for loans to encourage and support the development of innovative and sustainable business in the Pacific islands.
- Consider underwriting insurance against natural disasters such as cyclones to reduce business risk and encourage investment.

### **Access to markets for exports of Pacific products**

- Examine supply and access issues to facilitate the availability of products from the Pacific to New Zealand consumers while ensuring that New Zealand's biosecurity needs are met. Specifically:
  - determine, and provide assistance to overcome, the biosecurity barriers to exports of Pacific agricultural produce to New Zealand, if necessary through a high-level interdepartmental taskforce
  - provide assistance in marketing Pacific products in New Zealand, for example in developing marketing plans, branding, and working with large-volume and niche retailers
  - provide transitional subsidies where necessary to give the New Zealand market for such products a chance to grow.

### **Access to education and skills**

- Support education services and distance learning services to Pacific countries.
- Reduce the cost of tertiary education for Pacific students in New Zealand.
- Consider providing for student loans to teacher trainees to be written off in exchange for a period of service in Pacific island countries.
- Encourage New Zealand's Pacific community to use its business and other expertise to assist business and skills development in the Pacific.
- Continue to support Volunteer Service Abroad's role in skills training.
- Consider a foundation for young leadership training programmes across the region.

### **Transport and communications infrastructure**

- Work with Pacific Governments, the Pacific Islands' Forum, and transport service operators in New Zealand, Australia, and the Pacific to ensure secure air and sea transport services to Pacific countries, and provide subsidies for air and sea transport services where necessary, particularly for Tokelau.
- Improve and extend Radio New Zealand International and Television New Zealand services to the Pacific.

- Examine with Pacific island Governments the scope for upgrading broadband services to Pacific countries.

### **Tourism**

- Help develop eco-tourism using techniques and management experience from New Zealand’s public and private sectors.

### **Agriculture**

- A high-level interdepartmental taskforce on reducing barriers to increasing the quantity and variety of Pacific agricultural produce on New Zealand supermarket shelves.
- We see scope for New Zealand to provide technical assistance in areas such as, for example, small-scale vegetable production, organic farming techniques, and skills such as cash-flow management to help small-scale producers seeking to supply local markets.

### **Fisheries and aquaculture**

- Increase funding for maritime aerial surveillance to combat illegal fishing in Pacific islands’ exclusive economic zones.
- Explore possibilities for private-sector joint ventures between the Pacific and New Zealand for the harvesting and processing of marine resources.

### **Forestry**

- Help to stop illegal and unsustainable logging by providing support for sustainable alternatives and by applying pressure at the New Zealand and international levels to reduce the market for unsustainable timber and timber products.

### **Advancing relationships between the Pacific and New Zealand**

- Provide funding for an annual programme for Pacific parliamentarians to visit the New Zealand Parliament to discuss issues of democracy, governance, and collective interest.
- Extend the scope of the Recognised Seasonal Employer Scheme.
- Improve the portability of New Zealand Superannuation payments to Pacific people retiring in the islands.
- Continue efforts to reduce the costs to Pacific people receiving remittances from relatives in New Zealand.

### **Coordination of development assistance**

- Work with other aid donors—including other Governments, non-governmental organisations, and multilateral organisations—and with Pacific Governments to:
  - define a place for New Zealand aid to occupy and “own”
  - improve the planning, funding, and delivery of aid to Pacific countries to ensure its maximum effectiveness.

**Assisting to reduce the impact of climate change for Pacific countries**

- Continue to collaborate at a regional level, in partnership with Pacific Governments and international organisations, to
  - help Pacific countries to develop plans to mitigate, and adapt to, the effects of climate change
  - assist in planning for the potential relocation of Pacific island communities from low-lying countries affected by rising sea levels.

**Regional security**

- Maintain defence cooperation and advice.
- Assist the development of economic opportunities through military surveillance.
- Make peacekeeping troops available when requested by Pacific Governments.

## 12 Party views

### The New Zealand Labour Party view

The New Zealand Labour Party takes a different view from that expressed in the report on the best direction for New Zealand development assistance in the Pacific. We would reorientate overseas development assistance to focus primarily on the elimination of poverty and the achievement of the Millennium Development Goals, through a range of mechanisms. We do not believe economic development should be the primary focus of New Zealand's aid or even its primary delivery mechanism. In our view, economic development is one means only to the achievement of the elimination of poverty, albeit an important one.

We would prefer the report focused more on how economic development can achieve poverty elimination outcomes rather than simply increasing Gross Domestic Product or benefiting those who are already comparatively or relatively well off. Our approach would be to place more emphasis on how aid can contribute to improving critical health risk indicators such as maternal health, infant mortality, HIV/AIDS, as well as the empowerment of women, the protection of the environment including climate change adaptation, good governance, and the prevention and resolution of conflict.

While we acknowledge there are many lessons to be learned from several decades of development aid, we do not think it is valid to infer from the region's social, economic and environmental challenges that aid has failed. Development aid is only one component of most Pacific nations' budgets, and there are many other variables. A useful discussion of what has worked or not worked would be informed by data and analysis and specific cases.

We believe it is important that development policy does not take a "one size fits all" approach. Each bilateral programme should be based on a country strategy informed by an analysis of local circumstances, the plans of that country's Government, New Zealand's own expertise and capability, and coordination with other donors. We believe the report makes too many sweeping recommendations in this area that, if implemented, would undermine the thoughtful country-by-country approach that is needed.

The report, in our view, overstates the case that aid has been captured by bloated Government bureaucracies, and that Governments are the problem. We accept too much aid to the public sector can crowd out productive private sector activity but we believe governments throughout the Pacific must be part of the solution. Good development aid must build the capacity of governments to deliver services and make markets work for their citizens. It can also assist the ability of civil society to hold government accountable.

### The Green Party view

The Green Party broadly supports the specific recommendations in the report.

However, we wish to clarify that while the Greens agreed with having a report which put a lot of emphasis on promoting business growth in the Pacific, the Green Party never saw

this as meaning such promotion would then become “the focus” of New Zealand’s aid to the Pacific. Aid for development has many strands and aiding the business sector is only one of them. For example, building capacity in communities and in the non-government sector is also an important focus. We support retaining an overarching “poverty reduction” focus for New Zealand’s aid policy—and we see such “poverty reduction” including the fostering of sustainable businesses. While we agree with increasing aid to the Pacific, we propose that this be done by substantially increasing New Zealand’s total aid budget from its current low level of around 0.32 percent of GNI, not by increasing the proportion of our present aid budget going to the Pacific. We do not wish to reduce the much-needed assistance currently going from New Zealand to other regions of the world. We also do not support increasing the percentage of the Pacific aid budget dedicated to supporting sustainable business development. Such assistance should only be increased as a result of increasing the total New Zealand aid budget.

In promoting sustainable business in the Pacific, the Greens put considerable emphasis on the environmental sustainability, and not just economic sustainability. We also do not favour one form of business ownership over another. We are concerned that some might interpret this report as favouring the private ownership of productive enterprises over State ownership. We believe that privately-owned firms, cooperatives, and state-owned firms all have their place. We do, however, encourage local ownership over foreign ownership.

We also recognise that small isolated island economies will continue to rely on a significant amount of aid from larger developed countries like New Zealand, and necessarily have a proportionately larger public sector than our country. We do not believe the generalised criticism in the report of “bloated” bureaucracies and “aid capture”—with Niue being a particular target—is constructive. In every Government (including New Zealand’s) there is good Government expenditure and bad Government expenditure. For example, the Greens are not against Niue having a governing body of 20 members; our question—if New Zealand is funding such a body—is whether the money is being well spent and payments to the members of Parliament are not excessive for the particular tasks they perform. We support a mutually respectful dialogue between New Zealand and Pacific states over appropriate aid levels, where the money is going, and what are the best accountability mechanisms. We do not wish New Zealand to be seen as a “big brother” pushing its weight around.

### **The Māori Party view**

The Māori Party supports the general thrust of the report for an increase in aid to the South Pacific, although we do not accept that such an increase should be at the expense of our assistance to other areas of the world.

We believe that the primary aim of New Zealand aid should be to help eliminate poverty and enhance wellbeing through the development of a country’s capacity to manage its own affairs well.

We believe that capacity should include local governance and community development, as well as a mix of community, state and private enterprise. It should also include the improvement of basic health standards, managing the effects of climate change, and helping to resolve and prevent conflict.

Our primary focus in supporting an increase in aid to the South Pacific is that we should be resourcing communities to develop their own solutions, as a more effective, efficient and enduring response. We want to see more focus on community development and less on governmental bureaucracy.

We are also interested in reviewing any interventions which contribute to a poor state of health and disability across the South Pacific. We believe the health status of populations within island states needs addressing and we would hope that our support places emphasis on the capacity of countries to initiate their own locally-developed responses to achieve improved outcomes.

We do not believe New Zealand aid should be based around the development of foreign-owned ventures, and we do not accept the premise that the “focus” of New Zealand aid should be the promotion of western-style private enterprise.

We recognise that small island nations will continue to rely on New Zealand aid for some time, but we reject the criticism of “bloated” bureaucracies and “aid capture” made against some nations.

We believe that instead of judging them on how well they have managed structures and systems introduced by New Zealand and Australian colonial Governments, we might do better to help them re-establish more traditional forms of governance that have served them so well for centuries.

The measure of the success of New Zealand aid should be the effectiveness of its capacity to deliver meaningful change for Pacific nations. The Māori Party believes that we should be focusing our efforts on working with those nations to develop measures of local accountability and success, rather than foist a system of private enterprise upon them that may not fit either the culture or the people.

## **Appendix A**

### **Committee procedure**

In March 2006 the Foreign Affairs, Defence and Trade Committee of the 48th Parliament resolved to conduct an inquiry into New Zealand's relationships with South Pacific countries. It invited written submissions and heard oral submissions on the inquiry. The committee also received supplementary submissions from many individuals and organisations. The committee met between March 2006 and September 2008 to consider the inquiry and presented an interim report to the House on 30 September 2008.

We reinstated the inquiry in the 49th Parliament. We reviewed the submissions and travelled to the Pacific islands of Tonga, Samoa, Niue, and the Cook Islands to meet with leaders from those countries and Tokelau. We held meetings in Auckland, Christchurch, and Wellington to hear further submissions from Pacific communities resident in New Zealand, and heard additional evidence from expert witnesses. A list of the individuals and groups the committee met with is included in Appendix B.

The committee received advice from the Ministry of Foreign Affairs and Trade.

### **Committee members**

John Hayes (Chairperson)  
Hon Chris Carter (to 21 July 2010)  
Jacqui Dean  
Hon Pete Hodgson  
Hone Harawira (non-voting member)  
Dr Paul Hutchison  
Keith Locke  
Todd McClay  
Hon Maryan Street  
Phil Twyford (from 21 July 2010)

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## Appendix B

### List of submitters

Afamasaga Tealu Moresi  
Alcohol Advisory Council of New Zealand  
‘Akilisi Pohiva  
Aleki Sila  
Aliitasi Stewart  
Amanaki Misa  
Amane Tongilava  
Anare Bogitini  
Aotearoa Lawyers for Peace  
Arthur J Anae  
Asiata Dr Saleimoa Vaai  
Associate Professor Peter J Sheppard  
Baron Fielakepa  
Ben Taufua  
Billy G Talagi  
Brother International (New Zealand)  
Canterbury Fiji Community  
Caritas Aotearoa New Zealand  
Chris Mene  
Christian World Service  
Commonwealth Study Conference Trust New Zealand  
Cook island community  
Connect Global Limited  
Deaf Association of New Zealand  
Department of Labour  
Derek Leonard Round  
Dr Colin Tukuitonga  
Dr John Henderson and Dr Anne-Marie Brady  
Dr Leao Talalelei, Associate Minister of Health, Samoan Parliament  
Dr Malcolm McNamara  
Dr Teresia Teaiwa  
Dr Yvonne Underhill-Sem and Dr Mark Busse  
Emeritus Professor Antony Hooper  
Enosa Auva’a  
Electoral Commission  
Esther G Pavihi  
Fiji Community Association of Auckland  
Galuvao Viliamu, Associate Minister of Works, Samoan Parliament  
Gareth Henderson  
Gerald Hunt  
Gilbert Ullrich  
Golden Age Pacific

Heka Taefin  
Hon A Nicholas  
Hon Atapana Siakimotu  
Hon Bill Motufoou  
Hon Cassie Eggelton  
Hon Dion Taufitu  
Hon John Tangi  
Hon K Ioane  
Hon Laskie  
Hon Ma'afu  
Hon M Taia  
Hon Norman George  
Hon N Glassie  
Hon N Munokoa  
Hon N Tupa  
Hon P Rua  
Hon Pokotoa Sipeli  
Hon T Peua  
Hon T Piho  
Hon Terry Coe  
Hon Tom Masters  
Hon Tu'iha'ateiho  
Hon Tuiloma Lameko, Chairperson, Finance Committee, Samoan Parliament  
Hon Va'aiga Tukuitoga  
Hon W Heather Jnr  
Hon Young Vivan  
Hugh Graham  
Human Rights Commission  
Indonesian Human Rights Committee, Women's International League for Peace and Freedom and Pax Christi  
International Center for Not-for-Profit Law  
International Transport Workers' Federation  
Iati Iati  
Ioane Teao and Iuta Tinielu  
'Isileli Pulu  
J Patrick Morrison  
Jack W Lipitoa  
Jentime Pacific  
John Dean  
John Mote  
John Pitomak  
Kiki Maoate  
Kura Kanaiatoa  
Lina Ralege  
Local Tongan private sector representatives  
Luther Toloa  
Macmillan Brown Centre for Pacific Studies  
Mac Mokoroa

Mahina Kanavatoa  
 Makalita Kolo  
 Mali Erick  
 Malotele Polata  
 Manu Sione  
 Hon Mark Gosche  
 Melino Maka  
 Memea Maelopa  
 Mike Flanagan  
 Mike Mitchell  
 Minister for Biosecurity, Hon Jim Anderton  
 Minister for Social Development and Employment, Hon Ruth Dyson  
 Minister of Defence, Hon Phil Goff  
 Minister of Education, Hon Chris Carter  
 Minister of Finance, Hon Dr Michael Cullen  
 Minister of Health, Hon David Cunliffe  
 Minister of Immigration, Hon Clayton Cosgrove  
 Minister of Pacific Island Affairs, Hon Luamanuova Winnie Laban  
 Minister of Police, Hon Annette King  
 Ministry of Foreign Affairs and Trade  
 Ministry of Foreign Affairs and Trade (Administrator of Tokelau)  
 Moses Virnolomo  
 Mr Tairea  
 Muagututagata Peter Ah Him  
 New Zealand Career College  
 New Zealand's International Aid and Development Agency  
 New Zealand Council for International Development  
 New Zealand Council of Trade Unions  
 New Zealand Drug Foundation  
 New Zealand Family Planning Association (International Development)  
 New Zealand High Commission officials (Tonga)  
 New Zealand Pacific Business Council  
 New Zealand "Pacific Mission" delegation  
 Niue New Zealand Residents  
 Niue Tourist Authority Board and Niue Chamber of Commerce  
 North Pacific Securities  
 Oxfam New Zealand  
 Pacific Cooperation Foundation  
 Pacific Island Tertiary Providers of New Zealand (PITPONZ)  
 Paitai Taringa  
 Pasifika Education and Employment Training Organisation (PEETO)  
 Paulo Filiialu  
 Pousima Afeaki  
 PPAPD-FPOCC Secretariat New Caledonia  
 Pita E Funaki  
 Professor Pelenatete Stowers  
 Quaker Peace and Service Aotearoa New Zealand, Indonesian Committee  
 Radio New Zealand International

Raijeli Nicolie  
Representatives of Tourism sector and civil society, including Samoan Chamber of  
Commerce and Samoan Manufacturers and Exporters (SAME)  
Rt Hon John Key  
Ropate Siwatiban  
Rotary New Zealand World Community Service  
Sam Napa  
Sam Sefuiva  
Samiu Vaipulu  
Samoa Manufacturers and Exporters Association  
Seini Vaka  
Selma Scott  
Sholan Ivaiti  
Sia James Matthias  
Sina Masoe  
Siale Faitotonu  
Social Health Outcomes Research and Evaluation Centre  
Solander Maritime New Zealand  
Starfish Consulting Limited  
Stephen Hoare-Vance  
Sua Tagaloa Sua  
Sunia Fili  
Susanna Hukui  
Tagata Pasifika  
Talaititama Talaiti  
Tata Crocombe  
Taukea Rau  
Television New Zealand Limited  
Terry Rangi, and others  
Technix Group Limited  
The Pacific Peoples Learning Institute  
The Textile and Clothing and Footwear Council of Fiji  
Tina O'Halloran  
Tma Paepae Letoa  
Toeaso Feausiga  
Tonga Confederated Council  
Tokelauan officials  
Tufuga Lagatule  
Tonga/New Zealand Business Association  
'Uliti Uata  
Ulu and Faipule of Tokelau  
United Nations Association of New Zealand  
Victoria University of Wellington  
Viliame Tuisoso  
Volunteer Service Abroad  
Women's International League for Peace and Freedom and Pax Christi  
World Vision New Zealand

## Appendix C

### Information received

South Pacific Policy Review Group report, *Towards a Pacific Island Community*, Wellington, New Zealand, May 1990.

Lowy Institute for International Policy report, *Beyond good governance: shifting the paradigm for Australian aid to the Pacific Islands region*, September 2008.

Institute of Policy Studies Working Paper 84/01, *New Zealand and its Small Island Neighbours: A Review of New Zealand Policy Toward the Cook Islands, Niue, Tokelau, Kiribati and Tualu*, by Geoff Bertram and Ray Watters.

## Appendix D

**Table 2: Pacific islands population data**

<b>State/ Territory</b>	<b>Region</b>	<b>Population (2008)</b>	<b>Average annual population growth 1990-2008</b>	<b>Population density (people per sq km) 2005</b>	<b>Life expectancy 2005</b>
Papua New Guinea	Melanesia	6,458,100	3.2%	13	56.7
Solomon Islands	Melanesia	524,000	3.2%	17	62.3
Vanuatu	Melanesia	235,400	2.6%	17	68.4
Fiji	Melanesia	838,000	0.7%	46	67.8
Cook Islands	Polynesia	21,200	1.2%	85	...
Samoa	Polynesia	180,800	0.7%	65	70.0
Tuvalu	Polynesia	9,900	0.5%	346	...
Tonga	Polynesia	102,800	0.4%	127	72.3
Niue	Polynesia	1,922	0.03%	7	...
Tokelau	Polynesia	1,532	-0.9%	125	...
Kiribati	Micronesia	98,000	1.7%	127	...
Palau	Micronesia	20,300	1.7%	45	...
Republic of Marshall Islands	Micronesia	53,900	0.9%	350	...
Federated States of Micronesia	Micronesia	108,000	0.6%	157	67.6
<i>Nauru</i>	<i>Micronesia</i>	<i>9,200</i>	<i>0.1%</i>	<i>418</i>	<i>...</i>

*Source: New Zealand Parliamentary Library*

**Table 3: Pacific islands economic and ODA data**

<b>State/ Territory</b>	<b>GNI per capita 1990 (US\$)</b>	<b>GNI per capita 2007 (US\$)</b>	<b>Change in GNI per capita (%)</b>	<b>Total ODA per capita 2007 (US\$)</b>	<b>NZ ODA per capita 2007 (US\$)</b>	<b>NZ ODA per capita as % total ODA per capita 2007</b>
Papua New Guinea	830	850	2%	385	2	5%
Solomon Islands	750	750	0%	478	32	7%
Vanuatu	1,180	1,840	56%	248	27	11%
Fiji	1,780	3,750	111%	73	2	3%
Cook Islands	3,759	9,986	166%	441	277	63%
Samoa	1,070	2,700	152%	241	36	15%
Tuvalu	1,055	2,718	158%	1,196	154	13%
Tonga	1,230	2,480	102%	302	73	24%
Niue	...	...		10,926	4,741	43%
Tokelau	...	...		10,456	5,139	49%
Kiribati	730	1,120	53%	282	25	9%
Palau	...	8,270	...	1,106	0	0%
Republic of Marshall Islands	...	3,240	...	977	0	0%
Federated States of Micronesia	...	2,280	...	1,063	1	0.1%
<i>Nauru</i>	...	<i>2,314</i>	...	<i>2,788</i>	<i>112</i>	<i>4%</i>

*Source: New Zealand Parliamentary Library*

## Appendix E

Table 4: New Zealand official development assistance to the Pacific 2009/10

	Country/ Programme	2008/09 TOTAL	Channelled through a partner (or NZ) Government Agency	Channelled through a partner CSO/NGO or Community Group	Channelled through a Private Sector entity; a consultancy, or other Technical Assistance	Channelled through a Regional or Multilateral Agency	Channelled through a scholarship/education/tr ainina provider
Major Bilateral	Papua New Guinea	<b>\$23,449</b>	\$9,469	\$7,581	\$1,256	\$1,805	\$3,339
Partners	Solomon Islands	<b>\$30,818</b>	\$19,282	\$1,936	\$5,097	\$2,948	\$1,554
	Vanuatu	<b>\$18,514</b>	\$12,773	\$973	\$1,261	\$0	\$3,507
	Sub total	<b>\$72,781</b>	<b>\$41,524</b>	<b>\$10,490</b>	<b>\$7,614</b>	<b>\$4,753</b>	<b>\$8,400</b>
Bilateral Partners	Samoa	<b>\$11,359</b>	\$4,194	\$940	\$1,539	\$0	\$4,686
	Tonga	<b>\$11,365</b>	\$6,168	\$605	\$2,134	\$320	\$2,137
	Kiribati	<b>\$6,715</b>	\$1,935	\$222	\$3,542	\$0	\$1,015
	Tuvalu	<b>\$6,034</b>	\$4,614	\$0	\$439	\$83	\$898
	Fiji	<b>\$3,753</b>	\$272	\$814	\$924	\$1,538	\$206
	Sub total	<b>\$39,227</b>	<b>\$17,183</b>	<b>\$2,581</b>	<b>\$8,579</b>	<b>\$1,941</b>	<b>\$8,943</b>
Constitutional Relationships	Cook Islands	<b>\$5,506</b>	\$2,174	\$395	\$2,369	\$0	\$569
	Niue	<b>\$16,942</b>	\$14,963	\$36	\$1,943	\$0	\$0
	Tokelau	<b>\$30,366</b>	\$29,543	\$0	\$823	\$0	\$0
	<i>Sub total</i>	<b><i>\$52,814</i></b>	<b><i>\$46,680</i></b>	<b><i>\$431</i></b>	<b><i>\$5,135</i></b>	<b><i>\$0</i></b>	<b><i>\$569</i></b>

Regional/ Thematic Programmes	Governance	<b>\$11,589</b>	\$1,547	\$4,456	\$426	\$5,160	\$0
	Growth	<b>\$7,348</b>	\$1,535	\$0	\$139	\$5,584	\$91
	Human Development	<b>\$12,752</b>	\$0	\$2,651	\$464	\$9,637	\$0
	Environment and Natural Disasters	<b>\$5,930</b>	\$150	\$1,006	\$906	\$3,868	\$0
	Sub total	<b>\$37,619</b>	<b>\$3,232</b>	<b>\$8,112</b>	<b>\$1,936</b>	<b>\$24,248</b>	<b>\$91</b>
Regional Agencies Funds	Regional Agencies	<b>\$20,811</b>	\$100	\$0	\$0	\$20,711	\$0
	State Sector Development Partnership Fund	<b>\$4,577</b>	\$4,577	\$0	\$0	\$0	\$0
Other Non- country allocations	Regional Open Scholarships	<b>\$4,139</b>	\$0	\$0	\$0	\$0	\$4,139
	Heads of Mission Funds	<b>\$832</b>	\$0	\$832	\$0	\$0	\$0
	PIC Participation Fund	<b>\$244</b>	\$0	\$140	\$9	\$95	\$0
	Nauru	<b>\$968</b>	\$489	\$0	\$0	\$479	\$0
	French Pacific Territories	<b>\$412</b>	\$0	\$0	\$0	\$0	\$412
	Micronesia	<b>\$65</b>	\$0	\$0	\$0	\$0	\$65
	Sub total	<b>\$6,661</b>	<b>\$489</b>	<b>\$973</b>	<b>\$9</b>	<b>\$574</b>	<b>\$4,616</b>
NZ Agencies	KOHA-PICD Pacific estimate	<b>\$4,153</b>	\$0	\$4,153	\$0	\$0	\$0
Appropriation	Humanitarian Action Fund Pacific estimate	<b>\$846</b>	\$0	\$846	\$0	\$0	\$0
<b>Pacific Total</b>		<b>\$239,488</b>	<b>\$113,784</b>	<b>\$27,586</b>	<b>\$23,272</b>	<b>\$52,227</b>	<b>\$22,619</b>
	<i>Percentage Split</i>	<i>100%</i>	<i>48%</i>	<i>12%</i>	<i>10%</i>	<i>22%</i>	<i>9%</i>

Source: Ministry of Foreign Affairs and Trade, International Development Group.

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## Appendix F

### Salaries and allowances

#### Cook Islands

The salary for a Minister is \$85,000 (exclusive of 5 percent superannuation paid by the Cook Island Government). The salary for a member of Parliament is \$50,000 (exclusive of 5 percent superannuation paid by the Cook Island Government).

#### Tokelau

The governing Council of Tokelau is made up from each village's Puleuku and Faipule, with one Faipule designated as leader of Tokelau on an annual revolving basis; the council is comprised of six members.

The salaries of the council members are 3 x Puleuku (Mayor) \$32,400, 2 x Faipule (Village leader—Minister equivalent) \$42,000, and 1 x Ulu o Tokelau (Territory leader) \$47,000.

#### Niue

The Niue Assembly comprises of 20 members; the Speaker is not an elected member. The salaries and allowances for the members of the assembly are set out in the Niue Civil List and are as follows, Premier \$60,803, Ministers \$39,315, and members of Parliament \$16,686.

The Niue Government accounts for 2010/11 show that in 2009/10 the salaries for the Premier and Ministers were \$304,315, which includes Cabinet Office staff. Salaries for members were \$338,540, which includes the Speaker and Clerk's office staff. The allowances were respectively \$31,261 and \$20,560. These figures do not include overseas travel allowances.

Table 5 below sets out the actual 2009/10 salaries and allowances for the Niue Government.

**Table 5: Niue: Government salaries and allowances****2009/10 Actuals**

<b>Department</b>	<b>Salaries \$</b>	<b>Allowances \$</b>	<b>Total \$</b>
<b>Treasury</b>	223,178		223,178
Customs/Tax	13,000		130,000
Bond store	27,779		27,779
	<b>380,957</b>		<b>380,957</b>
<b>Admin Services</b>			
Admin and Support	322,954		322,954
Info systems	63,311		63,311
Training	71,729		71,729
	<b>457,994</b>		<b>457,994</b>
<b>Premiers</b>			
Corporate services	100,235		100,235
Crown Law	51,254		51,254
Cabinet/Services*	335,576	34,900	370,476
Legislature**	338,540	20,560	359,100
High Commission Office***	98,140	3,822	101,962
External Affairs	79,565		79,565
Econ dev/stats	220,958		220,958
Civil aviation/airport	161,062		161,062
	<b>1,385,330</b>	<b>59,282</b>	<b>1,444,612</b>
<b>Public Service Commission</b>			
Administration	123,111		123,111
Manpower supplement	186,134		186,134
	<b>309,245</b>		<b>309,245</b>
<b>Justice</b>			
Admin/registry	87,896		87,896
Civil/crim court	23,885		23,885
Land court	56,084		56,084
Land mgmnt	139,969		139,969
	<b>307,834</b>		<b>307,834</b>

<b>Department</b>	<b>Salaries \$</b>	<b>Allowances \$</b>	<b>Total \$</b>
<b>Agriculture</b>			
Administration	127,081		127,081
Fisheries	88,236		88,236
Crop Research & Animal Health	74,468		74,468
Quarantine	44,682		44,682
Crop extension	35,511		35,511
Forestry	58,185		58,185
	<b>428,163</b>		<b>428,163</b>
<b>Public Works</b>			
Administration	123,246		123,246
Bldg and design	66,084		66,084
Civil	236,226		236,226
Water supply	115,183		115,183
	<b>540,739</b>		<b>540,739</b>
<b>Public Works Trading</b>			
Quarry	30,457		30,457
Outside services	99,344		99,344
Heavy plant	76,712		76,712
	<b>206,513</b>		<b>206,513</b>
<b>Telecom Trading</b>			
Administration	176,339		176,339
Technical (lines)	40,144		40,144
Technical (radio and transmission)	92,447		92,447
Post office	42,828		42,828
	<b>351,758</b>		<b>351,758</b>
<b>Niue Power</b>			
Administration	103,226		103,226
Production	117,835		117,835
Reticulation and engineering	152,956		152,956
	<b>374,017</b>		<b>374,017</b>
<b>Bulk Fuel Trading</b>			
Bulk fuel	114,249		114,249
	<b>114,249</b>		<b>114,249</b>

<b>Department</b>	<b>Salaries \$</b>	<b>Allowances \$</b>	<b>Total \$</b>
<b>Tourism Authority</b>			
Tourism	93,446		93,446
	<b>93,446</b>		<b>93,446</b>
<b>BCN</b>			
Broadcasting	118,227		118,227
	<b>118,227</b>		<b>118,227</b>
<b>Community Affairs</b>			
Administration	68,025		68,025
Community devpt & social welfare	79,914		79,914
	<b>147,939</b>		<b>147,939</b>
<b>Education</b>			
Administration	171,440		171,440
Primary	372,462		372,462
Secondary	579,910		579,910
	<b>1,123,812</b>		<b>1,123,812</b>
<b>Health</b>			
Administration	175,220		175,220
Medical	249,911		249,911
Nursing	287,743		287,743
Dental	112,709		112,709
	<b>825,583</b>		<b>825,583</b>
<b>Police</b>			
Administration	252,601		252,601
Prison	16,157		16,157
Immigration	19,169		19,169
	<b>287,927</b>		<b>287,927</b>
<b>Environment</b>			
Administration	141,096		141,096
	<b>141,096</b>		<b>141,096</b>
<b>Niue Met Services</b>			
Administration	86,000		86,000
	<b>86,000</b>		<b>86,000</b>

<b>Department</b>	<b>Salaries</b> \$	<b>Allowances</b> \$	<b>Total</b> \$
<b>Taoga Niue</b>			
Administration	97,743		97,743
	<b>97,743</b>		<b>97,743</b>
<b>GRAND TOTAL</b>	<b>7,778,572</b>	<b>59,282</b>	<b>7,837,854</b>

*Source: Niue Assembly 2010/11 Estimates*

\* cost of travel and accompanying officials was an additional \$151,550

\*\* cost of travel additional \$2,597

\*\*\* cost of travel additional \$5,940

There are 440 people on the Niue payroll as at 1 December 2010.