

June blog digest: More on Pacific labour mobility | Fiji's confidence deficit | Questions over PNG's sovereign wealth fund | Blog summary



by Stephen Howes

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Promoting labour mobility in the Pacific: from whether to how

Promoting Pacific labour mobility was the lead in our [April digest](#), but it leads this bulletin as well, and for good reason. On June 20, the Development Policy Centre hosted Julie Bishop, the Deputy Leader of the Opposition and Shadow Foreign Minister. Perhaps the most striking feature of her wide-ranging [speech](#) on Australian aid, the Pacific and PNG (summarized in this [post](#)) was her positive attitude to promoting labour mobility from the Pacific to Australia. She argued that remittances can reduce poverty and help achieve the MDGs, and that increased opportunities for mobility also increased goodwill.

If there is now, finally, a consensus in Australia on the importance of increasing Pacific labour mobility the discussion can turn to question of not whether but how. The most obvious route, and the one Julie Bishop endorsed, would be by expanding the Australian Pacific Seasonal Worker Scheme, which so far has been a [disappointment](#). However, as the Deputy Opposition Leader herself admitted, this won't be easy. As my research with Danielle Hay has [shown](#), the seasonal labour market is for the most part well-served by backpackers, who are less reliable but cheaper and more flexible than seasonal workers imported from the Pacific. That is why the Pacific Seasonal Worker Scheme has so far been a disappointment (our April story). Expanding it may well require removing the incentive currently provided to backpackers (a visa for another year) to work as a fruit-pickers.

There are alternatives. One would be to help train Islanders to qualify under existing skilled labour schemes. In an important post on this blog, Richard Curtain has recently **argued** that Australia should

develop and promote a regional employment strategy. This strategy needs to set targets for a share of educated young people from each Pacific island country and Timor-Leste to find work of their choice in another country in the region. This requires, for example, that the Australia Pacific Technical College focus on producing graduates for employment outcomes in Australia and New Zealand rather than for limited domestic labour markets, as at present.

The benefits to such an approach, according to Curtain, lie not only in the welfare gains they will bring to the individuals who participate but in the societal transformation it might lead to. He argues that:

Real change to institutions such as education systems in the Pacific will only come when students and parents demand changes. This can only come about if young people have a job-related incentive to seek better education outcomes. More access to good jobs will enable the middle class to grow. This, in turn, will lift the demand for more open and effective systems of governance.

Others have argued that we should introduce a Pacific window into our long-term migration policies. New Zealand has done this (it's a sort of "green card lottery" for the Pacific), it works well (avoiding brain drain), and it is much more flexible than a seasonal worker scheme which is only suitable for a restricted range of occupations.

Finally, we also need to make it much easier for Pacific islanders to come here for holiday or business. In this regard, Julie Bishop's commitment to make it easier for potential visitors from PNG to get a visa to come to Australia was more welcome news.

Fiji's confidence deficit

I strongly recommend Biman Prasad's [post](#) on Fiji. USP Prof. Prasad's starting point is the poor economic performance of Fiji over the last 25 years. The underlying reason, he argues, is lack of confidence resulting from political instability. His concluding paragraph is worth quoting in full:

We have a huge confidence deficit in this country. This goes back to 1987 and it will take years for us as a country to reduce that. While the Bainimarama government must be given credit for articulating equal citizenship and the principle of non-discrimination, it must not ignore what is happening on the ground especially in the civil service and statutory organizations where appointments continue to be made on a racial and provincial basis. The Constitutional Consultation process allows us a good opportunity to build that national confidence and an expectation of a better Fiji. This expectation of a better future will itself be a huge boost for our citizens who may be thinking of leaving, and our investors who are thinking of moving their investments to other countries, to stay back, live, and invest in Fiji. A country cannot progress if its citizens are constantly faced with an uncertain environment, when its people are always thinking of migrating. Fiji has the potential to turn all this around and achieve prosperity if we take note of these issues and do something about it. Coming together as a country once again to work out the next Constitution of Fiji in an inclusive, open and transparent manner may be the beginning of the end of our chronic political and economic problems.

Questions over PNG's sovereign wealth fund

Everyone loves PNG's new sovereign wealth fund (SWF), and the country was widely commended when it was legislated earlier in the year. Some might be surprised then to find Sir Mekere Morauta, the former PNG Prime Minister and outgoing Minister for Public Enterprises [fearing that](#) "the soon-to-be created Sovereign Wealth Fund will not solve the problem." The problem is that a SWF can

smooth and postpone spending, but eventually SWF funds have to spent. As Sir Mekere [notes](#):

if the money to be drawn down from the Sovereign Wealth Fund flows into an unreformed Budget, then we are likely to see a repeat of the same old story: No discipline, no capacity to implement, no accountability; and thus no real development, no improvement in services for our people.

Sir Mekere argues for the creation of an Independent Infrastructure Authority, outside the public service, and with independent as well as government nominees on its board. Every year, funds from the SWF would flow to it for maintenance of major assets. Whether or not this is the solution, Sir Mekere's article is an important reminder that a sovereign wealth fund on its own will do little to convert PNG's resource wealth into national development.

June blog summary

Here's a listing of all our blog posts from June.

Aid

[More money, better spent – what happened at the Sanitation and Water for All High Level Meeting?](#) By Adam Laidlaw.

Despite these welcome aid increases, the Australian Government still spends around just 1% of the aid program on sanitation.

[Gender equality and the 2012-13 aid budget](#) by Jo Crawford.

There needs to be a more comprehensive and visible integration of gender in the first Annual Review of Aid Effectiveness, due by the end of October 2012, and in future Budget Statements.

Is Japanese aid ineffective? By Takashi Kihara.

While Japanese net ODA as a ratio of its GDP is among the smallest of major donor countries and Japanese aid has received a low ranking in the CDI assessments, the quality of Japanese aid is high when evaluated from results-oriented perspectives.

The resource curse and the reach of the state: a role for aid? By Terence Wood.

[A]id agencies could help ... by providing communities with accurate information about the real wealth of the minerals they sit on top and providing them with assistance in legal negotiations with mining companies.

A bolt from the blue by Joanna Spratt.

...a system has been created within which aid policy is dual purpose: assisting New Zealand businesses (doing well) while also assisting developing countries to develop (doing good).

Development policy

Treating TB: Time to move into the 21st century by Mary Moran and Nick Chapman.

One of the most cost-effective public health tools and the supreme game-changer is a new and more effective TB vaccine. Even a 60% effective new TB vaccine would have a dramatic impact – such a vaccine, even if given only to infants, is expected to reduce the number of new cases of TB by 40%.

A deep or surface approach to development – what can learning research teach us?
By Robert Cannon.

Just as effective learning is essential in schools, effective learning is the key to the success of many development strategies.

Global sustainability: the sequel by Robin Davies.

It is already hard enough to find anyone who thinks Rio+20 will produce distinctive outcomes; the fact that this report provides the main frame for discussions gives no cause for optimism.

Rio+20 and the Pacific: failure or progress? By Ben Sims

The Pacific featured prominently at Rio+20 with heads of state from ten of the fourteen independent Pacific island countries (PICs) participating.

Monash Centre for Development Economics hosts 2012 Australasian Development Economics Workshop (ADEW) by Lisa Cameron and Gaurav Datt.

This year over 25 papers were presented covering topics including the measurement of poverty and inequality, the effectiveness of targeting mechanisms, project evaluation, migration, economic growth, trade, agriculture and food security, health, education, entrepreneurship, fragile states and social networks.

[Why Nations Fail review part I](#) by Richard Curtain.

Why Nations Fail is an important book because it does what few academics are willing to do: offer an analysis on a grand scale, covering a huge expanse of history.

[Why Nations Fail review part II: relevance to Timor-Leste & the Pacific](#) by Richard Curtain

One way for Australia to foster the disruptive change needed to produce inclusive institutions in countries in the region is to develop and promote a regional employment strategy.

Pacific and PNG

[Rebuilding the University of Papua New Guinea](#) by Scott MacWilliam.

While some changes may be on the way, there are also signs that the `mobilization of bias' against substantial shifts remains powerful. An especially discouraging indicator is the superficial process now taking place to find candidates for the soon-to-be-vacant position of Vice Chancellor.

[Papua New Guinea: New thinking on budgets and infrastructure](#) by Mekere Morauta.

Transforming resource wealth into better living standards is the biggest single challenge facing our country. If we can set up the Sovereign Wealth Fund properly, keep sticky fingers off the money and channel funds into the right public investments, then

the future is bright.

Policy not cultural reform needed for development in the Solomon Islands by Tobias Haque.

Overall, I see little benefit in blaming poor development outcomes in Solomon Islands on culture. ... Unfortunately, institutional failures sometimes mean that rational behavior by all individuals does not always lead to an optimal outcome.

Fiji's economic prospects: closing the confidence deficit by Biman Chand Prasad.

We have a huge confidence deficit in this country. This goes back to 1987 and it will take years for us as a country to reduce that.

Julie Bishop on the Pacific, PNG and Australian aid by the Development Policy Centre.

Highlights of her speech included an endorsement of the Pacific seasonal worker program and PACER Plus, elevation of the relationship with PNG in particular, support for relaxing visa requirements to make it easier for Papua New Guineans to visit Australia, and increased focus on aid effectiveness.

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