

Public Consultation on the draft Pacific Plan

Comments from Oxfam New Zealand

Executive Summary

Oxfam New Zealand appreciates the opportunity to respond to the consultation paper on the Pacific Plan. Oxfam New Zealand has active programmes in a number of Pacific countries, mainly focusing on sustainable livelihoods, peace building, clean water and sanitation, education, HIV/AIDS, gender rights and disaster response. Oxfam works with a wide range of civil society organisations in the Pacific on practical projects, public education and advocacy.

There are a large number of practical and promising initiatives identified in the Plan. While Oxfam New Zealand supports these, we are concerned that the Pacific Plan does not yet go far enough towards meeting the urgent development challenges in the Pacific. The attached submission focuses primarily on five issues that we consider are crucial in the development of the Plan, but are not adequately addressed so far.

- 1. The reduction of poverty should be the overarching aim, and the Plan should adopt the framework of the Millennium Development Goals.**
- 2. The Plan should include a significant focus on ensuring that PICs are not pressured into inappropriate and damaging agreements for the liberalisation of trade. Existing references in the Plan to theoretical benefits from services liberalisation should be removed.**
- 3. The Plan should have a far greater emphasis on the responsibilities of the developed nations in the Pacific, notably Australia and New Zealand, and the mobilisation of support for resources and policy change from the wider international community.**
- 4. The Plan should include further analysis to identify the underlying causes of poverty, unsustainability, poor governance and insecurity. Work on this analytical base should involve a far wider cross-section of civil society in the Pacific, as well as drawing on analytical work being undertaken internationally.**
- 5. The Plan should include a stronger recognition of the potential for civil society organisations to play a major role in the achievement of all the aims of the Plan, and ensure there are more opportunities for constructive engagement.**

We hope that these comments will be useful, and, together with other submissions, taken into account in the further development of the Pacific Plan. We encourage the Forum Secretariat and the Taskforce to provide feedback on the submissions received and how they informed the Pacific Plan.

Public Consultations – The Pacific Plan

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In order to facilitate the incorporation of our comments, we have used the format called for in the submission of comments.

Submission

1. *Is the Pacific Plan likely to be helpful and effective in improving regional cooperation and integration? If not, in what areas and sectors could the Pacific Plan best be improved?*

Overall Framework

The Plan should be about achieving the Pacific Vision, which includes the aspiration that “**all** of its people can lead free and worthwhile lives”. That is the very essence of the MDGs, and in turn, the MDGs should be at the heart of the Plan. The Plan is set to run for ten years, to 2015, which is the year by which the MDGs should be met. This creates further opportunities for synergy between the Pacific Plan and the MDGs. Progress towards achievement of the MDGs should set both the overarching aims and the benchmark for progress.

“*Investing in Development*”, the recent UN report on progress towards the MDGs, authored by Professor Jeffrey Sachs (“the Sachs report”), underscores the vital importance of poverty reduction. The report concludes that two regions in the world are falling further behind – sub-Saharan Africa and Oceania (Pacific). The recent Commission for Africa report built on the NEPAD initiative in setting out a programme that aims to significantly boost donor resources, commit to changing policy on issues such as trade rules and debt cancellation, and secure the commitment of African governments to prioritise poverty reduction, respect human rights and deal with corruption and poor governance.

By contrast, the Pacific Plan hardly mentions the commitments that governments have already made to reduce poverty and support achievement of the MDGs. Such a framework would provide targets, measures of progress, a clear focus for action and coherence that is currently lacking in the Pacific Plan.

Economic growth

A major problem with the adoption of economic growth as one of the four priority goals is that there is no focus on what kind of economic growth is being promoted. Development experience has shown that unfocussed efforts to improve economic growth usually end up benefiting a few amongst the elites who are already wealthy. Most of the international development institutions (including the World Bank, Asian Development Bank and most donor agencies) focus on pro-poor growth or poverty reduction. This does not preclude economic growth – far from it – but recognises that unless economic growth creates jobs, builds skills in society and includes disadvantaged people, communities and regions, it will do little to benefit those who are poor and disadvantaged, and is likely to exacerbate inequality.

As noted below, a focus on pro-poor growth would also enable a clearer identification of the regions or groups in society that should be identified as beneficiaries. In most PICs, this will include remote regions, rural communities, and vulnerable groups such as women, children and disabled people.

Recommendation 1: The Pacific Plan should agree that the reduction of poverty in the Pacific is the overarching aim for the Plan, and identify opportunities for regional cooperation as a means to contribute towards this aim. The Plan should utilise analysis and reports on the Millennium Development Goals as a crucial means to monitor and evaluate progress on the Pacific Plan. The goal of economic growth should be replaced by pro-poor economic growth throughout the Plan.

Services Trade Liberalisation

The Pacific Plan cites as an Early Practical Benefit, “Trade in services, including free labour movement, will be integrated into the Pacific Island Countries Trade Agreement (PICTA) and negotiations with the European Union on the Economic Partnerships Agreement (EPA)”. Medium Term Benefits include “discussions with Australia and New Zealand on the integration of services in trade and other regional agreements.” Longer Term Benefits include “Pacific-wide economic integration across all sectors established to integrate services including labour, transport, trade, tourism, education and training and ICT.” The liberalisation of services trade is the basis for much of the Pacific Plan’s aim for economic growth.

There is a major problem with this assumption. There is no evidence for the assertion that liberalisation of trade in services will increase economic growth, particularly when between countries of very different levels of development, such as the EU and PICs. There may be some advantages for the provision of common services amongst PICs themselves (under PICTA), but even these negotiations should be undertaken on the basis of sound research and assessment to identify potential problems.

With regard to services liberalisation in trade with highly developed countries, there is an increasing body of evidence showing that premature liberalisation by countries at an early stage of development will lead to domination by unregulated multinational companies, exploitation for short term profit and few opportunities for the development of domestically-owned services industries. In the past, such liberalisation has been pushed onto developing countries through conditions attached to loan agreements by the World Bank, Asian Development Bank and others, and through trade agreements that developing countries come under pressure to negotiate. As the Commission for Africa recently concluded: *“Forcing poor countries to liberalise through trade agreements is the wrong approach to achieving growth and poverty reduction in Africa, and elsewhere.”* (Our Common Interest, Report of the Commission for Africa, March 2005 (“Africa report”), Chapter 8, para 100, p277)

In negotiations on the General Agreement on Trade in Services (GATS), developing countries have repeatedly asked for comprehensive assessment of past services liberalisation before making commitments in new negotiations. Despite being part of the GATS agreement itself, such assessment has not been undertaken and certainly not undertaken in the Pacific context.

The GATS agreement includes many provisions for special and differential treatment to be applied to developing countries, recognising the serious problems that can result where countries liberalise without a strong regulatory system and the capacity for enforcement. However, the European Union is seeking sweeping liberalisation under EPA negotiations, thereby negating the provisions for special and differential treatment in GATS.

The EU’s calls for extensive services liberalisation also undermines multilateral negotiations through the WTO. The EU is coming under international pressure to remove its massive agriculture subsidies that amount to over NZ\$20,000 per farmer per year. Agreements to liberalise services outside the WTO, through the EPA negotiations, will undermine the pressure for agriculture reform, adversely affecting agriculture in Australia and New Zealand, as well as PICs.

As the Commission for Africa points out: *“For developing countries, the greatest gains will come from the Doha multilateral process, not through FTAs [free trade agreements]. While FTAs may provide benefits, it is important that they do not railroad developing-country governments into undertaking commitments that go beyond existing multilateral agreements.”* (Africa report, Chapter 8, para 110, p279)

It should be noted that problems with services liberalisation are not confined to the developing countries. Many of the rich countries, including the EU member states, have decided not to undertake services liberalisation in sectors such as education, health care, water supply, energy, distribution, postal services, telecommunications, parts of financial sector, cultural industries, broadcasting and media. There have been large public protests against services liberalisation and privatisation in many countries.

Much of the controversy over liberalisation of services focuses on the issues of privatisation, in particular the degree to which private sector companies prioritise profit making over responsibilities to public service aims, such as the delivery of affordable services to all. There are particular problems where providing services to poorer members of society has been achieved through cross-subsidisation or risk pooling. Unbundling the services often means that companies either make money from providing services only to those who can afford to pay, or raise prices to poor consumers beyond their ability to pay. The problems are compounded when there are natural monopolies (as with many utilities) small markets and a lack of regulatory and enforcement capacity, allowing companies to make exorbitant profits. This is by no means confined to developing countries as shown in the experience of electricity deregulation in California.

There are other controversial provisions in services agreements, in that they typically restrict the ways in which governments can regulate the sector and also prohibit the types of policies used by many developing countries to build the capacity of domestic industry to supply services. The GATS agreement is both complex and potentially damaging for many developing countries. International advisors, including from UNCTAD, key developing country government negotiators and even some multinationals themselves, advise developing countries to exercise extreme caution in making commitments to services liberalisation and argue against premature liberalisation of services.

The Plan specifically cites free labour movement as providing potential benefits. There are potentially some benefits that could be foreseen in labour mobility amongst PICs, but promises of labour mobility to the EU should be viewed with caution. The initial offers for enhanced labour mobility by the EU under GATS are limited to skilled workers only. This is a complex issue, since the Pacific has a long history of some of its most skilled young people taking opportunities to emigrate. Such a “brain drain” should not be listed as an ‘Early Practical Benefit’, since the initial impacts are likely to be negative as PICs lose skilled workers. This may be, to some extent, balanced over the longer term through remittances.

Important benefits to PICs may arise from the free movement of unskilled workers to the EU. However, it is extremely unlikely that the EU will extend the offer to unskilled workers under EPA negotiations, since many EU member states have virulent anti-immigration movements. In addition, the movement of workers is often accompanied by measures to reduce wages or otherwise undermine implementation of the International Labour Organisation’s core conventions. In such circumstances, this raises doubts about the promises of benefits from labour mobility to PICs, the host society or the workers themselves.

The issues of services trade are extraordinarily complex and, since they cover over 160 different sectors, have a huge potential impact on the economy, poverty, culture, the environment and most aspects of society. In the past,

developing countries have complained that their single negotiator during GATS negotiations on all service sectors is faced by a team of EU experts, each one specialising in one of the service sectors.

The Commission for Africa noted: *“The liberalisation of trade in services offers potential benefits to African countries both as providers and users of labour intensive services. However, such liberalisation is best managed within national development strategies, rather than through multilateral trade negotiations in the General Agreement on Trade in Services (GATS) or through Free Trade Agreements. Many countries in Africa will take some time to develop their regulatory, competition and other institutions necessary for managing more liberalised services environments, and as such need to be able to do this over appropriate periods of time, sequenced and in line with their own national development strategies.”* (Africa report, Chapter 8, para 100, pp276-277)

It is clear that PICs will not be able to ascertain or negotiate their interests without more capacity, more research and information, more consultation with potentially affected groups in their societies and more time. Therefore, the Pacific Plan should concentrate on the process of building the capacity and capability of PICs to negotiate effectively with the EU and subsequently with Australia and New Zealand. Without this support, any economic benefits are likely to be illusory.

Recommendation 2: The Pacific Plan remove all references to benefits from services trade and replace them with, under Early Practical Benefits: “Support will be mobilised from regional and international institutions and civil society to build the capacity and capability of PICs to negotiate effectively in regional and multilateral trade negotiations (including on WTO accession), and to ensure that the negotiations embody strong Special and Differential Treatment provisions that relate to development capacities and a sufficient timeframe for negotiations. Specifically on EPA negotiations, Pacific countries call on the EU to suspend current negotiations until there has been time for PICs to build their capacity to negotiate, undertake research and assessment, consult fully with civil society groups and business in their countries and to propose Special and Differential Treatment provisions to ensure that any agreements respect the development needs and vulnerabilities of PICs. The EU should endeavour to extend the current WTO waiver and seek to have Article 24 (governing free trade agreements) brought into line with general WTO policy on granting special and differential treatment to developing country members.

The role of the developed countries

The Pacific Plan is virtually silent on the role of donor countries in the Pacific (Australia and New Zealand), the role of international and regional institutions (such as the World Bank and Asian Development Bank) and the need for reforms of international policy to support development in the Pacific.

These issues have been highlighted in other reports, including the Millennium Development Goals (target 8) and the World Summit on Sustainable Development. The aims within the Plan are unlikely to be achieved without additional resources and changes in key policies that affect PICs. These include:

- Fundamental reform of international trade rules to ensure that PICs have access to overseas markets without unnecessary restrictions and non-tariff barriers, and the flexibility to use policies that have been important in development of countries such as the Asian “tiger” economies in the past, including the flexibility to support the domestic economy and regulate foreign trade and investment
- Increased aid to the Pacific, generated through donors achieving the agreed level of 0.7% of Gross National Income in aid; Australia and New Zealand should take the lead in setting timetables to achieve the target by the end of the Pacific Plan period (by 2015). The donor community should also work to mobilise more resources for the PICs from other donors and international institutions, particularly for the countries of Melanesia that are experiencing slow development progress, while receiving little aid per person (on a regional or international scale).
- Improved quality of aid, to ensure that donors support nationally determined priorities, agreed through transparent and inclusive processes that involve civil society, and to end practices such as tied aid and the imposition of conditionality (such as privatisation and trade liberalisation)
- Support for the multilateral cancellation of foreign debts owed by the poorest countries, to address serious problems of indebtedness experienced by countries such as PNG
- Commitment to take action to address environmental threats such as climate change and trade in nuclear waste and toxic chemicals.

Progress towards fulfilling these responsibilities of donors should be monitored and reported on at least annually.

Recommendation 3: The Plan should include a specific focus on the role of donor governments, regional and international institutions, including support for reform of trade rules, more and better aid, debt relief and action on trans-boundary environmental threats.

2. *Are the principles and criteria for prioritising policy initiatives (Attachment B) through the Pacific Plan appropriate? If not, how might the principles and criteria be improved?*

The major problem in the Pacific Plan is that there is currently no analytical framework to establish the links between the key goals and the current realities. Crucially, there is insufficient analysis about the causes of poverty, unsustainability, poor governance and insecurity, and the alternative ways in which these problems can be addressed.

As an example, the report calls for greater levels of economic integration, without recognising that the Pacific is already highly reliant on trade. Its exports represent one of the highest proportions of national income of any region in the world.

Without such analysis, the report fails to analyse the degree to which a number of current policies may be part of the problem, rather than part of the solution.

This is particularly important given the comments in the Sachs Report on Oceania's progress towards the Millennium Development Goals. The report sets out a challenge calling for urgent response in the Pacific:

"The region is off track for nearly every Goal, and falling back in some areas. The share of undernourished people increased from 25% to 27% between 1990-1992 and 1999-2001. Net primary enrolment rates remain below 80%. Measles immunization coverage dropped from 70% to 57% between 1990 and 2003. HIV and TB infection rates are rising, and maternal mortality remains high. Even where there is progress, it is too slow to achieve the Goals. Degradation of coastal and marine environments threatens island ecosystems and economies. Most of Oceania also lacks access to modern information and communication technologies, with fewer than 10 telephones subscribers per 100 inhabitants. Only Sub-Saharan Africa is off-track on more indicators than Oceania." (Sachs report page 21):

In the face of these challenges, it is disappointing that the Pacific Plan does not ask deeper questions and analyse why limited progress has been made in recent years. For example, the measures in the Plan to promote economic growth will have a differential impact on elites and the poor, on urban and rural areas. The problem of poverty in most Pacific countries is overwhelmingly a problem of the remote and rural community. The UN report on the MDGs provides useful insights:

*"Consider a typical village of subsistence farm households in a poor country, such asEthiopia, Nicaragua or Papua New Guinea. The village lacks access to a paved road and motor transport. Also lacking electricity, its energy needs are met by extracting wood from the diminished secondary forests and woodlands. Drinking water is unsafe and latrines regularly serve as a reservoir of infection through contamination of food and the local water supply. The children are sick from diarrhoea, pneumonia or malaria.....**Market forces alone will not rescue the village.** Indeed, markets tend to bypass villages with little if any monetary income, and no ready means to earn it, given the low productivity and poor connections with the regional and world economy. The village barely lives off its own food production. Without money it cannot attract doctors, teachers, or transport firms. Without electricity or access to modern fuels it*

cannot run food processing equipment, irrigation pumps, computers or electric tools for carpentry or apparel. Villagers do not have enough income to save. And since infrastructure and a skilled work force are lacking, private investors do not come. Young men and women, particularly the literate, leave the village – and the best educated, the country.” (emphasis added).

Similar comments could be applied to the need to undertake a deeper analysis of other goals. For example, there is an assumption that good governance can be achieved through new institutions and exhortation, without analysing the reasons for poor governance at present. There is insufficient recognition that one of the crucial ingredients is the creation of strong and informed groups within civil society that can hold governments to account.

Similarly, there is an emphasis in the Plan on military security and policing, without addressing the underlying causes that include a lack of jobs and opportunities for youth, income inequality between and within countries, and a proliferation of small arms.

Recommendation 4: The Plan should include further analysis to identify the underlying causes of poverty, unsustainability, poor governance and insecurity. Work on this analytical base should involve a far wider cross-section of civil society in the Pacific, as well as drawing on analytical work being undertaken internationally.

3. *Has the draft Plan identified the key sectors where the Pacific island region would gain most, in the next 2-3 years, from enhanced cooperation?*

It is difficult to assess whether the sectors defined in the plan will provide the most benefit since the Plan has not adequately identified the causes of poverty, unsustainability, poor governance and insecurity, or the appropriate solutions. However, there are, from Oxfam New Zealand’s experience, a number of initiatives that appear promising in terms regional cooperation. These include:

- Improvements in customs and quarantine services, particularly in addressing barriers to exports from PICs to Australia and New Zealand and capacity building in PICs.
- Vocational training, especially focusing on the needs of poor and disadvantaged groups in remote and rural areas.
- Promotion of regional transport, especially since transport availability and high cost is a serious impediment to trade and tourism. We recommend that particular attention be paid to promoting improved transport between PICs as well as linking with other routes, to avoid the necessity to use transport hubs in Australia and New Zealand in order to travel and to transport goods between PICs.

- Regional Tourism Marketing, especially to identify a distinctive Pacific image, based on its unique cultures and unspoilt environment, rather than attempting to compete for a mass tourism market.
- Regional bulk purchasing and storage
- ICT improvements and digital strategy, especially to improve affordability and availability, so that more people within PICs are able to utilise and benefit from ICT.
- Common services for effective resource management
- Implementation of regional policies on a range of resource-related issues, especially on four key priorities for Oxfam:
 - to prepare for and cope with the impact of natural disasters
 - waste, including the need to provide adequate sanitation for the large proportion of PIC people who do not currently have access to adequate sanitation
 - management of water resources, particularly to ensure that increasingly scarce water resources are conserved and that the high incidence of water-borne diseases in many PICs is addressed through the provision of clean water
 - management of oceans and fisheries, particularly to conserve fish stocks from unsustainable levels of fishing and to enable PICs to create jobs and add value to fish exports
- A more Pacific-led and harmonised approach to health, especially in implementing the HIV/AIDS and STI Strategy, and making anti-retroviral drugs more accessible
- Better surveillance and warning of epidemics
- A developmental role for sports
- Improved links in national and regional education programmes
- Support for implementing gender commitments, youth programmes and strengthened Pacific cultural identity
- Strengthened national justice systems, including human rights mechanisms
- Strengthening national integrity institutions and initiatives, especially if they include a focus on the exploitation of natural resources and the transparency of royalties, license fees and other revenues
- Full adherence to the Forum's principles of accountability
- Regional register of judges and public prosecutors
- Integration of FEMM decisions into national plans, particularly if it is accompanied by an increase in the transparency of FEMM processes and access by civil society organisations
- Development of models for land ownership, tenure and associated legislative frameworks, especially since there have been requests from foreign governments (such as the EU through GATS requests, for example) to change national laws regarding land ownerships. It is vital that the processes of land reform respects the customs and traditions of Pacific societies and enhances the rights of disadvantaged groups including women, landless people and displaced people.
- Implementation of the Regional Security Cooperation Strategy, especially if the Forum is more proactive in returning a 'Pacific regional face' to RAMSI

and plays a proactive role in ensuring full participation by Solomon Islands civil society in RAMSI decision making.

4. *Are the implementation steps set out in the Regional Cooperation Priorities matrix (Attachment C) reasonable and realistic?*

An assessment of the likely impact of policy changes that are included in the Plan should inform the policy design stage. The processes of regional integration have deep and long term implications for national sovereignty, and should be considered carefully. Extensive public consultation should be mandatory for all Pacific countries, at the stage of considering alternative policies and approaches.

In addition, each major policy or initiative introduced should include a framework for monitoring and evaluating its impact, especially on vulnerable people in society.

The role of CSOs is not given adequate recognition in the implementation strategies (throughout this submission, the term civil society organization is used to denote non-commercial, non-governmental organizations, rather than the rather confusing term of Non-State Actors that is used by the EU).

The involvement of civil society is far less effective if it is solely in the implementation of policies that have been developed and agreed without civil society input. The relationship between civil society and governments/regional institutions would be far more effective if there were more opportunities for meaningful engagement.

Wherever possible, this should be seen as developing opportunities for collaboration and joint working, rather than being regarded as solely an obligation to consult with CSOs.

- National policy and planning frameworks for regional implementation – the recommendation for high-level coordination mechanisms misses the important connection to public ownership. National ownership should mean more than government coordination across departments, but should include the involvement of Parliament, civil society organisations and mechanisms to foster informed national debate.
- National planning and budgeting processes – as above
- Pooling of regional expertise – as above
- Engagement with non-sovereign PICs – this is an important opportunity to extend regional cooperation
- Stronger partnership on a regional and national level with CSOs – we welcome the development of a regional accreditation policy and framework, and encourage the Forum Secretariat to open up opportunities to engage

with a wider range of civil society organisations, and to adopt a framework such as that provided by ECOSOC for accreditation to the UN.

- Efficiency of regional organisations – we suggest that the efficiency, effectiveness and accountability of regional institutions would be enhanced by greater transparency in their processes and documentation, and more engagement with civil society organisations
- Engagement and alignment of development partners and multilateral organisations – as noted above, a far greater share of responsibility for resource mobilisation and policy change should be accepted by these organisations.

Recommendation 5: The Plan should include a stronger recognition of the potential for civil society organisations to play a major role in the achievement of all the aims of the Plan, and ensure there are more opportunities for constructive engagement.

5. *How does the Pacific Plan align with your organisation's current regional strategies and processes? Might there be opportunities for your organisation to align its activities with those highlighted in the Pacific Plan?*

There are a number of opportunities for Oxfam New Zealand and its partners in the Pacific to contribute more fully to the achievement of the aims of the Pacific Plan. These include initiatives listed above on:

- Vocational training
- Natural disaster preparedness, management and relief
- Provision of water and sanitation
- Tackling HIV/AIDS and STIs
- Education
- Gender equity
- Youth development
- Strengthened integrity institutions

A problem to date has been that there are few mechanisms to work jointly on such initiatives, either at the national or the regional level. Organisations such as Oxfam New Zealand, Oxfam Australia and our partners in the Pacific have considerable experience, expertise and some resources to offer in the implementation of such initiatives. We look forward to implementation of the initiatives to strengthen partnerships with civil society, as noted above.

6. *Any other comments:*

Oxfam New Zealand is interested in providing further input into this process. We look forward to hearing feedback on this submission and the ways in which the input from country consultations will be taken forward to the Leader's Forum later in the year.