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Are National Strategies Relevant to Poverty Reduction?

Despite relatively high levels of public investment, much of it in the form of aid, most economies have at best performed poorly while some are, or have been, in decline. Economies that could be considered comparatively resource rich such as Fiji Islands (tourism, educated workforce), Nauru, PNG (minerals, timber), and Solomon Islands (timber, fisheries) have not performed as well as expected, especially those of Nauru, PNG and Solomon Islands. In other words, resource endowment has not necessarily led to economic growth. What earlier were development projects have more recently become projects of rehabilitation or deferred maintenance, and the international community is now asked to consider the special needs of “failed or failing states.”²⁸ Clearly there has been an insufficient or insufficiently successful focus on strengthening markets and institutions to ensure successful project implementation.

1. WHAT HAVE GOVERNMENTS ACHIEVED?

What have the Pacific governments done to improve welfare and to reduce poverty? Where have they failed? Where have they succeeded? Despite the fact that few PDMC governments previously emphasized poverty as a separate policy issue, most have nevertheless generally included poverty alleviation in their national development plans and strategies. Almost all have either implemented programs or have supported NGO programs to meet the needs of the less advantaged and vulnerable. These have been aimed, in major part, at improving the general welfare especially in rural areas and on outer islands. In fact, rural and outer island development for years has been a euphemism for poverty and hardship alleviation as it targets those with least access and fewest opportunities.

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²⁸ See the report of the “World Bank Group Work in Low-Income Countries under Stress: A Task Force Report.” September 2002.

have been under pressure both in terms of fiscal deficits (or shrinking surpluses) and frequently because of the quality of their preparation. Despite all recent efforts, none of the PDMCs has a fully functioning performance-/output-based budget, and the output systems in place tend to be all form and little real substance. There is little capacity to ensure efficient, cost-effective output or to measure and monitor performance. Unsustainable budget deficits have led to short-term surges in growth. These were frequently followed by sharp contractions as urgent stabilization measures and structural reforms led to cutbacks in expenditures. Too frequently such cuts fell on operational and maintenance components rather than on manpower costs. Consequently, the poor and most disadvantaged suffered as the quality of services declined because expenditures were concentrated centrally.

Some external assistance has also burdened recipient governments with unsustainable or very costly infrastructure such as large national sports centers and overly ambitious central hospitals. Donors frequently provided capital for infrastructure and facilities, but governments have then been unable to provide adequate professional staffing or to finance ongoing operating costs. Governments have also commonly subsidized or have failed to financially and physically maintain what have, too often, become low quality infrastructure and utilities that mainly benefit the relatively wealthy in urban areas. This has encouraged people from outer islands and rural communities to move to urban areas to seek jobs and services.

If poverty appears to be increasing, what then have governments accomplished? The problem is that few of the rural/outer island poverty alleviation projects have successfully achieved their primary objectives of stemming population drift to the urban centers and raising local living standards. Furthermore, they have not delivered expected benefits over the long term. Even when rural and outer island development projects are successful, they may not necessarily lead to increased prosperity. Greater education and economic opportunity raises aspirations, so young people especially are no longer content to stay in the traditional village environment.

The reasons for project failure are many, but the central ones are lack of ownership, management, commitment, supervision, organization and motivation; weak human resources; and inadequate maintenance. While their policies and strategies were not necessarily wrong, the projects were frequently poorly planned and implemented and were often unsustainable. There was little local ownership or participation in design and often little concern for local conditions and/or the structure of society. Sustainability has always been a challenge to DMCs and development partners. From the DMCs' perspectives, sustainability requires ownership, commitment, political will, bipartisanship and discipline through difficult as well as good times.

From the donor community's perspective, sustainability requires commitment over a timeframe longer than the normal 18 to 36 months, better design of projects, and more effective use of consultants, especially when capacity building is involved. Most importantly, it requires a clear set of priorities and sequencing of public sector reforms established by the government and supported by all development partners so as to improve donor coordination and collaboration.²⁹ More needs to be done to generate ownership at the community level, but as Schoeffel's paper³⁰ on the failure of community-based projects suggests, this is not as easy as it might sound. For good implementation there must be funding; good institutions; and sound, effective management.

2. APPROACHES TO NATIONAL PLANNING

While it is generally recognized that skills and resource constraints in all PDMCs make public financial management reform difficult, the process has not been carried out effectively. The main reasons are (i) the short-term nature of aid providers' funding programs; (ii) the absence of a government-driven statement of priorities; (iii) the lack of a comprehensive, properly sequenced and realistic implementation plan; and (iv) inadequate emphasis on capacity building in the design and monitoring of projects.³¹

During the 1990's there was a change from the comprehensive plans of the 1970s and 1980s to a more "strategic" approach to planning; however, only about half of the PDMCs have current national development plans and strategies of any kind. So far only Fiji Islands, Kiribati, and Samoa have attempted to refine their national strategies into more focussed areas of strategic outcomes. In most other countries where strategies exist, they have frequently attempted to cover all sectors, all themes, and all issues and have also lacked a clear national vision, strong support for the public interest, and a sound understanding of world experience of development. Without vision and direction, plans and strategies have been poorly implemented.

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²⁹ ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*.

³⁰ Schoeffel, Penelope. *Myths of Community Management: Sustainability, the State, and Rural Development in Papua New Guinea, Solomon Islands and Vanuatu*. 1997/98 State Society and Government Discussion paper. Research School of Pacific and Asian Studies. Australian National University.

_____. *Cultural and Institutional Issues in the Appraisal of Projects in Developing Countries: South Pacific Water resources*. Project Appraisal Volume 10, Number 3, September 1995.

³¹ ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*.

There has also been a lack of continuity in national strategies. Fiji Islands, PNG and Samoa are the only PDMCs that have maintained a continuous set of documents. In other countries there have often been long breaks between plans. In Tuvalu, for example, the *Kakeega o Tuvalu 1995–1998*, has not yet been formally replaced although an interim *Vision 2015* and the *Amatuku Plan* were published in 1997. However in mid-2004 a National Summit for Sustainable Development was convened to formulate a new national strategy. The preparations for the summit included very broad, extensive consultations with all the island communities. This process for formulating national strategies was first used and is now well institutionalized in Samoa. It has also been used successfully in Kiribati. National strategies have recently been completed in FSM and RMI. Both involved national summits although consultations were not as extensive as in Tuvalu or Samoa.

3. PRIVATE SECTOR DEVELOPMENT AND STATE CAPITALISM

During the 1980s and 1990s, the poor performance of the PDMCs gave rise to revised views, assumptions, and theories about development in the Pacific. Such thinking included the beliefs that efficient and competitive private markets could not or should not operate in small, remote economies; that complex, traditional land tenure regimes could not be altered; and that islanders would not succeed in business. In short, the Pacific was somehow different and new theories, policies, programs, and practices unique to the region should be found that would defy international experience and the principles of business and economic management. The conclusion was that governments had to lead economic development, and some were only too eager to accept this doctrine and to expand their control of the economy and of society. Consequently the roles and responsibilities of business, NGOs, and communities at large have all too commonly been overlooked. Too much has been expected of public services, and too little expected of society. This thinking has helped to increase rather than reduce poverty and hardship. This state of affairs may also have supported both the traditional hierarchy and the modern political and commercial elite; they are the best positioned and possibly the only factions capable of taking advantage of the status quo.

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As stated previously, the increasing monetization of the Pacific economies and the slow decline in traditional subsistence and reciprocity are associated with internal migration, urbanization, and increasing hardship and poverty, especially for those who have no regular source of cash income.

Although governments have in policy statements espoused the private sector as the engine of growth, in only a few cases have those statements been implemented with any vigor, and many governments remain reluctant to actively encourage the pursuit of private enterprise.

Growth in private sector employment has been slow, and unemployment is increasing. Although governments have in policy statements espoused the private sector as the engine of growth, in only a few cases have those statements been implemented with any vigor, and many governments remain reluctant to actively encourage the pursuit of private enterprise. While rarely stated openly, the fact that in many countries non-indigenous entrepreneurs dominate the private sector means there is little incentive for government policy makers to create an environment in which these ventures can prosper further. Such attitudes constrain the growth of existing and new ventures

alike and hinder the creation of new employment opportunities.

Paradoxically the same governments have frequently financed commercial operations such as fishing,³² hotels, and trade stores and have subsidized loss-making airlines and shipping lines, operations that are normally the preserve of risk-taking private business. Some governments may have done so with the good intentions of stimulating industry or tourism and providing employment and services, especially in remote locations, but virtually all these operations have incurred losses, sometimes extensive losses. They have thus been burdens to local taxpayers, damaged investor confidence, and had a negative impact on growth.

Despite these obstacles, the private sector has nevertheless made major contributions to the GDP in many PDMCs. In Samoa and Vanuatu, an estimated 85% of GDP is generated by the private sector, and in Fiji Islands the proportion is estimated at 75%. In FSM, RMI, and Tonga, with their more narrowly based economies, the proportion falls to around two thirds while in the small atoll nations of Kiribati and Tuvalu, the private sectors contribute only 45% and 30% respectively. The greater the dominance of the public sector and public enterprises, the more difficult it becomes for private enterprise to develop and flourish beyond the micro level.

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³² For a review of government investments in commercial fisheries operations see: Pollard, Steve. 1997. *The Pacific's Tuna: The Challenge of Investing in Growth*. ADB.

Private sector assessments financed by ADB in 2003 in PNG, RMI, Samoa, and Vanuatu and in Fiji Islands in 2004 point to fairly common constraints that deter private investment and job creation.³³ These can be summarized as follows:

- extensive state involvement in the economy that crowds out private enterprise;
- inefficient and costly public services and an unnecessarily high-cost operating environment resulting from high and variable import tariffs, costly and unreliable infrastructure, weak regulatory regimes, and monopoly suppliers;
- insecure land tenure and lack of well-functioning, secured transaction frameworks resulting in financial markets that do not inter-mediate effectively between savers and investors;
- a lack of supporting laws and their enforcement, weak registration and investment approval, and complex and discretionary foreign investment policies that deter investment;
- looming macroeconomic instability resulting from fiscal imbalances, excessive debt, inefficient tax and tariff regimes, and unsustainable exchange rate policies;
- poor governance and political instability.

Although not all countries have had national strategies or clear, published development priorities, all PDMC governments with the help of donors have financed a wide range of public investments and other efforts to build individual, institutional, and economic capacities. Many governments have also more recently sought to pursue public sector and economic reform.³⁴ A few have succeeded in extending these reforms to state-owned enterprises. In general, however, few of these investments, interventions, or reforms have delivered the expected outcomes. Targeted industries, sectors, and economies have not achieved desired growth and have failed to help societies develop in a sustainable manner. Furthermore, institutional capacities have remained weak in many cases, and strategies have lacked priority and focus.

³³ *Swimming Against the Tide— An Assessment of the Private Sector in the Pacific Region, 2004*, Pacific Studies Series, ADB, Manila.

³⁴ For a review of public sector reforms see: B. Knapman and C. Saldanha. "Reforms in the Pacific. An Assessment of the Asian Development Bank's Assistance for Reform Programs in the Pacific." ADB. 1999.

4. HAVE AID FUNDED PROJECTS LED TO DEVELOPMENT?

As Professor Helen Hughes noted recently, “Inappropriate economic policies have failed to deal with the hard tasks of development and with the negative effects of aid and mineral income flows. That is why Pacific governments are failing their people.” Professor Hughes went on to record that since 1970, the Pacific had received between US\$50 billion (A\$100 billion) in 1998 dollars in aid, but because aid flows had not been earned income, they had created economic “rents” that had distorted economies. Aid flows had been fungible. They had been spent on projects and programs of the recipient’s choosing — on consumption rather than on investment. Because they had biased economies against the private sector, they had undercut employment and growth and had led to corruption. Extreme profits from rich mineral deposits (and from timber) had similarly created economic rents that also had negative effects and that led to public waste. Hughes concluded that understanding that aid could have negative effects was essential to assisting the Pacific to grow and develop. The first step toward reversing stagnation and falling incomes had to be recognition that excess of population over income growth meant serious trouble; no amount of muddling through would fix this fundamental disequilibrium. Pacific societies had to adopt policies that established secure, free economic environments that dealt with economic rents and made growth possible.³⁵

It is frequently stated that agriculture is the backbone of most PDMCs. While this might be true in some countries, in others both the relative and absolute value of agricultural output in cash and subsistence terms has been declining fairly steadily. This is illustrated in Table 20. In every country for which data are available, the value of agriculture as a proportion of GDP declined in the decade 1991–2001. Historically, most countries as they develop and become more urbanized experience a decline in rural and agricultural production particularly in the subsistence sector. Is it reasonable to expect that the trend can be reversed?

In every country for which data are available, the value of agriculture as a proportion of GDP declined in the decade 1991–2001.

Over the last 2 decades and more, many government and aid-supported schemes have aimed at promoting more economic opportunities in the agricultural sector. These schemes have included bananas, coffee, cocoa, kava, passion fruit, squash, pepper, ginger, vanilla, flowers, desiccated coconut,

³⁵ Hughes, Helen. 2003. *Aid Has Failed the Pacific*. Issue Analysis No 33, 7 May 2003

Table 20
Agriculture as Percent of GDP

	<i>1991</i>	<i>1995</i>	<i>2001</i>
Fiji Islands	20.5	19.7	15.7
Kiribati	22.3	16.4	13.5
Marshall Islands	13.9	15.1	10.4
Papua New Guinea	32.0	30.7	31.0
Samoa	na	24.4	17.3
Solomon Islands	na	na	20.5
Timor Leste	na	na	25.7
Tonga	33.8	33.3	29.1
Tuvalu	22.0	19.7	13.8
Vanuatu	18.8	17.9	18.5

Source: ADB estimates

livestock production, and no doubt others. All had their moments, and then to a greater or lesser extent either failed completely leaving abandoned infrastructure or declined significantly leaving only a small number of niche producers. Many of these failures occurred as a result of poor market development and poor farm management that led to poor quality control.

Kava held great potential but went into decline after it suffered bad publicity in the European market leaving many farmers with unmarketable crops. Although strenuous efforts are being made to recover this market, farmers are likely to be more wary in future. Taro in Samoa was devastated by leaf-blight in 1993, but export production was picked up largely by Fiji Islands and Tonga. Tongan breadfruit and watermelons have recently fallen foul of New Zealand quarantine regulations, and these markets may now be declining. Tongan squash (and Samoan fishing) have been success stories, but even here prices and quantities have fluctuated quite widely from year to year providing little certainty of income.

In atoll countries, small, isolated populations, infertile soils, and difficult access to both domestic and export markets all conspire to make agricultural development even more difficult. Despite the inherent unattractiveness of such traditional crops as copra (and sugar in Fiji Islands), there are few, single, small-landholder products to replace them. Those that could provide options generally require hands-on labor and farm management skills that many older farmers lack and in which the younger generation often lacks interest. Seaweed in Kiribati and pearls in Cook Islands and RMI both offer significant benefits in suitable locations but are subject to high risks. Much work has also been done recently to identify an

alternative crop to sugar for Fiji Islands' small-holder farmers. Industrial hemp has been suggested, and although this is recognized as having potential, it faces a number of regulatory problems before major production can be established.

Thus over the years and despite large investments from development agencies and donors, commercial agriculture has proved to be a highly risky and volatile source of income and opportunity. Production for sale in local markets offers an accepted avenue for subsistence farmers and fishermen to establish themselves in the cash economy, and most PDMCs have well-developed local produce markets. The exceptions are the atoll countries, but even there, small markets do exist in the main urban centers, at least in Tarawa and Funafuti. FSM, a primarily high-island country with a relatively large agricultural land area, is unusual among the PDMCs in having a relatively poorly developed domestic marketing system for agricultural produce. This means that rural people have few opportunities to earn cash unless they grow kava or betel nut and so are deprived of the income earning opportunities available to their peers elsewhere in the region.

Can agriculture really create economic opportunity and alleviate poverty? Despite the fact that most rural and outer island communities surveyed in the PAH gave high priority to more opportunities for employment and earning cash, in practice few if any countries see agriculture as an employment choice favored by the younger generation.³⁶ Strengthening or revitalizing agriculture and village economies is nevertheless still a high priority in many countries. There can be no doubt that agriculture has considerable potential in many if not most of the PDMCs, but profitable agriculture needs security of tenure, access to other relevant inputs, good farm management, hard work, quality produce, and market access. Lack of access to markets and in some countries poor access to credit were cited by many as constraints to greater economic opportunity. There is a clear need to provide rural communities with additional economic opportunities, not least to cater for the growing number of school graduates who are unable to find work in the

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³⁶ In Tonga and some other countries FAO is trying to counter this through a project focussed on "Future Farmers" which tries to make agriculture a more attractive proposition.

formal economy. Development policies and strategies in the agricultural sector have to address all three pillars of ADBs poverty reduction strategy: good governance to build investor confidence; inclusive social development to provide the higher skills required for nontraditional crops; and sustainable, pro-poor growth to ensure that the economic environment is conducive to growth and the development of markets. Moreover they will have to make agriculture a more attractive source of cash employment.

It is, however, increasingly difficult to implement rural agricultural programs as populations there are declining and dependency ratios are increasing. Declining knowledge of community values and respect for chiefly authority are seen as contributing to the proliferation of land disputes. Young people generally, therefore, do not own the land they work which encourages them to drift to urban centers to seek employment.³⁷ They would rather work at low-paying jobs in hotels, on building sites, or in garment factories and similar industries where regular income is often perceived to provide a higher return per unit of individual input/effort. This means there are fewer young men in rural areas to do the work. Budding rural and outer island entrepreneurs also have to overcome the cultural antipathy to profit and individual success. It is easier to be a successful entrepreneur in the relative anonymity of the town than in the center of a village.

While the general picture may be disappointing, there have been some relative successes. The economic growth of the Cook Islands, Fiji Islands, and Samoa (in local currency terms if not in US dollar values) stands in contrast to that of the rest of the region. At the industry or sector level, squash in Tonga; tourism in the Cook Islands, Palau and Fiji Islands; and fresh fish exports from Micronesia in the mid-1990s and from Fiji Islands and Samoa in more recent years are known as success stories.

Institutional development has also had some successes. The Revenue Equalization Reserve Fund of Kiribati, the original Tuvalu Trust Fund, the Intergenerational Trust Funds of the FSM and RMI, and the outer island Falekaupule Trust Fund in Tuvalu are all designed to secure a future stream of central government and public revenues. These may be contrasted with the poor management and consequences for asset values of similar funds in Nauru (phosphate revenues) and Tonga (passport sales). Other positive examples are the improved management of fisheries in the Marshall Islands and PNG and the establishment of a regional tuna management agency.

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³⁷ ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*.

In some countries, public sector reforms managed to call at least a temporary halt to unsustainable public expenditure and to expanding government debt, but as previously noted, there has been a general weakening in fiscal discipline and in budget performance in the region. It is difficult to escape the overall conclusion that many development strategies thus far have just not worked as hoped, despite much good intent, much research, much expenditure, and too many reports. Perhaps more significantly, development strategies to date have failed to focus on the core priorities of the people, i.e., to provide basic, essential public services and to help develop fair, competitive private sector environments that deliver the markets and jobs that the poor demand.

5. GOOD GOVERNANCE IS THE KEY

Although varying in degree, the people consulted in the PAH had common concerns about governance. They were in no doubt that poor standards and political instability were contributing to the causes and incidence of hardship. People recognized that political instability leads to lack of strong leadership, clear policy focus, and direction. Attention is diverted from the concerns and needs of the people to the concerns of those who wish to retain power. The people further perceived that leaders were easily distracted from emerging domestic issues in favor of issues dictated by international agendas (see Box 10).³⁸

A summary of the main governance concerns raised in each country is in Table 21. The people were well aware of the corruption, waste, and inefficiency that existed in many public services. They also noted that the high cost and often poor quality of public services placed burdens on low-income households. Greater participation in policy making is clearly the way forward to achieving more open and transparent government and to improving standards of governance. What can be done to encourage visionary leaders and changed attitudes?

It is arguable whether the quality of government administrations is better or worse than 20 years ago. In general, political leaders and officials in the Pacific are increasingly better educated in terms of academic qualifications. Not infrequently, however, economic theories and ideology taught at regional universities are not the same as those espoused by the international community. Moreover senior

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³⁸ ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*

Box 10

Traditional vs Modern Governance

Every country, developed or not, has weaknesses in governance. In most developed countries, strong civil society, such as the media and non-government organizations, monitor government policies and activities, publicize anomalies, blow the whistle on wrongdoers, and work to keep governments open and accountable to their citizens. In nearly all developing countries, however, Western/liberal democracy is a relatively new concept and practice; in the Pacific region, especially, the system is laid onto the base of a longstanding traditional culture whose values and institutions often seem at odds with it. The kinds of governance institutions that are so critical in producing equitable and effective development have not had time to develop fully, nor have communities had time to work through the process of integrating the new and old systems and processes sorting out what works and what doesn't and developing a model that is suitable for themselves and for the region.

Some of the problems and failures of governance and the reluctance to implement economic and public sector reforms can in part be traced to the collectivist/statist and anti-private sector teaching in regional institutions.

officials may not have the depth of knowledge and experience to analyze emerging issues in sufficient detail and with objectivity.

Some of the problems and failures of governance and the reluctance to implement economic and public sector reforms can in part be traced to the collectivist/statist and anti-private sector teaching in regional institutions. The strong trade and public service unions in some PDMCs (e.g. Fiji Islands, Kiribati, PNG, and Solomon Islands) have also served to perpetuate the old statist, socialist economic doctrine. As long as regional institutions teach

economics and related political and social science courses based on principles that run counter to current development thinking, progress and reform are likely to be slowed and improvements in governance hindered. While academic freedom is important, it is also essential that there is balance and at least some consistency between the policy prescriptions espoused by the international community and the academic underpinnings of future leaders.

Aspirations, like knowledge, are influenced by external factors including changing lifestyles; access to films, videos, and the Internet; and cultural

Box 11 Modern and Traditional Systems Coexist Uneasily

Whereas the former advocates individual merit, neutrality, equal participation, and the rights of the individual and the nuclear family, the latter demands priority and loyalty for kin and community, consensual and consultative values within the chief/“big men” traditional hierarchy, and traditionally defined roles for men and women. Such uncomfortable juxtapositions of values help to explain the often ineffective application of a modern merit-based public service system, widespread practices in the name of traditional/culture that are deemed corrupt under the modern system, and the inherent weaknesses of the electoral system.

homogeneity. The young are changing rapidly, but traditional leaders, politicians and senior officials are mostly from the older generation although this too is beginning to change. Traditional leaders often have a vested interest in maintaining the status quo to protect their privileges and those they will pass on to their heirs. They wish to keep the young from challenging the old order at least until that order has had its time at the top of the pile (see Box 11).³⁹

Traditional leaders often have a vested interest in maintaining the status quo

Many of the older leaders are not as well educated as the younger generation and fear the challenge of change or what they see as the erosion of traditional customs and culture, though they may be only too happy to accept it when it suits them. Critics of government and those who expose corruption often come from the well-educated younger generation that is less afraid to ask questions and to challenge traditional leaders directly and publicly, something that would have been impossible in the past. The response to these challenges has often been media suppression in some PDMCs. If governments are unable to justify their actions, they choose to suppress the questioners.

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³⁹ ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*.

the leaders and transferring it to those in the money economy. Support for private sector development can sometimes be bought, but this hardly promotes good governance and frequently does little to further the best interests of the village/community over which the traditional leader is supposed to preside.

“Community members see the modern system of governance with its top-down approach, unilateral decision making, corruption, and inadequate service delivery as incompatible with traditional community patterns of governance.”⁴⁰ Many governments, and cultures in the region, particularly in the Polynesian and Micronesian countries, have traditionally regarded individualism and the pursuit of profit with suspicion, i.e., the “tall poppy syndrome.” In truly traditional communities, resources and wealth have been shared such that all are roughly equal; no one has been allowed to accumulate wealth beyond his or her immediate needs. Only the accepted traditional chiefs were exempt, but even they were required to dispense help and assistance to their communities when required. Many people in the PAH voiced concerns that the paternalism of the traditional chiefs was declining as monetization was increasing.

In truly traditional communities, resources and wealth have been shared such that all are roughly equal; no one has been allowed to accumulate wealth beyond his or her immediate needs.

PDMCs are faced with the problem of institutional overload. Given the size of the administrations in most, particularly the smaller countries, there may be only one or two highly competent people in any one ministry or department. Authority is in any case often vested in the permanent secretary or director and little is delegated. Senior staff (and ministers) are therefore under considerable pressure to manage their time effectively but tend often to be distracted from important local or micro issues by the “big” issues and international meetings promoted by development agencies. With fewer such distractions, more time might be found to concentrate on improving local domestic management and program implementation.

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Key officials should be supported and encouraged to focus on poverty and hardship. Visionary leadership committed to economic reform and to the money economy and the private sector as the way forward for sustained growth and individual prosperity is essential. Politicians and other leaders must accept that government cannot do everything. They

⁴⁰ ADB, 2004. op.cit.

must be prepared to change the entrenched attitudes of the collectivist culture and the general belief that government only knows best and can best provide services to the people. There is clearly a need for greater participation and greater flexibility in management of public service employees. The need to allow state-owned and local enterprises to go out of business, to enforce loan repayments, and to enforce all laws equitably and transparently must also be understood and communicated.

Donors must provide and countries must accept more technical assistance to oversee project implementation and to strengthen management. Hughes also makes this point, "Aid should only be spent on mutually agreed development projects and programmes designed and monitored by teams nominated by the sovereign recipients and donors. Funds should only be disbursed on the evidence of met targets and audited expenditures."⁴¹ This might be seen as neocolonialism by some, but if implementation is to become more successful and if economies are to grow, then management must be improved. In the private sector, it is consistently argued that more work permits for scarce skills should be granted.

Concentrating efforts on better budget formulation and design is a way forward. Coordinating donors and concentrating their efforts on poverty alleviation is another. There must be consistency in donor policies and approaches. It is also necessary for donors to accept that capacity building is a long-term process that requires persistence and commitment.

6. CONCLUSIONS

Many development strategies thus far have just not worked as hoped. Few of the rural or outer island poverty alleviation projects have successfully achieved their primary objectives of stemming population drift to the urban centers and raising local living standards nor have they delivered expected benefits over the long term. The reasons are many, but the central ones are lack of ownership, management, commitment, supervision, organization and motivation; weak human resources; and inadequate maintenance. While their policies and strategies were not necessarily wrong, the projects were frequently poorly planned and implemented and were often unsustainable. For good implementation there must be funding; good institutions; and sound, effective management. Growth in private sector employment has also been slow. Although governments have in policy statements espoused the private sector as the engine of growth, in only a few cases have those statements been implemented with any vigor.

Table 21
Assessments of Hardship and Poverty
Summary of Governance Issues Raised in Partipatory Consultation Selected PDMCs

<i>Fiji Islands</i>	<i>PNG</i>	<i>Samoa</i>	<i>Tonga</i>	<i>Vanuatu</i>
<ul style="list-style-type: none"> • Political and constitutional instability • Inability to deal with critical issue of sugar industry restructuring • Declining standards of basic service delivery due to out-migration of qualified persons and weakening of governance and management standards • Increasing corruption in public service • Fragile fiscal situation and increasing public debt 	<ul style="list-style-type: none"> • Political instability, corruption and poor standards of governance • Deteriorating law and order situation in urban centres, and some parts of the rural areas • Management and service delivery standards, especially in health and education are generally poor, notably for remote communities • Poverty and hardship are increasing as the social and economic situation worsens • Fragile fiscal situation and increasing public debt 	<ul style="list-style-type: none"> • Governance standards have improved significantly over the last seven years • There is, however, still some scope for further improvements to accountability, transparency and consistency, and in tackling the few remaining pockets of corruption in the public service • Some issues in regard to tradable land and property rights and secure transactions also need government's attention • Service management and delivery standards, in health and education, are just about adequate but raising standards would yield benefits especially to rural communities where delivery is weakest 	<ul style="list-style-type: none"> • True democratic processes do not exist in Tonga, recent curbs on the media have severely hindered civil society's ability to participate fully in the policy process • Public sector and SOE reforms are proceeding slowly, more vigour is needed in order to establish investor confidence and to help create additional employment opportunities • Access to land, tradable property rights and secure transactions are also generally in need of strengthening • Management and delivery of essential services is generally satisfactory although communities in the more remote islands are somewhat disadvantaged 	<ul style="list-style-type: none"> • Political instability and poor standards • Public sector and SOE reform has stalled, and the fiscal situation is fragile • These factors have led to weak economic growth, low levels of new private sector investment and few employment opportunities being created • Management and service delivery standards, especially in health and education have been poor, notably for remote and outer island communities • Strong and committed leadership, clear Vision and prioritised strategies are required, with a phased and sequenced implementation programme, to address critical emerging issues, these would include:

Table 21 continued

<i>Fiji Islands</i>	<i>PNG</i>	<i>Samoa</i>	<i>Tonga</i>	<i>Vanuatu</i>
		<ul style="list-style-type: none"> • Momentum of recent reforms in public sector and SOEs needs to be maintained and built upon so that full benefits become institutionalised and sustainable over the long tem • Government has had clear vision and strategies statements and has a good record of implementation and achievement • Participatory processes have been used extensively in the formulation of the national strategies, this should be continued 	<ul style="list-style-type: none"> • Government needs to establish clear development priorities and strategies to address needs the people for better standards of heath and education, more economic opportunities and better infrastructure 	<p>increasing hardship and poverty, widening inequality, poor standards of educational achievement and general service delivery in rural and outer island areas, little growth in the private sector or in level of employment or other economic opportunities</p>

Table 21 continued

<i>Kiribati</i>	<i>RMI</i>	<i>FMS</i>	<i>Tuvalu</i>
<ul style="list-style-type: none"> • Underlying political tensions have inhibited the ability to address critical issues of unemployment, environment, land and increasing hardship and poverty • Declining quality of basic services delivery, including health and education, despite increasing investment in sectors • Weak standards of management and governance in some key sectors have hindered serious domestic issues from being addressed • Government maintains strong inclination towards command and control in economic activities, leading to slow growth in private sector (other than micro-level enterprises), little new investment and few moves towards increasing public enterprise reform. • Weakening in fiscal position poses further threats to governance standards and service delivery 	<ul style="list-style-type: none"> • Relatively low levels of efficiency in public service and generally poor standards of service delivery, especially in education and health for both outer islands and urban areas of Majuro and Ebeye • Need to maintain fiscal discipline during period of Compact II to ensure that resources are better managed than under Compact I • Strong leadership and commitment to reform is required in order to ensure that Compact funding wind-downs do not lead to negative economic growth in economy as a whole • Government needs to develop clear statement of national Vision and strategies and to establish phased and sequenced implementation programme to address key development issues in improving education, health, environment and private sector. 	<ul style="list-style-type: none"> • Multi-level national and state government structure is costly and inefficient, and absorbs a relatively large share of resources • Although multi-level structure ensures a high level of participation this has not translated in higher standards of governance • Fiscal management and governance standards generally, have been weak in the past, notably in Chuuk, but in varying degrees in other states also, Compact II will require standards to be raised • Management and service delivery standards, especially in health and education have been generally poor, notably for remoter outer island communities and those located at some distance from state capitals • Neither national nor state governments have clear statements of economic/development vision or 	<ul style="list-style-type: none"> • Recent political instability and declining standards of governance, notably in the lack of transparency and accountability in some government decision making processes, have weakened confidence in Tuvalu's economy. • Public sector and SOE reform has stalled, and the fiscal situation is becoming fragile • Education standards have been in decline and rural communities expressed concerned about the quality of health services • Leadership and management in the delivery of basic services need to be improved • Local government remains weak, and although there is participation by civil society in discussion of legalisation before it goes to parliament little influence is generally brought to bear

Table 21 continued

<i>Kiribati</i>	<i>RMI</i>	<i>FMS</i>	<i>Tuvalu</i>
<ul style="list-style-type: none"> Government has a set of national strategies, and now needs to establish a sound and achievable implementation programme to address the critical emerging issues of: increasing hardship and poverty, urbanisation and environmental degradation especially on South Tarawa, declining education standards, increasing unemployment and the need to encourage new private sector investment and employment creation 		<p>strategy, consequently interventions are often unfocussed and uncoordinated</p> <ul style="list-style-type: none"> Clear Vision and strategy statement is required, with a phased and sequenced implementation programme, to address critical emerging issues at both national and state levels, these would include: increasing hardship and poverty, widening inequality, poor standards of educational achievement, little growth in the private sector or employment 	<ul style="list-style-type: none"> Urbanisation of Funafuti is creating social issues which government needs to address, including property rights and access Government needs to develop clear statement of national Vision and strategies and to establish phased and sequenced implementation programme to address key development issues in improving education, health, environment and private sector.