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## A Preferred Strategy for a Modern State

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This paper has assessed the progress of PDMCs in alleviating hardship and in addressing the emerging issue of poverty. It has also considered the views, perceptions, needs, and priorities of the people, and how far governments have succeeded in responding to these priorities in national strategies and programs. It is time to recommend improvements and reorientation. With the exception of PNG, assessing hardship and poverty did not seek to create new national poverty reduction strategies but rather to validate existing development strategies for their impact on poverty and, through poverty partnerships, to work with governments to improve that impact.

### 1. PACIFIC REGIONAL PRIORITIES

In Section B.4 and Appendix 1, community priorities in each country were outlined. In Table 22 they are brought together into a regional summary under the broad headings of ADB's three pillars for poverty reduction. These provide a clear guide to what the people in the PDMCs see as important for alleviating hardship.

There is nothing startlingly new in this list; instead, it validates existing strategies. The poor are calling out for more opportunities, but governments continue to stall on implementing reforms. Reforming state-owned enterprises lags for fear of upsetting vested interests and those presently employed, while those who would benefit, i.e., the majority of consumers including the most disadvantaged, are left to pay for continued inefficiency.

The list of people's priorities raises just as many questions as it answers. How should countries encourage participation and raise the status and understanding of the role of women in society? How should they reform land tenure systems and implement sound environmental management? What is the best way to assist in reducing hardship and poverty in the Pacific? It comes down to political will, strong leadership, effective institutions, and a genuine commitment on the part of politicians and officials to heed the real needs of the people.

The priorities of the people include a wide range of poverty and hardship alleviating interventions. Among them are teacher training; adequate school buildings and supplies; staff housing; nurses and adequately supplied and

*Table 22*  
**Country Strategies for Equitable Growth and Hardship Alleviation in the PDMCs**  
**The People’s Recommended Strategies and Programs<sup>a</sup>**

<i>Good Governance</i>	<i>Inclusive Social Development</i>	<i>Sustainable, Pro-Poor Growth</i>
<ul style="list-style-type: none"> <li>• Improve quality of governance as well as to improve ethical standards of politicians</li> <li>• Help strengthen leadership and management skills and upgrade skill levels of public servants</li> <li>• Establish national strategies with clear a vision and focus on the outcome of alleviating hardship and poverty</li> <li>• Implement public sector reforms</li> <li>• Strengthen administrative, budget and financial management to ensure sustainability and focus on core functions</li> <li>• Encourage broad-based participation in all levels of decision-making</li> <li>• Support NGOs in their efforts to provide for the poor</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure equitable share of government expenditure, service delivery and public investment</li> <li>• Improve quality and access to basic health and education services</li> <li>• Strengthen management of education and health systems.</li> <li>• Increase spending on nutrition, as well as on primary and preventative health programs</li> <li>• Increase investment in technical and vocational education</li> <li>• Raise the status and understanding of the role of women in society</li> <li>• Develop cooperatively operated social safety nets for those that are overlooked by traditional support systems</li> <li>• Establish framework for effectively managing continued urbanisation</li> <li>• Develop comprehensive population polices covering family planning, internal and external migration, and responses to demographic change</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen macroeconomic planning and management as well as maintain sound and growth-oriented macroeconomic policies</li> <li>• Continue to implement economic reforms necessary to meet challenges of globalisation, trade liberalisation and the need to attract new investment</li> <li>• Continue SOE reforms</li> <li>• Ensure a fairly regulated, competitive environment in support of both private sector development and associated improvements in public sector productivity</li> <li>• Improve access to credit and economic opportunity, especially in the outer islands/ rural areas</li> <li>• Reform land tenure systems to enable land to be used as collateral for investment</li> <li>• Implement sound environmental management</li> </ul>

<sup>a</sup> These were consolidated from the strategies and programs recommended for Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Papua New Guinea, Samoa, Tonga, Tuvalu, and Vanuatu based on the priorities of the people.

Sources: ADB, Discussion Papers (RETA 6002 [ADB. 2002. *Technical Assistance for Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries*. Manila.] & RETA 6047 [ADB. 2002. *Technical Assistance for the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries*. Manila]).

maintained health clinics; water supplies; power; roads and other transport infrastructure; credit, business and vocational skills; and sound macro and private sector environment. Much has been done in many of these areas over the years, but the sustainability and management of the interventions must be improved.

It is also possible to develop a profile of the sort of villages/communities that are more likely to be left behind. They are likely to be in remote rural areas or on outer islands with poor transport and communications. They will be resource poor with limited access to markets, to schools and health facilities, and to economic opportunities. They are also likely to be those in areas with high dependency ratios. In urban areas they may be squatter settlements with poor housing conditions, no secure tenure, and little or no access to land for cultivation for either cash or subsistence farming. Household members are likely to have low levels of education and high levels of unemployment, poor access to urban services especially water and sanitation, and deteriorating family lifestyles. These profiles enable targeting, but consideration must be given to modes of implementation.

Many such villages/communities/islands would be small and would need micro projects to address some of the issues. Donor agencies may not be in a position to handle a plethora of such projects. This points to the advantages to be gained from greater community participation and involvement of NGOs in the design and implementation of poverty alleviation initiatives. The outer island development trust fund concept, epitomized by the Tuvalu Falekaupule Trust Fund, offers a possible model that could be implemented in other PDMCs.

## 2. CLOSER REGIONAL COOPERATION

Recently there has been much talk of the need for closer economic cooperation and indeed integration among PDMCs. There is no doubt that structural change will have to occur as Pacific Island Countries Trade Agreement (PICTA), Pacific Agreement on Closer Economic Relations (PACER), and World Trade Organization membership increase. These changes will generally be supportive of private sector development. Countries would therefore be better off commencing reforms now instead of trying to catch up later.

Proposals have been made to have a common Pacific currency or to use the Australian dollar as the currency of the region. Currency and economic unions work properly and most efficiently when a number of conditions are met. There should be free movement of labor and capital. Markets, including that for land, must function and be well established, and laws must be consistent and consistently applied. A secure transaction system should be

institutionalized, and countries must be prepared to give up a great deal of their sovereignty to set economic, fiscal, and monetary policies. The region needs to make considerable progress before any of these pre-conditions can be met. To quote Helen Hughes, “(Pacific countries) have ignored the benefits of joining together to share costs of government and international representation and of free trade in goods and services, capital and labour . . . . because the Pacific states are not interested in any measures that would rationalise administration and thus deprive them of jealously guarded political and public service jobs.”<sup>61</sup>

This is not to say that closer cooperation on economic and social issues is not possible or that such cooperation would not bring significant regional benefits. The PICTA and PACER agreements are springboards toward more economic cooperation and integration and will hopefully act as catalysts for reform in some of the more reluctant countries. Transport and communications are areas where considerable efficiency and cost-effectiveness could be reaped by greater cooperation and by the injection of private sector capital and new technology. Regional cooperation in supplying pharmaceutical needs has already been implemented. More cooperation in setting curriculum standards and in teacher training could help to reverse recent declines in educational attainment in many countries. Cooperation in these areas would indeed

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### 3. NEXT STEPS

The poor of the Pacific have given their governments very clear and consistent directions for national and international public sector assistance. They have three priorities: (i) governments should improve access and quality of delivery of essential public services; (ii) governments should create an environment in which the private sector can expand commercial opportunities and jobs; and (iii) governments should be more responsive to the needs of the people and should improve standards of governance.

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<sup>61</sup> Hughes *op. cit.*

tion in the Pacific. It argues that improved delivery of essential public and private goods and services must be derived from more competitive markets and more productive public institutions, which in turn are founded on good governance and civil and social order. This amounts to the development of modern state institutions and private markets. This focus has either been overlooked or insufficiently addressed. Earlier development efforts have included attempts to enhance public and private sector performance and productivity, but they did not lead to lasting integration of objective, legal, and managerial checks and balances for the greater public good. Good development policy and practice are well known internationally. Although espoused by the region's leadership, best policy and practice have not been well applied in the Pacific. Public and private institutions remain organized for subsistence activity and tradition, and they may protect the interests of the elite at the expense of poverty reduction. Developing a modern state remains the challenge in the Pacific.

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Public and private institutions for poverty reduction, improved primary health care and education, markets, and jobs will not only require finance, technology, and skills. More importantly, fulfilling the needs of the poor of the Pacific will involve social and economic organization at a cost that cannot be measured in money. This requires dealing with many sensitive issues including objective personnel management, land tenure, rule of law, private competition, and other social relations and economic transactions. Enhancing public and private sector productivity confronts traditional order, social sensitivities, and the interests of some elite groups in small, familiar societies. Only the people can decide if they will support such change.

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The first step must be to fully inform and involve the people in decision making. The "knowledge" of poverty reduction has to be disseminated by any and all means. Perhaps the only way to enhance social and economic productivity would be to fully engage civil society, businesses, and NGOs in this process if such an approach would be supported, indeed led, by each government. While principles of development and poverty reduction have been established elsewhere and while the principles of greater participation for market and institutional development may also be known, the specific details for application in the Pacific still have to be fully tried and proven.

Earlier, extensive government engagement in the economy in both state-owned enterprises and commercial operations has led to a lack of private sector-led economic development and performance-oriented services for the poor. Imagine what might have been achieved if these earlier efforts and expenditures had engaged people in understanding, designing, and participating in improved access to primary education and health care for all, to the cooperative development of available land, and to lowering the costs and constraints to private sector investment. This is the way forward.

#### 4. CONCLUSIONS

The poor of the Pacific have given their governments very clear and consistent directions for national and international public sector assistance: (i) governments should improve access to and quality of delivery of essential public services; (ii) governments should create an environment in which the private sector can expand commercial opportunities and jobs; and (iii) governments should be more responsive to the needs of the people and should improve standards of governance. This amounts to the development of modern state institutions and private markets, a focus has either been overlooked or insufficiently addressed. The PICTA and PACER agreements are springboards toward more economic cooperation and integration and will hopefully act as catalysts for reform in some of the more reluctant countries. Fulfilling the needs of the poor of the Pacific requires dealing with many sensitive issues including objective personnel management, land tenure, rule of law, private competition, and other social relations and economic transactions. Only the people can decide if they will support such change.