
II. SITUATION

There are some crosscutting issues that affect equitable growth in all the PDMCs. This section of the report focuses on the general situation with some specific comments where the situation in a particular country is markedly different from that in the other PDMCs.

A. Nature of Poverty

When the term poverty is used, most people see images of starving children in Africa, the unremitting labor of peasants in Asia, and the indigent in most countries. These images are a far cry from the image of a Pacific populated by healthy, smiling people living in a tropical paradise. But, as the people of the Pacific well know, the reality is not always as idyllic as the image.

The Pacific Islands are vulnerable to natural disasters, most have few resources, almost all are remote, and most have small populations. While the grinding poverty experienced elsewhere in the world is uncommon, studies carried out by the World Bank⁵ and United Nations Development Programme (UNDP) in 1996⁶ show that there are many people in the Pacific who have difficulty sustaining a reasonable lifestyle. And virtually all have few opportunities to improve their situation. The work being carried out as part of RETA 5907 is showing that similar situations exist in most of the PDMCs.

1. Opportunity

Poverty of opportunity is a consistent issue across the whole Pacific. The standard of education and resources available, the remoteness from the world economy, and limits on participation and traditional land management systems combine to restrict the opportunities for growth and development. While most families can sustain a reasonable living from subsistence production, many cannot. And even those that are living in what is sometimes called “subsistence affluence” are trapped in a very narrow confine with few opportunities for change or development. Those families that do not have access to land, either because of their location, status or because there is simply not enough fertile land available, can find it very difficult to maintain a reasonable standard of living.

The key constraint is the limited opportunities for productive employment. As the population growth rates continue to exceed the economic growth rates, this problem is worsening. If the situation is to be changed, it is essential that the people have access to resources and/or overseas employment.

In most cases, the principal resource constraint is the complex and protective land tenure systems. Throughout the PDMCs, the land tenure systems remain rooted in the traditional practices that emphasize communal ownership, sharing, and cooperation.

⁵ World Bank Papua New Guinea Poverty Study

⁶ UNDP (1996) *Fiji Poverty Report*, United Nations Development Programme, Suva

Even where the ownership is vested in an individual or chief, traditionally it was usually held as a form of trust for the community. The two major difficulties now constraining the use of land as a productive resource are: the communal ownership that prohibits transfer, mortgage or any other form of alienation; and the “privatization” of land rights by the traditional leadership. In both cases, it is very difficult for any person or organization to develop land for commercial production. This difficulty is not limited to people or groups from outside the community; it is also often difficult for members of the community to develop land for commercial purposes.

Access to overseas employment remains a key outlet for the workforce in many countries. The citizens of a privileged few have the automatic right of entry into the United States of America and New Zealand. Others have families living overseas and are able to use family reunion provisions of immigration laws to gain entry into developed economies. A few are specifically trained for employment on merchant or fishing vessels. But most have no option but to make the best of their increasingly difficult circumstances.

2. Severity and Depth

There are marked differences between the severity and depth of poverty in the PDMCs. In the Melanesian group of countries, a large percentage of the populations are poor, with whole communities surviving on basic subsistence with little cash income. Poverty is less pervasive in the Micronesian countries and the income inequalities are generally lower than in the Melanesian countries; however, there are significant numbers of people who have trouble making a reasonable living. In the Polynesian countries and Fiji, the issue is one of individual and family poverty; the poor are typically those without access to resources, the disabled, and single parent families.

Figure 1 provides a guide to the severity and depth of poverty in the PDMCs. The size of each circle represents the number of poor in each country and the location of the circles on the graph shows the level of poverty relative to the level of human development.

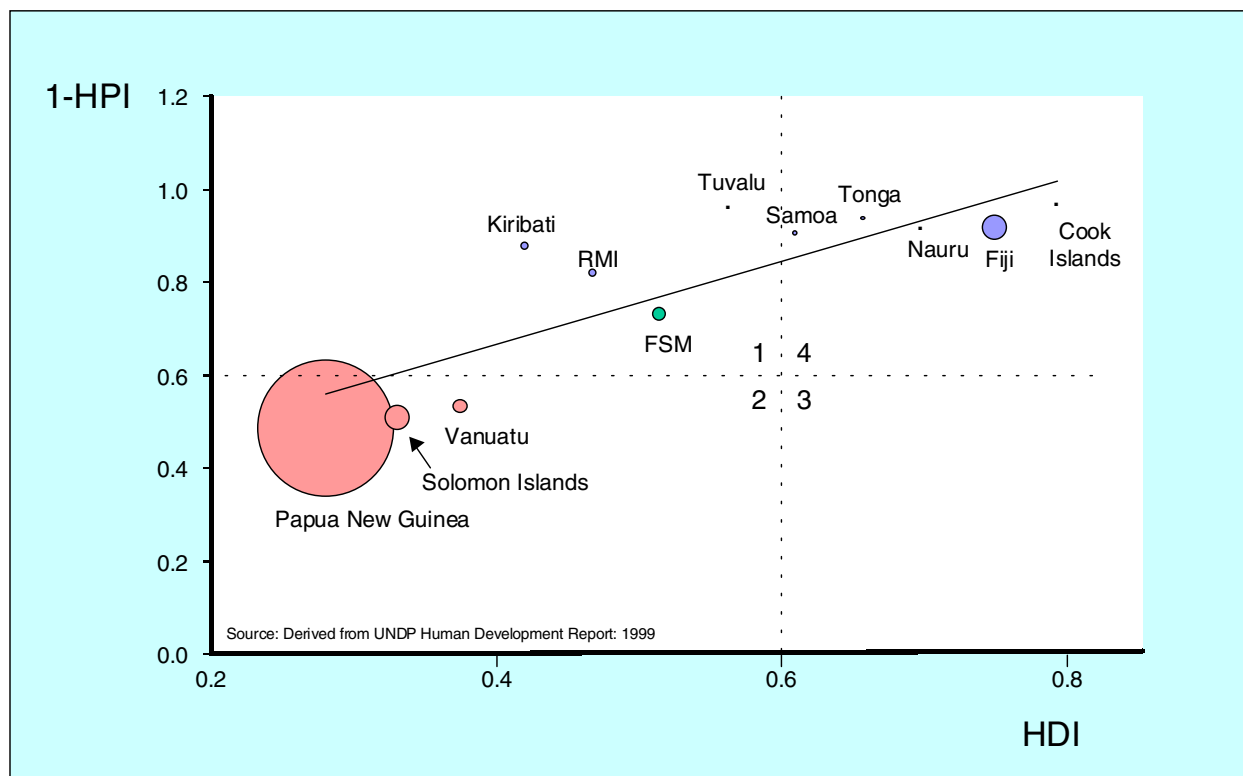


Figure 1: Degree of Poverty Relative to the Level of Development

The solid fitted line differentiates the intensity of poverty relative to the level of human development in the PDMCs. Countries that are above the line have contained poverty more effectively than those below.

The dotted lines form a quadrant that differentiates the countries according to their level of human development and depth of poverty. While there is no empirical evidence to support the placement of the divisions, it broadly follows the classifications shown in Figure 2. As such, it provides some insight into the appropriate mix of strategies that could be adopted to promote equitable growth. The countries in the lower left quadrant have large numbers of poor and limited human development. They need broad based economic growth with an emphasis on distribution across the whole society. Those in the upper left quadrant have limited human development but only moderate poverty levels. In this group, the emphasis should be more on economic development while reinforcing the distribution systems and protecting against disasters. The countries in the top right quadrant have markedly better human development and, in most cases, relatively low numbers of poor. In these countries the most effective poverty reduction strategy will be to strengthen the traditional support systems and NGO activities and to provide welfare support to households rather than community development.

One important development over the past 20 years has been the collapse of the copra industry. Copra is one of the few commodities that are economically produced in remote islands and communities. The collapse of copra prices had a serious effect on the standard of living of throughout much of the Pacific and many families went from having sufficient income to sustain a moderate life style to having little or no cash income to meet education and health expenses.

Another important change is the gradual erosion of the traditional social support system. The combination of the increased demands placed on the available resources and the isolation of urban dwellers from their traditional lands is eroding the effectiveness of the system.

The situation facing the rural populations is being exacerbated by the centralization of government expenditure and the deterioration of rural infrastructure and services. Typically, education and health services are worse in rural areas. Often, infrastructure including roads, shipping, and communications is not being adequately maintained, which further isolates and deprives rural and outer island communities.

3. Incidence and Duration

Just as poverty has both absolute and relative dimensions, it also has a temporal aspect. In the short term, any number of events might plunge an individual, family or community into severe albeit transitory poverty. In the medium to longer term, some individuals, families, and even whole communities live in on-going hard-core poverty. In every country, the poverty profile includes a mix of these situations. The capacity and willingness of the community, NGOs, and the governments to deal with these issues vary. Equally, the techniques required to address the issues also vary. Figure 2 provides a conceptual framework in which the broad characteristics of poverty and primary providers of support for each are shown.

Transitory	<p>Needs: Emergency food & shelter, livelihood rehabilitation</p> <p>Primary providers: Gov't, NGOs and international agencies</p>	<p>Needs: Short term support— cash, food, shelter</p> <p>Primary providers: Own resources, kinship support and NGOs</p>
	<p>Needs: Equitable economic growth</p> <p>Primary providers: Gov't, international agencies and private sector</p>	<p>Needs: Long term support — employment, income, shelter</p> <p>Primary providers: NGOs, kinship support and gov't welfare agencies</p>
Hard-Core		
	Community	Individual/Family

Figure 2: Needs and Providers Matrix

The transitory (short-term) problems almost inevitably require immediate and direct action. They can usually be addressed with a combination of food, shelter, cash, and rehabilitation. The capacity of individuals and families to survive such a crisis depends upon the resources they have available, including savings, land, and food reserves. In most societies, it will also depend upon the extent to which they can call upon their family, community or government for support. In most of the PDMCs, families in crisis rely on kinship obligations and NGO programs for support; in most cases however, government support is minimal. While this practice works for many, there are others who fall through the net for a variety of reasons.

Hard-core poverty is more a structural issue. Resolving hard-core poverty is less about support and more about creating an environment that provides individuals and families with the opportunity they need to rise above their circumstances. It is fundamentally an economic development and distribution issue. Throughout most of the PDMCs, there are some communities that are living a very basic lifestyle. Most have a reasonable degree of food security in normal years but few have the opportunity to accumulate reserves and improve their standard of living.

Transitory:Community. Natural disasters including drought, flood, tidal waves, earthquakes, cyclones, and disease epidemics can push entire communities below the poverty line. These are usually short-term phenomena but require immediate emergency relief to alleviate the situation. Recent examples in the Pacific include the volcanic eruption in Rabaul, the tidal wave that swamped the coast in the Sepik, a severe nationwide drought in Fiji, and devastating cyclones in Samoa. This type of relief is beyond the capacity of the kinship support systems not least because often, the whole community is affected. There are international agencies that specialize in providing this type of relief but they take time to mobilize. In general, the government has a fundamental role in addressing these problems. It is necessary to mobilize domestic support, request appropriate international assistance, and facilitate the deployment of that assistance. Given the need for a prompt response to these events, it is essential that all PDMCs have a comprehensive Disaster Plan.

Hard-Core:Community. Some communities suffer from hard-core poverty. These situations cannot be resolved by direct support and assistance; they require a general improvement in the economic and social situation. The focus in these situations must be on the improvement of the overall social and economic environment. While economic growth is clearly linked to poverty reduction, it may not be sufficient. It is also important to ensure that the benefits of the growth are distributed equitably throughout the community. This will require considerable investment and effort plus an enabling policy environment. The appropriate strategy is for the government, with the support of international development agencies, to design and implement social and economic programs and projects that benefit the whole community. In several cases, governments have consistently proven unable or unwilling to carry out coherent development programs. In these circumstances, it will be necessary to develop alternative program delivery methods, including using other agencies and the private sector.

Chronic:Individual/Family. This situation is most likely to occur when the main source of family support is lost. Typical examples are the disabled, abandoned women, and the elderly. The need for long-term support can stretch the kinship support system beyond its capacity. While some NGOs are set up to provide long-term support, most cannot. Almost inevitably, each NGO has an area of specific interest; consequently, there can be areas of need that are missed. In these circumstances, it may be necessary for government welfare agencies to step in and help the individual/family find suitable employment or provide on-going assistance. The role of the government welfare agencies should be to support and encourage the activities of NGOs while picking up those areas that are not covered by the NGOs.

Transitory:Individual/Family. Throughout most of the PDMCs, kinship networks support individuals and families that suffer short-term crisis. The communal safety net is usually adequate. Where kinship support fails, there are often NGOs that are able and willing to fill the gap. The type and extent of emergency support varies throughout the Pacific. The extent to which the kinship and/or NGO support is adequate needs to be identified for each country. Few PDMCs have the financial capacity to provide a comprehensive social support system and therefore, they must

continue to rely on kinship and NGO support. However, there should be systems in place to assist those individuals/families that are missed by the community support systems.

B. Causes of Poverty

For each individual, family or community, the cause of poverty varies. While most are poor due to circumstances largely beyond their control, others have created their own poverty through carelessness. The following discussion focuses on the forces that are largely beyond the capacity of the poor to change. These forces encompass resources available, adequacy of services, societal pressures, and very real risk of change that keeps many from even attempting to rise above their situation.

1. Risk Aversion

An important facet of poverty is the attitude of the poor to risk. Any change, even if apparently for the better, involves some risk and this risk may be more than a poor family is willing to take. When writing about peasants in China in 1931, Tawney said “*There are districts in which the position of the rural population is that of a man standing permanently up to the neck in water, so that even a ripple is sufficient to drown him*”.⁷ While this analogy is somewhat overstated when taken in the context of the PDMCs, it does provide an interesting insight into the reasons why it can be difficult to convince the poor to change their practices.

The attitude of the rural poor to risk has been described as the safety first principle. It means that generally, the rural poor prefer to minimize the probability of having a disaster rather than maximizing their average return⁸. While this strategy rules out apparently economically sensible choices, it ensures that the individual and family can maintain a basic standard of living. It is a sensible choice when the alternative is to take on something new, which, if it doesn’t work, could have catastrophic consequences. In effect, it is the balance of expected risk. Is the potential gain worth the possible loss where the cost of the loss could be starvation? Even if the likelihood of failure were small, if the cost of failure could be great, few sensible families would be willing to take the risk.

While few individuals and families in the PDMCs are on such a knife-edge of poverty, many are vulnerable. In these circumstances, it is likely that they will react conservatively to change unless the risk is underwritten by their kin, the community or the government. Scott goes as far as to suggest that the support provided by the modern welfare state could explain why so many individuals and families in the developed economies are willing to take the risks necessary to improve their standard of living⁹.

Even something as apparently obvious as the education of children may entail risk. Many families depend on their children’s labor to help support the family. Even in the PDMCs, daughters and some sons may be withdrawn from school early to help in the home, the gardens or to earn some additional cash income. The reason for their withdrawal from school is not simply the cost of school but also the opportunity cost of losing their contribution to the support of the family. This opportunity

⁷ Tawney, R.H. 1966. *Land and Labor in China*. Boston: Beacon Press, p. 77.

⁸ Scott, James C. 1976. *The Moral Economy of the Peasant: Rebellion and Subsistence in South East Asia*. New Haven and London: Yale University Press, p. 18.

⁹ Scott *ibid* p. 10.

cost can be significant especially when, in the absence of any real employment opportunities, the gain from spending time at school can be marginal and often nebulous while the needs of the family are immediate and definite.

The implication for the promotion of equitable development is significant. Strategies that are simply designed to create opportunities will probably fail. It is at least as important to create an environment where the risk of change is minimized. One technique that could be considered is to provide the family with a basic but assured livelihood while providing a thorough education for the children. In effect, this approach leapfrogs one generation by releasing the children from their family support obligations and giving them the opportunity to reach their intellectual and productive potential. It also avoids having to resolve what could be the entrenched and intractable attitudes of the parents.

For this strategy to be effective, it is important that the educated children have access to productive employment. In the larger and better-endowed PDMCs, it should be possible to create these jobs within the economy. In those countries that have access arrangements with the USA, New Zealand or Australia, properly educated and skilled workers could find employment offshore. The PDMCs with few resources and no right of access to overseas job markets are most at risk.

2. Social Systems

Throughout most of the Pacific, kinship support is the traditional social safety net. People or families within this safety net can call upon their kin for support when they are in difficulty. For many, this practice defines the very essence of what it means to be a Pacific Islander. The importance of the reciprocity system to the Pacific Islanders' self-image helps explain why many have trouble accepting the reality of poverty in their community. The implication is that if poverty exists the support system has failed which is, in turn, a direct challenge to their self-image.

It is all too easy, and a serious mistake, to romanticize this social arrangement. It is not radically egalitarian nor is it particularly unusual; peasant communities in Asia and Europe have used similar systems for centuries. The system implies only that all are entitled to a living out of the resources of the village. Often, that living is attained at the cost of loss of status and autonomy. Moreover, the system works through the abrasive force of gossip and envy and the knowledge that the abandoned poor are likely to be a real and present danger to the better off¹⁰.

Also, the system is by no means comprehensive. There are many who are not part of the system for reasons of ethnic background or local culture. There are others whose kin are just as poor and cannot provide the support needed, and still more whose families have lived away from their traditional land for many generations and now find it difficult to call upon their traditional rights. Many individuals and families who are not part of the system or cannot call upon it for effective assistance have to face the reality of poverty. The situation in Fiji, as described in the following quote, is typical of that which exists in many of the PDMCs.

¹⁰ Modified from Scott *ibid.* p. 5.

“The safety nets available to many low-income people in Fiji do not fully bridge the gap between an adequate lifestyle and destitution. In Fiji there is a strong sense of community and kinship. Yet the poorest households tend to be small and isolated; family systems do not encompass everyone, nor does their support necessarily last as long as the need for it does. Financial support systems exist but they often do not protect the most vulnerable. Government provides many forms of assistance to low-income earners but direct welfare is available only to the poorest of the poor and provides even them little relief from severe hardship. Non-government organization[s] run many programmes to assist the poor, yet acknowledge that poor coordination and their often limited out-reach prevent them from fully meeting the needs of the poor in Fiji.” (Fiji Poverty Report, p. 99)

3. Education Levels

The adult literacy rates vary widely across the PDMCs from a low of 30 percent in the Solomon Islands to a high of 99 percent in Tonga. Fiji and the predominantly Polynesian countries report adult literacy levels equivalent to the levels achieved in the developed world;¹¹ whereas in the Melanesian countries, the levels of adult literacy are closer to those found in the least developed countries of the world.

Other education indicators are not so impressive. Even those countries that have achieved a high level of adult literacy rapidly fall behind when it comes to secondary and tertiary education. The post primary retention rates are generally low and the number of students proceeding to tertiary and further education is, in most cases, well behind the levels achieved in the developed countries.

Within the education sector there has been a general redistribution of funding away from primary and secondary education towards tertiary education. The funding of technical and vocational training has suffered at the expense of tertiary education. This trend is particularly worrying given the results of studies done by the World Bank¹². These studies show that the public benefit gained from investment in primary education exceeds the return from public investment in secondary education, which in turn is greater than the public benefit gained from the support of tertiary education. In contrast, the benefit accruing to an individual from investment in education is greater at the tertiary end. This suggests that individuals should bear the main burden of funding tertiary education while governments should make the funding of primary education their highest priority. In practice, the reverse is usually the case in the PDMCs.

¹¹Some care must be taken in interpreting these statistics. The definition of what constitutes adult literacy varies widely and in some cases is nothing more than the capacity of a person to sign their name and as such is not an adequate indicator of the ability of a person to function effectively in the economy of the 21st century.

¹²World Bank. 1993. *The East Asian Miracle: Economic Growth and Public Policy*, p. 235.

59. According to Gannicott,¹³ the type of schooling that best prepares student for employment is that which focuses on developing fundamental cognitive skills. He states that there is worldwide evidence that “*schools are inefficient and costly places to train students in specific vocational and technical skills.*” He goes on to argue that autonomous specialist institutions that have close linkages to employers deliver the most effective technical-vocational education.

4. Health Status

Life expectancy ranges from a low of 54 years in Papua New Guinea to a high of 72 years in the Cook Islands. In most of the PDMCs, life expectancy is high by world standards. In several, it is higher than that achieved in many western countries. This improvement in life expectancy reflects the success of most PDMCs in controlling contagious diseases such as yaws, tuberculosis, malaria, and measles.

However, this relatively good performance in controlling infectious diseases is being offset by the upsurge in lifestyle diseases including diabetes and cardio-vascular disease. There is also a disturbing rate of youth suicide in several PDMCs and an increasing incidence of drug abuse and lawlessness. The rates of sexually transmitted disease (STD) reported in several countries are very high and the risk from HIV/AIDs is also quite high.

5. Resource Base

The resource base consists of natural resources, human resources, and capital resources. The natural resources include land, minerals, forests and marine resources; the human resources are a composite of the workforce and its skill levels; the capital resources include transport infrastructure, telecommunications, and services.

The natural resource base varies widely throughout the PDMCs. The largest of the group, Papua New Guinea, has extensive mineral, marine, and agricultural resources. It is generally a highly fertile country with a large labor force. At the other extreme, many of the small countries comprise little more than tiny atolls scattered throughout vast areas of ocean with few resources beyond pelagic fish stocks.

It is worth noting that the communal nature of many small island societies is a direct and appropriate response to the environment and conditions under which they have lived for hundreds if not thousands of years. Typically, the decisions are made by consensus and resources are shared. While private rights of use and control exist, they are usually complex and interwoven rights so that no individual or family has absolute control over any resources. In a small community with few resources, limited technology and no real possibility of improving the situation consensus and cooperation enables communities to extract the most out their resources. At the same time, the competitive individualism that is at the core of the market system has proven to be an effective way to promote growth. Where there is a pool of under-exploited resources and the capacity to develop technologies to exploit those resources, competitive markets based on private property rights are very efficient economic systems.

¹³ Gannicott, K. 2000. *A Framework for Human Resource Development in the Cook Islands*, p. 18-19.

In the past, the resources available to small atoll communities were fully exploited and the capacity to develop new technologies was very limited. In this situation, individualistic competition would lead to confrontation that would be extremely destructive in a small community. The situation on Easter Island is an example of how unconstrained competition in an isolated small island community can devastate the environment and reduce the people to penury.¹⁴ Recognizing this situation is the key to understanding why many PDMC communities find it difficult to adopt the private property right systems that are so important to fostering investment and development. However, things have changed. The island communities now have access to new technologies, can export surplus, import necessities, and some are able to find work overseas. These small economies are now integrated into the wider world economy and the past limits are not quite so binding. If they are to capitalize on the opportunities now available, the island nations will have to adapt their property right systems to include a higher degree of private ownership and control.

Throughout the PDMCs, the fertility rate is high. Where the opportunity of emigration is limited, the population growth rate is also high. At the same time, the education performance of students is falling. Overall, the value of the PDMCs' human resource to the world market is declining.

In most PDMCs, the capital resources in the rural areas are also being eroded. Roads are inadequately maintained; buildings and other capital works are deteriorating; in most cases, telecommunications are not keeping pace with international advances; and inter-island shipping continues to be unreliable. These factors are combining to further isolate rural and outer island communities.

6. Environmental Status

Overall, the PDMCs are relatively unpolluted. In general, they do not have large population densities nor do they have polluting industrial complexes. However, there are localized exceptions, principally around the main urban centers where problems with waste disposal combined with relatively high population densities has polluted the local environment. Pohnpei suffered the consequences high population density and pollution during the first half of 2000 when over 15 people died as a result of an outbreak of cholera. In the past, outbreaks of cholera have also occurred in South Tarawa, Rabi Island, and Ebeye. In addition, the cropping of sugar cane on marginal land in Fiji and the logging of tropical rainforest in parts of Papua New Guinea, the Solomon Islands, and Vanuatu has caused significant erosion.

A major challenge facing the atoll communities is the impact of global warming on the sea level. If the most pessimistic forecasts prove accurate, the atolls of the Pacific will be swamped and disappear altogether. This would be catastrophic for the atoll nations. Even if the pessimism proves unwarranted and the sea level rises are small, the integrity of the atolls is under threat. A relatively small rise in the sea level would allow salt-water intrusion into the water lens thereby exposing the fringing vegetation to salt water and erosion. It is also likely that saltwater intrusion would have a damaging impact on the subsistence and cash cropping systems that rely on the water lens.

¹⁴ In a fairly short period after the arrival of Polynesian voyagers, Easter Island was reduced from a lush wooded island to a virtually treeless windswept grassland. In part, this appears to have been due to the unconstrained use of the island's resources as each community competed for status and power.