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# VI. ISSUES AND STRATEGIES

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This section contains a brief review of key country documents and a listing of the key issues facing the PDMCs. The strategic foci (us) required to address each issue are listed under the issues. The strategic foci (us) are deliberately not specific. They suggest the areas that need addressing. The specific strategies to be used in each PDMC must be devised within the PDMC (see Figure 5: Consultation Process).

There is a wealth of published information available on all the PDMCs. Much of the information used in this report has been derived from ADB publications and documents. A key document used in the preparation of this report is the ADB's *A Pacific Strategy for the New Millennium*. The information collected and reported under the poverty assessment component of the RETA 5907 provided the information on the poverty situation in each of the PDMCs.

In most cases, the country documents used are PDMC government publications. Usually, they include the latest budget, national economic plan or strategy document. In this context, it is interesting to note that one of the paradoxes in the PDMCs is that the brightest and most capable public officials frequently end up spending their time compiling reports and documents replete with laudable strategies and pious aims. The implementation of those policies and strategies is often left to less able staff. The end result is a plethora of well thought out reports and documents but little real change in the economic situation of the country. It is tempting to conclude that many of these reports are more about what people would like to happen than what could actually be done.

The importance, or otherwise, of each issue in the Constraints to Equitable Growth framework (see Figure 4) varies between the PDMCs. In a few, the primary issue is the Civil and Social Order; in others, it is inadequate Governance; and in all, there are difficulties with Resource Availability. The approach used in this analysis is to identify the key priority or priorities, then develop the mix of strategies required to address the priority(s). It is a deliberate attempt to get away from the usual approach of listing everything that could or should be done. By focusing on the key priority(s) and the steps needed to adequately address the priority(s) it will be possible to establish a sequence and set a framework for action.

In the *A Pacific Strategy for the New Millennium* document, the PDMCs have been grouped into three categories according to their resource endowments, capacities, opportunities, and development constraints. These categories are used to differentiate the strategies to be adopted by ADB for its operations in the PDMCs. This categorization is a useful method of reconciling the differences between the PDMCs while recognizing some over-arching similarities. This categorization has been used in this report. The definitions set out under each category heading are direct quotes from the Pacific Strategy Report.

While the specific situation varies between each of the PDMCs, there are some consistent cross-cutting issues that are relevant for all the countries. There are others that are consistent within groups of countries identified in the ADB's *A Pacific Strategy for the New Millennium*.

The over-riding issue in the PDMCs is the difficulty in providing good governance. The reasons for this difficulty vary between the countries although in all cases, the transition for the traditional to modern systems of organization and management continue to present problems. Another issue that is a major impediment to development is the difficulty the PDMCs are having in reconciling their traditional resource management (land) systems with the development needs of modern economies.

The key issues that affect all the PDMCs and suggested strategic foci are:

**(i) Difficulties in providing good governance**

PDMC governments, typically, have limited financial resources and few skilled workers. Most are still going through the transition from traditional to modern systems of government and in several, tribal loyalties over-ride national priorities.

*Strategic foci*

- *Public sector reform and capacity*
- *Alternative delivery mechanisms*
- *Modalities that bypass government*
- *National identity building*

**(ii) Population growth outpacing economic growth**

In all PDMCs, the medium term population growth rates exceed the growth rates of the economies. In few privileged cases, the workforce has the right of entry into large developed economies, but most must find productive employment within the nation. Few, if any, are meeting this challenge; and standard of living of most Pacific Islanders is at best static.

*Strategic foci*

- *Domestic growth*
- *Offshore employment*
- *Regional development*
- *Public health programs*

**(iii) Weakness of the private sector**

Resource ownership systems, particularly for land, are complex and inflexible. Their main aim is to prevent alienation from the traditional owners/users. In the process, they create an almost impenetrable barrier to development.

*Strategic foci*

- *Land tenure reform*
- *Regulatory environment*
- *Workforce skills*

**(iv) Declining educational performance**

The quality and coverage of primary and secondary education is declining. In most cases, the focus of the curricula is on academic achievement, which often has little or no

relevance to the employment opportunities that could be available.

*Strategic foci*

- *Formal education systems*
- *Technical and vocational education*

**(v) Breakdown of traditional support systems**

One of the strengths of the traditional social systems was their focus on cooperation and mutual support. The change to more modern and monetized economies is placing considerable strain on these systems to the extent that an increasing number of people can no longer rely on them for support in times of crisis.

*Strategic foci*

- *Emergency assistance programs*
- *NGO and civil society support programs*
- *Women and youth at risk*

**(vi) Urban elite capturing most of the benefits from modernization**

The most fundamental change in the movement from traditional to modern economies is the increasing monetization of the economies. The privileged few who have access to and control over money (usually through government) are able to capture most of the benefits accruing from modernization.

*Strategic foci*

- *Equitable distribution*
- *Rural and outer island development*

The three categories identified in the ADB's *Pacific Strategy for the New Millennium* are: the Melanesian PDMCs (Papua New Guinea, Solomon Islands, and Vanuatu); the more economically advanced PDMCs (Cook Islands, Federated States of Micronesia, Fiji, Samoa, and Tonga), and the island atoll PDMCs (Kiribati, Marshall Islands, Nauru, and Tuvalu).

In the following, the order of the issues approximates the priority that should be given to addressing the issues. For example, in the Melanesian group the over-riding priority should be to resolve problems with civil and social order.

**A. Melanesian Countries**

***Papua New Guinea, Solomon Islands and Vanuatu:*** *These countries have low population densities and relatively abundant natural resource endowments, but at the same time have high poverty, poor social indicators, high population growth and low labor mobility. The economies are characterized by weak public sector capacity, particularly to deliver essential social services. (ADB Pacific Strategy Report, 2000, p. 28)*

The vast majority of the poor in the PDMCs live in the Melanesian countries. The whole population of entire communities, and in some cases regions, lives in absolute poverty. Most of the poor live in remote rural areas, albeit there are also significant numbers of poor living in the urban and peri-urban areas. If poverty is to be addressed in the PDMCs, the focus of the effort must be the Melanesian countries.

The key issues in the Melanesian countries are:

**(i) Problems with civil and social order**

Difficulties with maintaining civil and social order remain an overwhelming problem for the Melanesian countries. All other issues pale by comparison. Problems with civil and social order directly impact on the poor and disadvantaged who are under direct threat and whose livelihood is destroyed when market and transport systems break down. If this issue is not resolved there is little point in trying to implement other development programs and strategies.

*Strategic foci*

- *Civil and social order*
- *Legal framework and institutions*
- *Good governance*
- *Public awareness and civil society*

**(ii) Large subsistence populations in rural areas**

A large percentage of the population lives in rural areas. They are often isolated and poorly serviced. Most continue to rely on household production plus small-scale cash cropping for subsistence, many are poor, most are vulnerable, and all are poorly serviced.

*Strategic foci*

- *Rural development*
- *Employment creation*

**(iii) High poverty rates**

A high percentage of the populations are poor. They have few opportunities to improve their situation and are direct victims of the law and order problems that continue to disrupt the economy and society.

*Strategic foci*

- *Rural development*
- *Good governance*
- *Formal education systems*

**(iv) Low levels of economic development**

Despite having significant natural resource base and considerable international assistance for many years, the Melanesian countries have achieved low levels of growth. In part, this is due to low levels of education. It also reflects the deteriorating state of transport infrastructure, limited communications, and inadequate development support.

*Strategic foci*

- *Rural development*
- *Formal education systems*
- *Equitable economic growth*

**(v) Limited opportunity for out-migration**

None of the Melanesian countries have arrangements for access to overseas employment. In the absence of such arrangements, it is necessary to find productive employment within the domestic economy. Given the resource base available, it should be possible to considerably generate more local employment.

*Strategic foci*

- *Rural development*
- *Formal education systems*

- *Equitable economic growth*

**(vi) Serious infectious disease problems**

Despite achieving moderate immunization rates, all three Melanesian countries still have problems with infectious diseases. Of particular importance is the relatively high risk from malaria in the Solomon Islands and STD (including HIV/AIDs) in Papua New Guinea.

*Strategic focus*

- *Primary health delivery*

**B. Middle Income Countries**

***Cook Islands, Federated States of Micronesia, Fiji, Samoa, and Tonga:*** *These countries generally have a higher skill base, good long-term growth prospects, moderate resource potential, strong tourism potential, high international labor mobility, generally good social development indicators, and low poverty. (ADB Pacific Strategy Report, 2000, p. 28)*

The middle-income countries are the affluent countries of the PDMCs. While there are individuals and families that are poor, poverty is not an endemic feature of these economies. Despite their relative affluence, all five countries are having difficulty generating sufficient jobs to keep their workforces productively employed. In most cases, this has resulted in a continuing out-migration as people pursue income-earning opportunities overseas. The resulting remittance flows from overseas workers, at least in the case of the Cook Islands, Samoa, and Tonga, making a significant contribution to those economies.

The key issues in the Middle Income countries are:

**(i) Heavy reliance on out-migration and remittances (except Fiji)**

While the ability to pursue work opportunities outside the domestic economy give these countries a marked advantage over most other PDMCs, it also has led to a brain and brawn drain, to the extent that several countries have difficulty developing their domestic economy.

*Strategic foci*

- *Economic growth*
- *Domestic job creation*
- *Skill level improvement*

**(ii) Serious and increasing incidence of lifestyle diseases**

The increasing affluence has led to a change in diet and lifestyle. To the extent that lifestyle diseases including diabetes and cardio-vascular disease are now major causes of death and disability. At least in the case of the Federated States of Micronesia, there has also been a concomitant increase in the level of serious infectious diseases including cholera.

*Strategic foci*

- *Primary health delivery*
- *Health and nutrition programs*

### C. Atoll Countries

**Kiribati, Marshall Islands, Nauru, and Tuvalu:** These countries are severely disadvantaged by their smallness, isolation, and weak resource base. Their economies are characterized by high reliance on external assistance and trust funds, high population density, and high vulnerability to sea level rises. Although considered to have relatively low poverty, these countries have little, if any, potential for self sustained economic growth. A special concern is the sustainability of financing of essential services. (ADB Pacific Strategy Report, 2000, p. 28)

In many ways, the atoll countries face the most difficult challenges of all the PDMCs. With the exception of Nauru, they comprise a scattering of tiny islands over vast areas of ocean. The levels of poverty vary markedly across the group. Kiribati and Tuvalu have few resources and a low to moderate levels of development; but they have both managed to husband those resources well and share them equitably. Nauru started the decade with huge financial reserves that it has since managed to squander, leaving the country close to bankruptcy. The Marshall Islands has relatively high income but very inequitable distribution of the resources.

The key issues in the Atoll countries are:

**(i) Very small economies**

The small size of the countries makes it difficult to provide basic services to their scattered populations. In all cases, the atoll economies have on-going difficulty finding sufficient skilled personnel to run the government and develop the private sector.

*Strategic foci*

- Good governance
- Mentoring schemes
- Staffing support

**(ii) Remote and difficult access**

The remoteness from the world economy when combined with the smallness of the economies is a major impediment to development. The cost of travel is a significant deterrent to tourism and the shipping times limit most production to non-perishable commodities.

*Strategic focus*

- Alternative service delivery strategies (low per capita cost)

**(iii) Weak resource base**

Atolls, by their very nature, offer few resource development opportunities. The copra industry, which was the mainstay of these economies through most of the 20<sup>th</sup> century, virtually collapsed in the mid 1980's leaving many outer islands with little or no income. Subsequent attempts to develop dried fish, seaweed, and other transportable products have, to date, met with little success. Aside from establishing trust funds, some of which have been very successful, these economies have little choice but to look overseas for opportunities to employ their growing workforce.

*Strategic foci*

- Trust fund management
- Develop overseas employment opportunities

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**(iv) Wide scattering of small communities (except Nauru)**

A major constraint on equitable development is the difficulty in providing access and information to the widely scattered small communities. It is very difficult and costly to provide services to these communities. These are costs and difficulties that small island countries have a great deal of difficulty meeting.

*Strategic focus*

*-Innovative communications and transport*

**(v) Limited opportunity for out-migration (except Marshall Islands)**

The atoll countries have little choice but to look overseas for opportunities to employ their growing workforce. To achieve this, they must have the cooperation of the developed economies and appropriate education and training systems. At the same time, they cannot neglect the domestic economy and must make attempts to foster the equitable development of the outer islands.

*Strategic foci*

*-Formal education systems*

*-Develop overseas employment opportunities*

*-Rural development*