
EXECUTIVE SUMMARY

Most people don't associate poverty with the Pacific. It is usually linked to the suffering of children in Africa or the backbreaking labor of so many in Asia. Both 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 many have small populations. Over the years, Pacific Islanders have learned to cope. They have developed cultures based on both cooperation and sharing with strong support systems that oblige people to share what they have with their families and communities. And they have developed production systems that are designed to cope with these risks.

Pacific Islanders are rightly proud of their cultures and, in particular, these reciprocity obligations. So proud in fact that many have trouble accepting that poverty is, or can be, an issue in their society.

One commonly held view is that Pacific Islanders live in a state of subsistence affluence. This is certainly not true for all; and even when true, it is a narrow confine with few opportunities for change and development. The standard of education and resources available; the remoteness from the world economy; limits on participation and traditional land management systems combine to restrict the opportunities available to most Pacific Islanders. There is little that is new in this; for generations many Pacific Islanders have struggled to achieve a reasonable standard of living from the available resources.

While poverty lines are not available for most to the Asian Development Bank's (ADB) Pacific Developing Member Countries (PDMCs), the United Nations Development Programme's (UNDP) Human Poverty Index (HPI)¹ provides a guide to the number of disadvantaged in the Pacific. The HPI analysis indicates that close to 43 percent of the total population of the PDMC are disadvantaged. Ninety-five percent of these disadvantaged live in the three Melanesian countries. While the HPI provides a guide to those at risk, it is not a poverty line. It is important that further work be done in the PDMCs to determine the number of poor and disadvantaged in each country so that appropriate intervention and support programs can be designed and implemented.

Traditionally, support from the extended family or community went a long way to alleviating poverty; but for this system to work, it is necessary that the giver be able to improve the livelihood of the receiver. If the whole family or community is poor, there may be little it can do to alleviate the poverty of any member. There are communities, families, and individuals throughout the Pacific who, despite the social support systems, live in hard-core poverty.

¹ See paragraph 103 for a definition of the Human Poverty Index (HPI) and the calculation method.

Thus, poverty of opportunity persists and in some cases, is getting worse, despite a fairly widespread capacity to do something effective about it.

After 20 or more years of determined attempts by many agencies and governments to stimulate growth, the majority of Pacific Islanders continue to rely on household production for their subsistence. Overall, the performance of the PDMCs remains disappointing. Poverty is a real issue in many of the PDMCs and even the better-off countries struggle to provide productive employment for their workforce.

In the past, the traditional support systems provided most with at least enough support to maintain a basic life style. As the economies become increasingly monetized and come under the pressure of continuing population growth, the traditional support systems are breaking down. One consequence is an increase in the incidence, depth, and severity of poverty throughout the Pacific.

As stated in the ADB's *Pacific Strategy for the New Millennium*, the five key development challenges facing the PDMCs over the medium term are: (i) disappointing macroeconomic and growth performance over the past decade; (ii) increasing poverty, particularly in Papua New Guinea, Solomon Islands, and Vanuatu; (iii) continuing reliance on large government investments due to inadequate private sector response; (iv) increasing environmental degradation; and (v) little progress in strengthening the role of women in political, economic, and social spheres.

In its publication, *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*, the ADB outlines the objectives and issues that must be addressed if the goal of equitable growth is to be achieved. The objectives are described as the Three Pillars of Growth: Good Governance, Social Development, and Sustainable Growth. This analysis provides a useful guide to the suite of issues that must be addressed.

Duncan and Pollard² have extended the analysis to incorporate the hierarchy of institutional constraints that must be satisfied to achieve equitable growth. The hierarchy provides a guide to the type and prioritization of interventions and support needed to move a country towards the goal of equitable growth. In essence, the Duncan/Pollard analysis shows that the achievement of equitable growth is dependent on private investment, which in turn requires effective markets, resource availability, and opportunity. These cannot flourish without a sound public expenditure program, enforceable private rights, and supportive social environment. Only effective governance can deliver public investment and enforceable private property rights and it can only operate when there is civil and social order. A modified version of their analysis is used in this report to prioritize equitable growth strategies.

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

² Duncan, Ron & Steve Pollard (2001) *A Conceptual Framework for a Country Poverty Reduction Strategy*, Presented to: The Asia and Pacific Forum on Poverty: Reforming Policies and Institutions for Poverty Reduction, February 5-9 2001, Manila

their traditional resource management (land) systems with the development needs of modern economies.

The order of the following issues approximates the priority that they should be given when in the public sector investment programs. The key issues that affect all the PDMCs and suggested strategic foci are:

(i) Difficulties in providing good governance

Strategic foci

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

(ii) Population growth outpacing economic growth

Strategic foci

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

(iii) Declining educational performance

Strategic foci

- *Formal education systems*
- *Public expenditure*

(iv) Weakness of the private sector

Strategic foci

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

(v) Break down of traditional support systems

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

Strategic foci

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

There are marked differences in the state of development and situations in the various PDMCs. These differences have been used in the ADB's Pacific Strategy for the New Millennium to classify the countries into three groups: 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 addition to the key issues facing all PDMCs, each of the above groups face some specific issues. For example, in the Melanesian group the over-riding priority should be to resolve problems with civil and social order.

Melanesian countries (*Papua New Guinea, Solomon Islands, and Vanuatu*):

(i) *Problems with civil and social order*

Strategic foci

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

(ii) *Large subsistence populations in rural areas*

Strategic foci

- *Rural development*
- *Employment creation*

(iii) *High poverty rates*

Strategic foci

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

(iv) *Low levels of economic development*

Strategic foci

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

(v) *Limited opportunity for out-migration*

Strategic foci

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

(vi) *Serious infectious disease problems*

Strategic focus

- *Primary health delivery*

Middle Income Countries (*Cook Islands, Federated States of Micronesia, Fiji, Samoa, and Tonga*):

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

Strategic foci

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

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

Strategic foci

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

Atoll Countries (*Kiribati, Marshall Islands, Nauru, and Tuvalu*):

(i) *Very small economies*

Strategic foci

- *Strengthen governance capacity*
 - *Mentoring schemes*
 - *Staffing support*
- (ii) Remote and difficult access**
Strategic focus
- *Alternative service delivery strategies (low per capita cost)*
- (iii) Weak resource base**
Strategic foci
- *Trust fund management*
 - *Develop overseas employment opportunities*
- (iv) Wide scattering of small communities (except Nauru)**
Strategic focus
- *Innovative communications and transport*
- (v) Limited opportunity for out-migration (except Marshall Islands)**
Strategic foci
- *Formal education systems*
 - *Develop overseas employment opportunities*
 - *Rural development*

A key issue that is often overlooked 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. This “safety first” principle is understandable; better a basic but certain lifestyle than risk the potentially severe consequences of failure. While few individuals and families in the PDMCs are on such a knife-edge of poverty, many are vulnerable. In the circumstances it is likely that they will react conservatively to change unless their kin, the community or the government, underwrites the risk.

A major institutional issue that is currently facing the ADB is its sometimes-conflicting roles as, one hand a Bank and the other a development agency. Over the years the ADB’s targets and aims have become increasingly complex. In the early years, ADB’s focus was very specific: the production of more food (usually rice). The issues that needed addressing were technical and financial; the problems could be solved with technical skill and delivered against clear-cut conditions. The appropriate modality was project financing.

Over the years, the activities and constraints have been expended to incorporate a wide range of social and economic issues that extend well beyond the boundaries of “the project”. This change has been both appropriate and necessary; but it also has implications for ADB operations. Increasingly, the issues needing to be addressed can only be solved through influence and technical support, the time scales involved are extending, and money is becoming markedly less important. The Bank to Government project finance modality is not well suited to this task.

The necessity (practice) of channeling all operations through governments is a major institutional constraint for the operations of the ADB and other international agencies. Where the level of governance is poor and/or the risk of corruption is high, much of the intended benefit may not be realized. This is especially the case when the target is the poor or other disadvantaged groups. Almost by definition, these groups have limited access to government and national resources. Serious thought needs to be given to developing modalities that would enable the ADB and other agencies to bypass national governments and work directly with civil society.