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Is Poverty an Issue in the Pacific?

CHRIS LIGHTFOOT and TONY RYAN

Chris Lightfoot and Tony Ryan are staff consultants working with the Asian Development Bank's Office of Pacific Operations on poverty issues in the Bank's developing member countries. Robert Siy, Manager of Area A, Office of Pacific Operations, delivered this paper at the *Asia and Pacific Forum on Poverty: Reforming Policies and Institutions for Poverty Reduction* held at the Asian Development Bank, Manila, 5-9 February 2001.

I. Background

Most people do not 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 most 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. In addition, they have developed risk management strategies in traditional production systems.

Pacific Islanders are 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. But are they correct?

II. Poverty of Opportunity

The overriding issue in the Pacific is the poverty of opportunity. 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.

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. For some the gradual assimilation into the world economy has brought prosperity and opportunity, but most others remain trapped in a never-ending struggle just to survive.

Traditionally support from the extended family or community went a long way to alleviating poverty, but for this system to work it is necessary for that the giver be able to improve the livelihood of the receiver. If the whole family or community is poor, there may be little that can be done 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.

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

III. Evolution of Poverty of Opportunity in the Pacific

A. Resource Base

Most Pacific Island nations have very few natural resources. With the exception of Papua New Guinea, Vanuatu, and Fiji, agricultural land is very limited and can usually do little more than support the local population. The atoll islands have few resources aside from phosphates (that are now close to exhaustion) and black pearls. Most are remote, which limits potential exports to nonperishable goods and services. A few countries have managed to develop tourist industries but the remoteness of others limits this option. Tuna is an important resource to many countries and is contributing significantly to their economies. Timber resources have been plundered in recent times, an unfortunate reality of weak governance and uninformed communities.

Of critical importance has been the virtual demise of the copra industry. It is one of the few exportable commodities that can be produced in the outer islands; the loss of this source of income has left many communities with little or no cash income.

B. Social System

In most countries, the traditional system is based upon a hierarchy of power with an elite who control the community's resources. Access to resources is determined by patronage, with leaders allocating access rights according to a combination of need, tradition, and political expediency. The traditional system has checks and balances that act as constraints on the leaders, including a strong obligation to ensure that everyone has access to at least enough resources to provide a basic standard of living. This system works satisfactorily where the extent of the resources and the competing demands for those resources are clearly understood by all—that is, there is transparency.

But as the Pacific island economies continue the transition toward monetized economies that are integrated into the world economy, the nature and extent of national resources have changed. Those that control the monetary economy now have a marked advantage over those that are on the fringes. Three forces are leading to marginalization of

some groups and individuals. Firstly, in some countries, national politics operate as an extension of the traditional tribal system with politicians supporting their own clan while ignoring others. Secondly, in other countries, as the leaders are becoming more removed from their communities, the obligations to support the community are being diluted. Finally, in general, the skills required to access the resources of the modern economy are different from those required to prosper under the traditional system, and the mix of “winners” and “losers” is changing.

Traditional systems are breaking down but variations on this system survive in most countries with the traditional or public service elite now dominating the public sector and continuing to control access to and distribution of national resources. While this patronage system may have functioned fairly well in a small tight-knit community, it is a far less effective method of managing complex, modern economies.

Other social issues that are marginalizing sections of the population include the problems with civil and social order in several countries and the alienation of the youth in many countries as a result of a failure to create meaningful employment, which in turn leads to a breakdown of law and order. The erosion of the rule of law marginalizes the weak and those without influence or power. It creates a society where those that can bully or bribe their way through the system prosper while those without influence or power languish.

C. Capital

Typically public sector investment dominates capital expenditure. Even in those countries with a significant private sector, there is little private sector investment.

The continued support provided by aid has been crucial to the maintenance of the economies of the region. Most countries rely on aid to fund public sector capital expenditure. In some cases this is a carryover from the days when the colonial power funded infrastructure and other capital expenditure. In others it is a matter of necessity because domestic revenue is barely sufficient to meet the operating costs of government. In all cases, capital expenditure tends to be spasmodic and driven by donor priorities. It is also often concentrated on the “main” island or in the capital city. This leaves the remote communities underserved and with even fewer opportunities for development.

Most of the economies have shown little if any real per capita growth for many years. Domestic activity is also constrained by low labor productivity and very limited opportunity to add value to the primary products and minerals on which most economies are based. In part this is due to rapid population growth, but it also reflects the limited opportunities for economic growth, and the capture of aid funds by the urban elite. In a few cases, the situation has been relieved by the outmigration of workers to Australia, New Zealand, and the United States. Several countries now rely on remittances from expatriate citizens to sustain the economy.

IV. The Nature of Poverty in the Pacific

The Asian Development Bank's (ADB) report, *Fighting Poverty in Asia and the Pacific* says:

...poverty is a deprivation of essential assets and opportunities to which every human is entitled. Everyone should have access to basic education and primary health services. Poor households have the right to sustain themselves by their labor and be reasonably rewarded, as well as having some protection from external shocks. Beyond income and basic services, individuals and societies are also poor and tend to remain so—if they are not empowered to participate in making decisions that shape their lives (ADB 1999).

In the Pacific, these aspects of inequity and disadvantage are associated with limited opportunities to earn cash income; risks associated with change; shortage of financial, technical, and social services; nature and quality of governance processes; and discrimination due to gender, ethnicity or status.

A. Limited Opportunities to Earn Cash Income

While the majority of Pacific Islanders rely on household production for their subsistence, they also need cash for education, health, and social obligations etc. In addition, to rise above a basic standard of living, they must generate sufficient wealth to invest in training and assets. The combination of limited resources, a burgeoning population, and generally weak economic growth make it very difficult to meet these needs.

B. Risks Associated with Change

In the Pacific, being different is positively discouraged. Those that choose to follow another path risk losing the respect and support of the community. They also risk failure. Where people are living close to the edge, the cost of failure can be catastrophic. Since the opportunities are limited the benefits to be gained from taking a risk can be small while the cost can be high. The real risk inherent in change is a powerful force against development.

C. Shortage of Financial, Technical, and Social Services

Throughout the Pacific the urban populations are better served than the rural ones. This partly reflects the cost of servicing remote locations, but it also reflects the reluctance of professionals to locate outside the main centers. Priority is often given to the development and service needs of the main centers. Rural development often ends up taking a back seat to urban roads, higher education, and infrastructure. The result is a reduction in opportunities available to those that live in rural and remote areas.

There are also sometimes differences in the services available to ethnic communities and for each gender.

D. Nature of Governance

Some Pacific island cultures have a strong tradition of participation in decision making. This tradition continues at the village and community levels but weakens at higher levels of public administration because elected leaders often represent several communities. While some leaders are able to put aside their vested interests, many do not. The result is that a disproportionate percentage of national resources are channeled to the leader's clan.

Patronage is also a tradition. Many see it as right and proper for a leader to help friends, relatives, and colleagues. Most see nothing improper about petitioning politicians or public servants for goods and services. This system can work well in a small community, but it can have damaging consequences when applied in the complex environment of nation or regional government. The use of patronage rather than transparent systems favors those with influence and penalizes those without it. Small and remote communities are marginalized, thereby reducing their opportunities and increasing the incidence of poverty.

An associated issue is the rule-of-law. Several countries have experienced coups, military uprisings, attempted secessions, and serious civil disorder. These disruptions threaten lives and livelihoods. They discourage investment and reduce employment opportunities. The services and opportunities available to the majority decline while a few that can either bully or bribe their way to success prosper. But even the prosperous usually invest much of their wealth offshore and hence reduce the funds available to develop the country.

E. Discrimination Due to Gender, Ethnicity, or Status

Most Pacific Islands populations are ethnically homogeneous so there is no discrimination based on ethnicity. There is also little discrimination based on social status. The position of women is more complex. While some societies are matrilineal and women have considerable power and influence, in others women face systematic discrimination. Even in those societies where women have equal rights, they are often underrepresented in secondary and higher education, government, and management. They are confined to household activities, often combined with substantial subsistence workloads. They have few cash income opportunities and are frequently subjected to physical abuse.

V. Key Variables Influencing Poverty in the Pacific

The key variables to growth are vulnerability, political stability and good governance, capacity and skills, culture, population growth, and physical and financial infrastructure (ADB 2000).

A. Vulnerability

Vulnerability is a characteristic of most small island economies. They suffer disproportionately from external shocks, such as climatic events or market failures.

In a small country, a storm or earthquake can cause serious damage throughout the whole country. Equally, small countries often have a narrow economic base. They are susceptible to falls in the price of their few exports, with copra being a good example.

Planning and investment can help mitigate adverse impacts but their impact can never be fully offset.

B. Political Instability

Political instability is common in the Pacific. Uninformed electorates, tribal-based political systems, and corruption have all contributed to regular changes of governments. In fact, during the 12 months to mid-1999, there were changes of government in seven of the ADB's 12 Pacific member countries. One current government contains eight former prime ministers! Frequent changes of government and the associated changes of policy direction all too often result in development policies that marginalize the poor.

Nor is the region free from violence. In 1987 Fiji experienced two coups and an attempted putsch in 2000, followed by a military uprising. The Solomon Islands suffered a short civil war in 2000. Papua New Guinea has suffered a military uprising in 1989, a long-running attempted secession of Bougainville, and endemic civil and social disorder. Vanuatu's police force rebelled and kidnapped the prime minister and other officials. This civil and social disorder reduces the effectiveness of government, absorbs scarce national resources, reduces employment opportunities, disrupts markets, damages property, and exposes people to the risk of injury. Usually, it is the weakest and most vulnerable who suffer the most in these situations.

C. Good Governance

Good governance embodies predictability, participation, accountability, and transparency. Since 1995, the ADB has led efforts to improve governance. These have been at least partially successful with improvements in economic policy development and public sector management in all 12 countries. But predictability is still constrained by ad hoc politically motivated expenditure decisions. In many Pacific island countries, the lines between executive roles of public servants and governance roles of politicians are blurred. Patronage remains common and the degrees of accountability and transparency vary significantly between countries.

D. Capacity and Skills

Capacity and skills at all levels are in short supply throughout the Pacific. This is a major constraint to equitable development. While top management is generally sound, middle and lower echelons are often weak. Too often weak management capacity leads to

failure of projects after foreign support is withdrawn. Partly, this is because of low priority for donor funding of technical and vocational training. Donors have tended to focus on postsecondary education through scholarships, most of which go to government employees wishing to study economics, political science, and other liberal arts. Technical and vocational training is underfunded in the local education systems and underrepresented in scholarships for overseas training.

There has been a serious decline in the quality of basic primary education in rural regions of many Pacific island countries. If this continues, there is a risk that the resulting collapse of basic literacy and numeracy will cause rural communities to become even more mired in the poverty trap.

E. Culture

Culture has a major bearing too, by affecting the opportunities available to people. Monetization is changing the nature and dynamics of local cultures. One important outcome is the gradual breakdown of social safety nets.

The customary ownership of land and common land use rights are deeply embedded cultural traditions in most Pacific cultures. This protects the land rights of tribal owners, but it is a constraint to mobilizing private investment, especially for agricultural and tourism development.

The role of churches in Pacific societies is frequently overlooked. Many Pacific Islanders are Christian and are intensely religious. They contribute a large percentage of their income to maintaining the property and officers of the church. For poor households, this commitment can absorb virtually their entire disposable income, yet there is a strong compulsion to contribute. Further, there is a tendency for these demands to expand or contract to absorb available cash in a given year. Moreover, they almost always take precedence over formal financial debt servicing obligations. This places a considerable constraint on economic development. It also partly explains the generally low savings rates in Pacific countries, and is a real factor in preventing poor families from improving their condition.

Women are poorer than men in both rural and urban areas. In many countries, rural women work about 50 percent more hours than men, and get lower priority for access to food within the family. They do most of the agricultural work, including local marketing of surpluses, but are rarely the target of agricultural development initiatives. Women are far too often the victims of domestic violence.

F. Population Growth

Population growth is high in most Pacific countries and in most cases, is outstripping economic growth. While Polynesian countries and Marshall Islands have offset the high population growth rates with equally high emigration rates, the other countries are failing to find productive employment for the growing workforce. As populations continue to grow, the pressure on natural resources is increasing and the capacity of these resources to sustain those populations is under threat.

G. Physical and Financial Infrastructure

The physical and financial infrastructure is generally weak throughout the Pacific. The smaller and remote countries face problems in maintaining their international links. The larger countries are having trouble maintaining their road networks. And all must cope with providing interisland shipping services to small and remote communities. Inevitably, transport links are often unreliable, exacerbating the problems faced by the remote communities. For example, only half of the 2000 coffee crop produced in Papua New Guinea was marketed.

The communications services also have a direct bearing on the quality of life. It is expensive to service small scattered communities but if they are not given access to adequate communications their opportunities to improve their situation will be reduced. There is a risk that many isolated communities will miss out on the information technology revolution, even though they have the most to gain.

As for the financial sector, most rural communities are not well served. Few financial institutions are represented in country areas. In no small part, this is due to the land tenure systems that tightly restrict ownership of land. These restrictions prevent financial institutions from taking land as security for loans, constraining the opportunities for development.

In summary, while the incidence, depth, and severity of poverty vary greatly between countries, there can be no doubt that poverty is an issue across the Pacific.

References

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