

ASIAN DEVELOPMENT BANK

Office of Pacific Operations

POVERTY

Is it an issue in the Pacific?

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While it is *not* possible to create a society where all people are borne with equal advantage it *is* possible to create one where people have equal opportunity. Not only is this the compassionate way but it is also sensible economics. A society that enables talent to manifest itself will benefit by extracting the best from the most. A society that prescribes roles according to class or birth will constrain its development.

Table of CONTENTS

ABBREVIATIONS	<i>vi</i>
EXECUTIVE SUMMARY	1
I. INTRODUCTION	7
II. SITUATION	9
A. Nature of Poverty.....	9
B. Causes of Poverty.....	14
III. FRAMEWORK FOR ANALYSIS	19
A. Strategies Framework.....	19
B. Constraints to Development.....	24
IV. COUNTRY CONSULTATION PROCESS	29
V. POVERTY PROFILE	31
A. Indices.....	31
B. Poverty Line.....	34
C. Measures of (Income) Inequality.....	36
D. Social Indicators.....	36
E. Gender Issues.....	39
F. Governance Indicators.....	42
VI. ISSUES AND STRATEGIES	45
A. Melanesian Countries.....	47
B. Middle Income Countries.....	49
C. Atoll Countries.....	50
Appendix I: POVERTY INDICATOR STATISTICS	53

TABLES

1. Poverty Line in the PDMCs.....	35
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FIGURES

1. Degree of Poverty Relative to the Level of Development.....	11
2. Needs and Providers Matrix.....	12
3. Equitable Growth Goal, Objectives, and Strategies.....	19
4. Constraints to Equitable Growth.....	24
5. Consultation Process.....	30
6. Human Development Index, Pacific Developing Member Countries.....	32
7. Human Poverty Index, Pacific Developing Member Countries.....	32
8. Composite Vulnerability Index, Selected PDMCs and Other Small States.....	34
9. Combined Gross Enrolment Rate by Gender, PDMCs.....	37
10. Improvements in Life Expectancy at Birth, PDMCs, 1980s, 1994, and latest available year.....	38
11. Differences in Adult Literacy Rate by Gender, PDMCs.....	40
12. Gender Differences in Life Expectancy, PDMCs.....	41

APPENDIX TABLES: Poverty Indicator Statistics

1. Papua New Guinea.....	54
2. Solomon Islands.....	55
3. Vanuatu.....	56
4. Cook Islands.....	57
5. Federated States of Micronesia.....	58
6. Fiji.....	59
7. Samoa.....	60
8. Tonga.....	61
9. Kiribati.....	62
10. Marshall Islands.....	63
11. Tuvalu.....	64

ABBREVIATIONS

ADB	–	Asian Development Bank
AIDs	–	Acquired Immune Deficiency Syndrome
ERP	–	Economic Reform Program (Cook Islands)
FSM	–	Federated States of Micronesia
GDP	–	Gross Domestic Product
HDI	–	UNDP's Human Development Index
HIV	–	Human Immuno-Deficiency Virus
HPI	–	UNDP's Human Poverty Index
NGO	–	Non-Government Organization
PDMC	–	ADB Pacific Developing Member Country
PNG	–	Papua New Guinea
RETA	–	ADB Regional Technical Assistance
STD	–	Sexually Transmitted Disease
UNDP	–	United Nation's Development Programme
UNTAET	–	United Nation's Transitional Administration for East Timor

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.

I. INTRODUCTION

The President of the Asian Development Bank (ADB), Mr. Tadao Chino, announced that *“fighting poverty and improving living standards of all the people in the region will be the over-arching objective of the ADB”* during the 32nd Annual Meeting in Manila in May 1999. This announcement crystallized the focus of ADB’s long-term aim of fostering economic development in its Developing Member Countries (DMCs). As part of its efforts to address poverty issues in the Pacific Developing Member Countries (PDMCs), ADB initiated RETA 5907: Poverty Assessment in PDMCs. This report was prepared under RETA 5907. Given that around 33 percent of ADB’s lending to the PDMCs is from the ADF,³ the poverty focus is particularly appropriate for its operations in the Pacific.

The strategies outlined in the following are based upon the analysis of the current situation in each PDMC. The framework used has been derived from the approaches described in the ADB publication *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy* and the work of Duncan and Pollard⁴. The description of the current situation in each country is from other works also prepared under RETA 5907, plus various country documents and other sources as listed in the bibliography.

Sections II, III, and IV provide a general description of the situation in the PDMCs. Section V includes assessments of the situation in each of the PDMCs, plus a listing of the key issues and strategic foci for the PDMCs as a group.

³ The Asian Development Fund (ADF) is the soft window in the Asian Development Bank’s (ADB) lending portfolio. Loans from the ADF are highly concessionary.

⁴ Duncan & Pollard op cit

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.

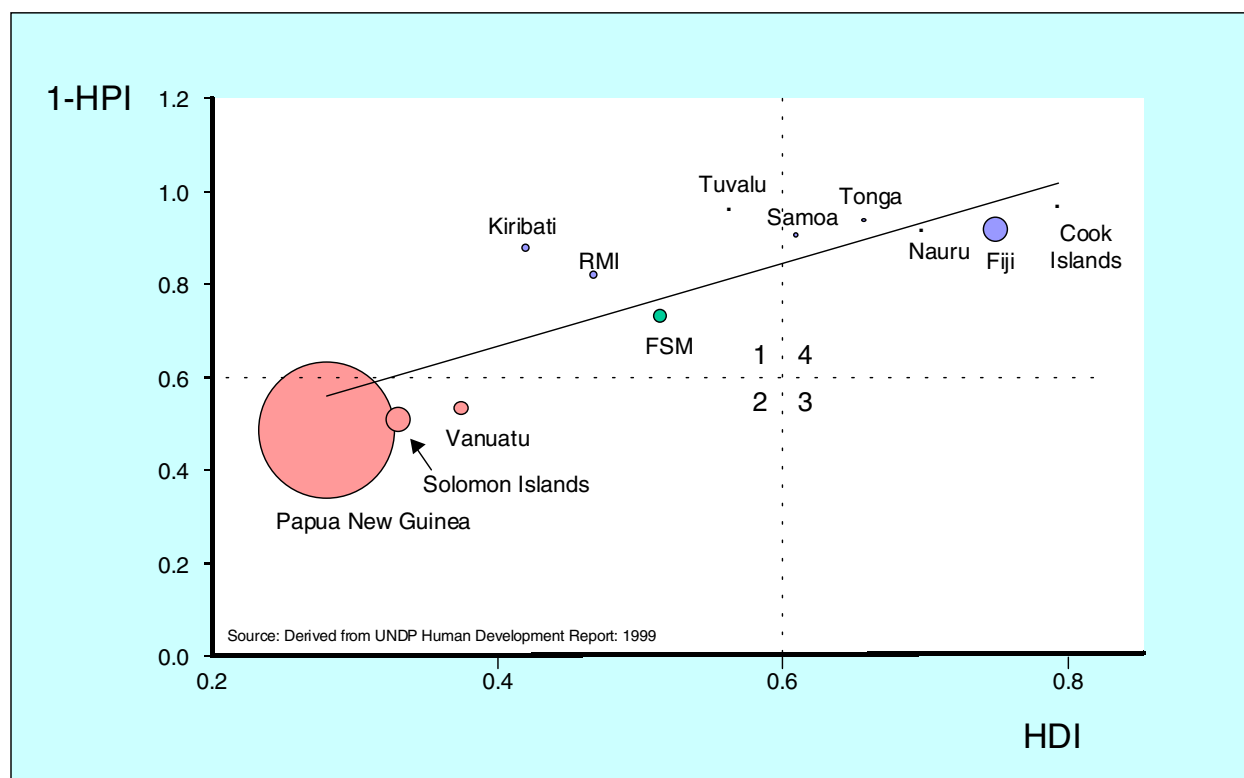


Figure 1: Degree of Poverty Relative to the Level of Development

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	Needs: Emergency food & shelter, livelihood rehabilitation Primary providers: Gov't, NGOs and international agencies	Needs: Short term support— cash, food, shelter Primary providers: Own resources, kinship support and NGOs
	1	4
Hard-Core	Needs: Equitable economic growth Primary providers: Gov't, international agencies and private sector	Needs: Long term support — employment, income, shelter Primary providers: NGOs, kinship support and gov't welfare agencies
	2	3
	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.

III. FRAMEWORK FOR ANALYSIS

A framework for analysis should include both the range of the issues that need to be addressed and the priority that should be given to addressing each issue. The range used in the following analysis has been derived from the ADB publication, *Fighting Poverty in Asia and the Pacific*. The priorities are based on the work done by Duncan and Pollard (2001).

A. *Strategies Framework*

The ADB's approach to encouraging pro-poor economic growth, as set out in *Fighting Poverty in Asia and the Pacific*, is summarized in Figure 3.

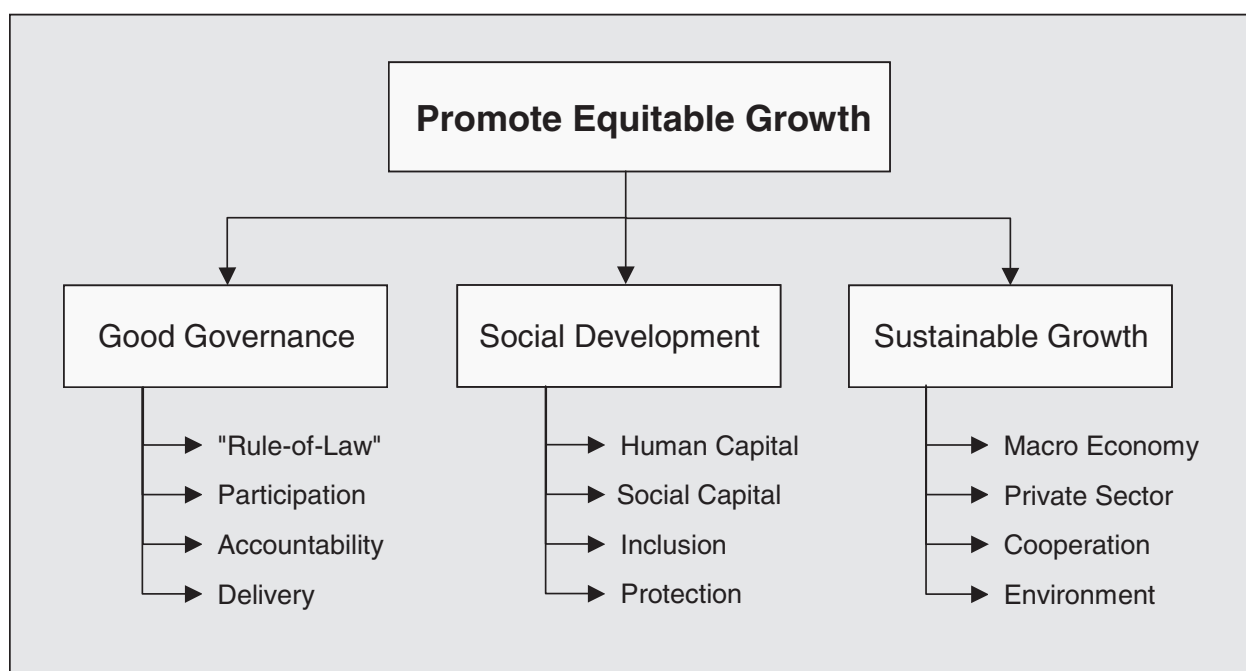


Figure 3: Equitable Growth Goal, Objectives, and Strategies

The ADB sees its primary role as being to promote equitable growth. Through achieving this goal, it can assist in helping alleviate the problems facing the poor and under-privileged in Asia and the Pacific. Underlying the goal are three objectives, described in the document as the Three Pillars of Growth: Good Governance, Social Development, and Sustainable Growth. Under each Pillar, there are four issues that must be satisfied if equitable growth is to be achieved. Each of the PDMCs has its own mix of issues that need addressing.

1. Good Governance

Rule-of-Law: *Individual and corporate rights protected*

The Rule-of-Law is the very basis of the State. It provides the security and the legal environment necessary for an economy to develop. The nature of the Rule-of-Law will have a major impact on the extent of inequality in the economy. For equitable growth to occur, it is important that: there is an independent judiciary; the rights of individuals and organizations are protected in the law; all citizens have equal rights under the law; these rights are genuinely accessible to everyone; and there is a functioning law enforcement system. As has been shown in the growth of the developed economies, one particularly important right is that of the right to own and use private property.

Participation: *Broad based community involvement and support*

The nature and degree of access to the political process can be an important determinant of the direction of growth. For growth to be equitable, it is important that the political process fosters broad based involvement. In narrowly based systems, those that are excluded from the process have difficulty making their needs known and almost inevitably become an under-class in society. It is important that, as far as possible: the system is democratic; the system delivers one vote one value; there are no constraints on who can stand for parliamentary office and whose interests they can represent.

An associated and important issue is the stability of government and the transition between governments. The experience in the PDMCs varies considerably. While most of the countries have remained stable and succeeded in changing government without any unrest, several have not. Where instability has been a problem, the impact on economic growth has been significant. Difficulties in delivering stable government combined with occasional uprisings make it very difficult for governments to deliver public services.

Accountability: *Transparent system free from corruption*

Lack of or inadequate accountability in the public sector is a serious barrier to equitable growth. An accountable system incorporates: transparent decision making processes; effective auditing procedures; and enforced anti-corruption laws, regulations, and mechanisms that enable the performance of the public sector to be monitored. Systems where bribes and/or patronage are the normal method used to obtain a favorable decision work for those with money or influence. However, they present serious barriers to the poor or disadvantaged who cannot buy or cajole their way through a system.

Box 1: Mentoring, A Method to Enhance Service Delivery

One method to fast track the process and help ensure its sustainability would be to develop a mentoring scheme. All the PDMCs are small countries. It is totally unrealistic to imagine that they can provide a comprehensive range of public services from within their own resources. There are many skills that are needed occasionally but where the demand will never be sufficient to justify having specifically trained local staff.

Conventionally these skills are obtained from donors, international agencies, NGOs or purchased through contracts. An alternative approach that could be beneficial to all parties would be to establish mentoring arrangements with foreign organizations. This approach could involve establishing links between agencies in the Pacific and agencies in other countries. Staff could be swapped, specialist skills brought in as required and, in some cases, it may be possible to export special skills. The advantages would be that the agencies at both ends of the arrangement would build up an institutional memory. Instead of ad-hoc technical experts arriving and providing once off services, the on-going relationship would help ensure that there was a clear understanding of the issues to be dealt with and the manner in which they needed to be handled.

Delivery: *Efficient and responsive public service*

The purpose of the public service is to provide public services as efficiently and effectively as possible given the available funds, resources, and staff. Too often it is used as a vehicle for patronage and social security and becomes a burden on society rather than a service to society. The effective and efficient delivery of government services requires: an independent executive; comprehensive service coverage; and accessibility of those services. When the public service does not perform its functions efficiently and effectively, the people that suffer the most are the poor and under privileged. They do not have the resources to purchase services privately and must fall back on what is provided by the government.

2. Social Development**Human Capital: *Affordable and available education and training***

There is ample evidence that shows that knowledge is the key to growth. Knowledge, when combined with resources, gives the individual capacity to seek out and utilize opportunities. In the absence of knowledge, it is hard for even resource rich societies to reach their potential. The source of knowledge is a combination of formal and informal education and learning. For people to have the knowledge and skill needed to grow, it is necessary that: primary and secondary education are available to all with the talent and motivation to take advantage of the opportunity; appropriate post secondary training is available; and the workforce has access to on-the-job and other sources of training. It is also necessary that appropriate social and cultural values be learned.

Social Capital: *Equality of opportunity for whole community*

In many countries, the poor are an under class in society. They are poor because of their status, their class, their ethnicity, their gender, their religion and a host of other justifications for discrimination. In most PDMCs, the communities are of similar ethnic background and religion so people are seldom discriminated against on those basis. However, there are some societies that have distinct social classes, which are used as a basis for discrimination. As with all countries, being born into a poor family is a handicap. Some, by reason of talent and luck, are able to overcome their initial circumstances but many are not.

Many studies have shown that usually, the number of poor women in a society exceeds the number of poor men. This occurs for a range of reasons: women are usually the caregivers and therefore have limited opportunities to find paid employment; some are deserted and others widowed; and girls are often taken out of school before boys, thereby reducing their employment options. Given the intergenerational nature of poverty whereby children from poor families tend to become poor adults, and given the fact that women are generally the child raisers, there is potentially a high pay-off from directing poverty alleviation and mitigation strategies towards women.

Inclusion: *Broad based involvement in society decisions*

To ensure broad based inclusion, it is important that: the rights to organize are protected; there are no repressive labor laws; and that the right of workers to a safe workplace is legally enforced. The social systems must also allow free and open participation in the community, the freedom to worship, belief to be respected, and the important cultural and social values of all groups to be recognized. And most importantly, the citizens should have the right to elect a representative government. To a large extent, all the PDMCs meet these criteria.

An issue in the PDMCs is the increasing importance of money. All the economies are becoming increasingly monetized with an increasing proportion of the transactions that occur in these

economies now involving money. This is having a profound effect on the balance of influence within many economies. While the traditional roles and responsibilities of women, tribal elders, and chiefs remain intact, the importance of those roles has been eroded and the scales have tipped towards those who control money. Since men, through their traditional role as the community representatives, now dominate parliaments, and since the Governments now control much of the community's money, the power of men relative to women and the power of the political leaders relative to the traditional leadership have been increased.

Protection: *Social safety net for times of crisis*

Every society has people who are vulnerable or disadvantaged. This can be due to personal crisis such as sickness, accident or disability. It can also be due to wider problems such as natural disasters, economic or political crisis. The effectiveness with which a society addresses these issues can have major impact on the development of the economy. Where there is little or no safety net, the poor, who have few resources to fall back upon, will adopt a very conservative attitude to risk. They will be more concerned about minimizing the risk of a catastrophe than maximizing their chances for economic growth. An economically rational society will try to counter balance this by reducing the risk of change and thereby encouraging people to seek out new opportunities.

The traditional social safety nets throughout the PDMCs are being eroded. This is in part due to the increasing pressure on the available resources and in part due to the increasing monetization of the economies as people leave their traditional land to find work elsewhere in the country.

Another aspect of *Protection* is safety from disease. Most of the PDMCs have made significant progress in eliminating contagious diseases such as yaws, tuberculosis, malaria, and measles. At the same time, there has been a disturbing increase in lifestyle diseases including diabetes and cardio-vascular disease. In several, the rate of sexually transmitted disease is very high, which gives rise to serious concern about the risks from HIV/AIDs.

3. Sustainable Development

Macro Economy: *Establish and maintain environment conducive to growth*

Having an appropriate macro economic framework is fundamental to achieving economic growth, be it equitable or otherwise. As past experience has shown, striking the correct mix of economic measures can be difficult. The pursuit of self-sufficiency in the 1970s and early 1980s often resulted in inefficient economies with low employment growth and high domestic prices. The negative impact generally fell most heavily on the poor who faced tight labor markets and had to pay higher than necessary prices for basic goods and services. The opening up of economies has generally expanded the employment opportunities and reduced prices albeit at the cost of forcing painful adjustments on the previously protected sectors of the economies. Maintaining the international competitiveness of the economies has also proved to be a difficult challenge. They often have a very narrow production base with few potential exports and limited opportunities to sell services; but resources are tied up by traditional management systems that impede their use. At the same time, the economies are highly dependent on some critical imports, in particular petroleum products. The wages systems are often dominated by a relatively large and well-paid public sector that is loath to take pay cuts, real or otherwise. The combination of a relatively inflexible wages system plus the limited opportunities for earning foreign exchange puts a lot of pressure on casual workers and the small producers who bear the brunt of any adjustment.

Private Sector: *Foster the development of private sector*

For an economy to grow, it is important that private sector investment be allowed to flourish. Even after allowing for the limitations imposed by resources, location, and markets, the growth of private sector investment in the PDMCs has been disappointing. A major reason for this is the property rights systems that are used throughout the Pacific. The tight restrictions on the use and transfer of land have protected the traditional ownership but have been a serious impediment to private sector investment. For the private sector to flourish, it requires an appropriate economic environment that must include enforceable private property rights. In particular, the right to own, occupy, develop, and transfer land is crucial. In the absence of private property rights, there is little incentive for investors to move beyond basic trading activities. Why risk large sums of money in developing something belonging to someone else or something that cannot be sold. Equally, there are few financial institutions that will lend anything more than trivial sums without security. And for property to provide security, it must be transferable.

Another issue that needs to be considered in the PDMCs is the culture. In many PDMCs, few people have more than a superficial understanding of business. Unlike the developed countries of the West where children are exposed to markets, business, money, and the principles of buying and selling on a daily basis, many in the PDMC grow up in an environment where most of their daily needs are grown and harvested from their own land. This cultural experience has a profound effect on the capacity of individuals in PDMCs to establish and operate a successful business.

The very small atoll countries also face a major problem finding employment opportunities for their growing population. The virtual demise of the copra industry has hit these communities very hard. With very limited resource bases, they have few options for creating domestic employment. In the past, many young adults (almost invariably men) have taken jobs in the Nauru phosphate mine or on merchant and fishing vessels. In the future, they will have to seek work elsewhere. An associated issue is the burden an absentee adult places on the remaining adult. Frequently, households are left with few adults (usually women) to bear the burden of caring for the children and elderly while their partner and older children are working overseas.

Cooperation: *Establish regional and sub-regional cooperation*

Cooperation both within a regional and between regions and with international agencies and other donors can help in achieving equitable growth. It provides access to funds and technical support and can improve trading relationships.

Environment: *Environmentally sustainable development*

The pursuit of sustainability has long been accepted as the sensible strategy. However, too often, developing countries, including several in the PDMCs, have sold off their natural resources to foreign interests for an immediate payment of relatively small sums of money. On occasions, this money is pocketed by a greedy few with little or no benefit reaching the people whose livelihood is most directly damaged.

In practice, it all comes down to property rights: who owns the resources and how are their rights acknowledged. In the case of fisheries and minerals, it is common for the Government to claim ownership on behalf of the general community. The Government is then free to use or sell the rights as it sees fit. The experience on Bougainville is an example of the serious problems that can arise if this is done with little regard for the interests of the people who would otherwise use the resources.

Even when the ownership rights are recognized, the Government still has a responsibility to the rest of the nation to regulate the use of natural resources. There are public good issues that need to be taken into account. Ownership should not confer unlimited rights. Private owners should not be allowed to pollute the environment to the detriment of the rest of the community.

B. Constraints to Development

Economic development is a complex and multi-faceted process, whether focused on equitable growth or any other policy objective. The flow chart in Figure 4 shows the basic steps in the economic growth process. If any of these steps are missing or not fully developed, they will be a constraint on further growth. The steps in the growth process provide a useful guide to the prioritization of equitable growth strategies.

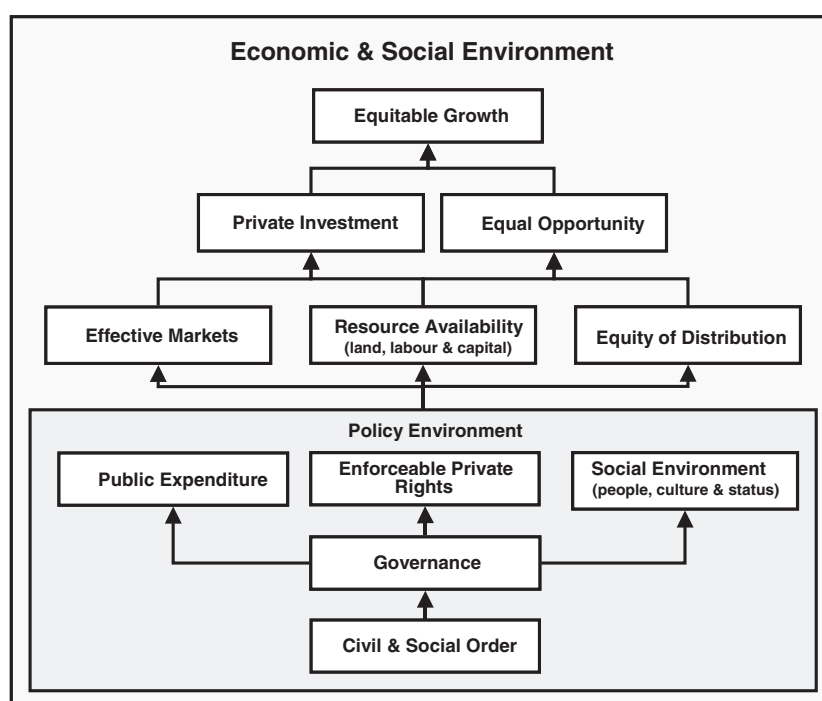


Figure 4: Constraints to Equitable Growth¹⁵

The successful outcome to a project or program largely depends upon the state of the economy. Equitable economic 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 & Social Order. The further up the hierarchy of constraints a country is located, the more likely it is that development projects and programs will be successful.

¹⁵ The figure is derived from the work Duncan & Pollard (2001) op cit.

1. Civil and Social Order

In the absence of civil and social order, it is difficult if not impossible to foster any form of growth, equitable or otherwise. Fortunately, most of the PDMCs have avoided the worst manifestations of civil and social disorder. However, they are not immune to the problem. The catalyst for unrest has varied from economic disadvantage in Bougainville and Vanuatu and the inter-communal tensions in the Solomon Islands and Fiji. Elements of at least some of these issues exist in most of the PDMCs and, when manifested, are the most fundamental constraint to development, investment, equitable growth, and poverty reduction.

2. Effective Governance

In the absence of open and transparent governance, the skills needed to succeed are more political than entrepreneurial. It is the type of climate that encourages influence peddling and outright corruption. While it is possible for business to function in the absence of effective governance, it usually does so through patronage and bribery. Approaches are seldom available to the poor and under-privileged who generally find themselves oppressed in three ways: they have difficulty obtaining access to government services; they must take lowly paid jobs in inefficient industries; and they must pay higher prices for the goods and services purchased.

3. Social Environment

While in the PDMCs where direct corruption is less pervasive than in some other developing countries, the culture of patronage is common. It is an ingrained carry-over from the traditional system resource allocation. In most of the PDMCs, patronage remains a key method for fostering inter-personal linkages through obligatory reciprocity.

Each country has its own word for the process. In Papua New Guinea, the Solomon Islands, and Vanuatu, it is the *wantok*¹⁶ system; in Fiji it is the *kerikeri*; the I-Kiribati call the process *bubuti*; and in Yap it is known as *ayum thew*. Whatever the name, the system is similar: while it is perfectly proper to request a gift, it is quite improper to deny the gift. People who are in a position to give are expected to, and in return, their prestige in the community is enhanced. The system is seen as a laudable practice, one that helps define the very nature of being a Pacific Islander, the **obligation** to help and support others. This creates an environment where politicians, public officials, and business people are under considerable pressure to assist their community.

When confined to the communal level, the patronage system can work quite well. Where the patron knows the resources that are available and the competing demands for those resources, it is possible to equitably allocate access to the resources. Bearing in mind that under the traditional system, if a patron acted inappropriately, the sanctions could be severe.

As the size and range of the resources decreases and the number of competing demands for those resources increase, the patronage system falls apart. When it is no longer possible for the patron to know the limits of the resources or the extent of the competing demands, it is no longer possible for the patron to equitably allocate the resources. In these circumstances, a structured transparent and open system provides a far more equitable method of resource allocation.

¹⁶ *Wantok* is the term used in Melanesian Pidgin (the lingua franca of Papua New Guinea, the Solomon Islands, and Vanuatu) to define the fellow members of a community or clan.

It should also be noted that the Pacific reciprocity system is not all that unusual. A virtually identical system continues to be used by peasant communities of Asia, South America, and Europe.

4. Access to and Availability of Resources

A major cause of inequality in growth is differential access to resources. Over time, as populations grow, the pressure on the communities' resources increases. In many cases, the right of access to the resources is captured by a few. Those that lose their access must find alternative ways to sustain themselves. Some are able to find employment while others rent out their labor to the resources owners.

One common issue in the PDMCs is the restrictions put on the ownership and transfer of land. In many cases, these restrictions are the primary constraint to private investment. For most Pacific Islanders, access to land is a fundamental right and many define their very nature in terms of their land. The restrictions on the use and transfer of land are deliberately aimed at ensuring that the land is not permanently alienated from the people.

An advantage of this very conservative approach to land use is that it has largely succeeded in protecting the landownership of the Pacific Islanders. Unlike many developing countries where land was taken by colonists or sold to immigrants, most Pacific Islanders still retain control over their traditional land.

A major disadvantage of the system is the limits it puts on development. Often, the land laws are so conservative that only the direct owners can use the sites; and even then, financial institutions cannot get enforceable security for their loans. This is a significant impediment to both domestic and foreign investment.

In addition, traditional land tenure systems are breaking down or changing as land is abandoned or bought in exchange for goods and services.

In the context of the Constraints to Growth process, if there are difficulties with Enforceable Private Rights, the risk to Private Investment is likely to be high and therefore, projects and programs designed to foster private investment have a high likelihood of failing to deliver the intended outcome.

5. Public Sector Expenditure

While it is not possible to ensure equality of advantage, it should be possible to ensure equality of opportunity. Public sector expenditure is one of the keys to ensuring that the poor and under privileged have equality of opportunity. For instance, to transport infrastructure that provides the rural population with access to markets, health services, and education; to water and sanitation; to communication networks that enable people to keep in contact, enhance awareness, and increase knowledge; to power that provides the light necessary to study; to schools that provide access to

the knowledge necessary to break out of the poverty trap; to health clinics that help prevent disease, a major cause of disability and disadvantage.

6. Effective Markets

Hernando de Soto¹⁷ argues persuasively that “...most people cannot participate in the expanded market because they do not have access to a legal property rights system that represents their assets in a manner that makes them transferable and fungible, that allows them to be encumbered and permits their owners to be held accountable.” De Soto is writing about the failure of the market to deliver growth in developing countries. He argues that much of the failure can be attributed to the lack of appropriate property rights system, in particular the inability of individuals to exercise control over and mobilize property.

Much of what De Soto has written is directly applicable to the situation in the PDMCs: land is often held in common; the commercial environment is characterized by complex rules and regulations; the rights of the individual are subordinate to the community; the capacity to mobilize and modify property is highly constrained; and the ability to transfer property is very limited. In these circumstances, it is easy for the powerful, usually the traditional elite and/or those in government, to retain control over the economy. It is very difficult for others to rise above a basic standard of living.

Another issue that needs to be considered is culture. In many PDMCs, few people have more than a superficial understanding of business. Unlike the developed countries of the West where children are exposed to markets, business, money, and the principles of buying and selling on a daily basis, many in the PDMC grow up in an environment where most of their daily needs are grown and harvested from their own land. This cultural experience has a profound effect on the capacity of individuals in PDMCs to establish and operate a successful business.

7. Equity of Opportunity

The social structure varies markedly across the Pacific, ranging from the very individualistic *bigman* culture in much of the Papua New Guinean highlands to the absolute monarchy of Tonga. In general, the Melanesian cultures are more individualistic, with a person's status deriving from personal achievement. The Micronesian cultures are more communally based with strong loyalties to traditional leaders. The Polynesian cultures of the central and east Pacific are generally based on a hierarchical leadership structure.

8. Private Sector Investment

Throughout the PDMCs, the rate of private sector investment has been disappointing. There are several factors involved: some PDMCs are simply too small and too isolated to attract much investment interest; nearly all suffer from land tenure difficulties; and the institutional environment is not attractive to sustained long-term investment in most.

¹⁷ De Soto, Hernando. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. Basic Books.

IV. COUNTRY CONSULTATION PROCESS

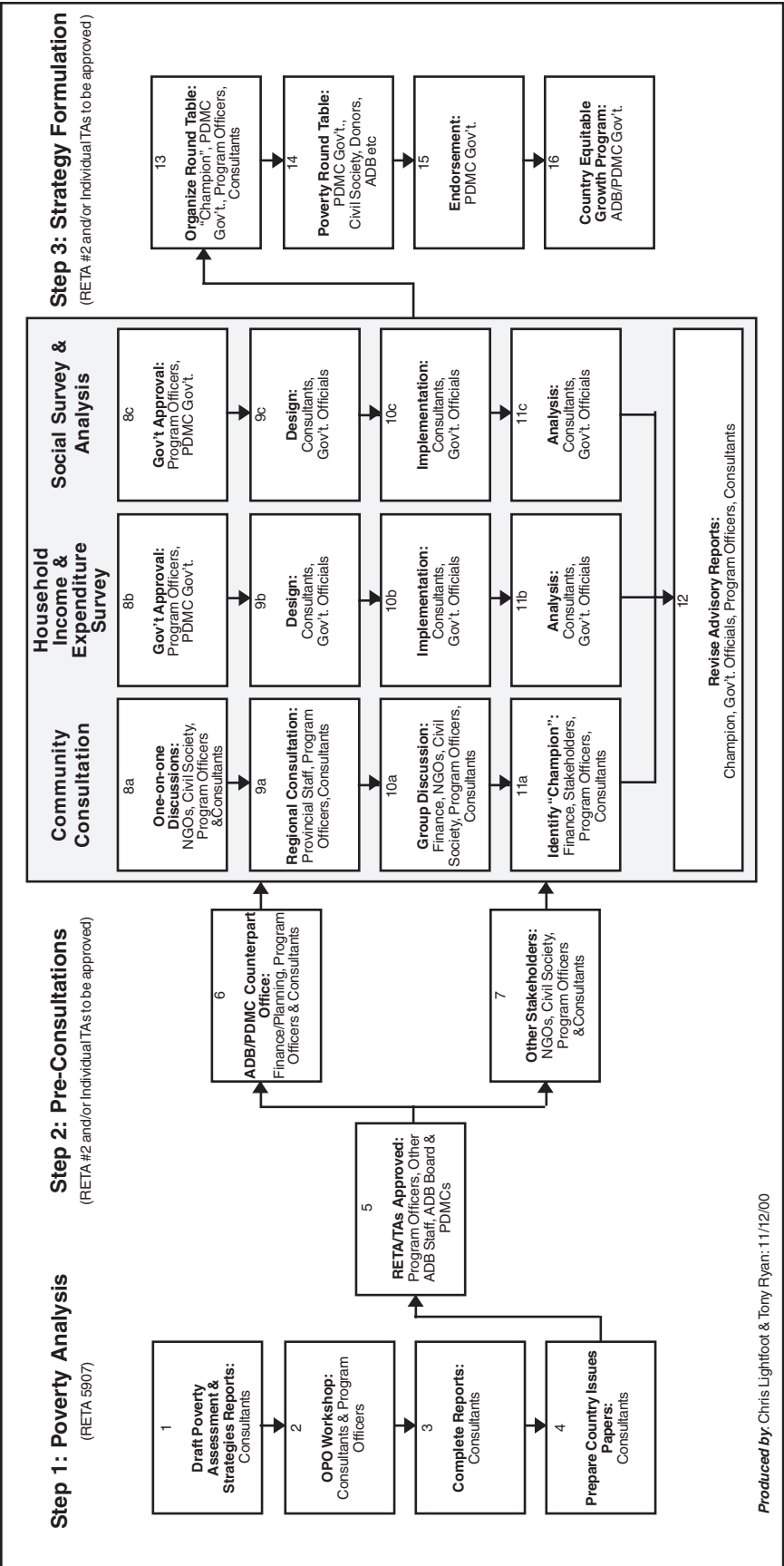
This document has been prepared to assist the ADB's staff in developing a cooperative approach to poverty reduction with the Bank's PDMCs. It is important that the process used to develop the cooperative approach is inclusive and comprehensive. The flow chart in Figure 5 sets out an approach that will ensure that the process is inclusive and comprehensive.

Step 1: Poverty Analysis. Step 1 encompasses the output of RETA 5907. It includes the preparation of poverty assessment and strategy reports and the internal ADB consultation process. The final output will be a set of discussion papers to be used by the desk officers in their consultations with the PDMC Governments. This process will be finished by early March 2001.

Step 2: Pre-Consultations. This phase starts with the ADB approval process for the further RETA/TAs required to take the discussion process to the PDMCs. It comprises three components: (i) Community Consultation, (ii) Household Income and Expenditure Survey, and (iii) Social Survey and Analysis.

- *Community Consultation:* This component includes the desk officers' consultation with the individual PDMC Governments, NGO's and other stakeholders. As envisaged, this process would start out with one-on-one discussions with Government officials, NGOs, and civil society. Where appropriate, these discussions would extend to include provincial/regional government officials and civil society. On completion of the one-on-one consultations, informal group discussions would be held with selected Government officials, NGOs, etc. for the purpose of identifying a Champion who would carry the process forward.
- *Household Income and Expenditure Survey:* This component is likely to be quite time consuming; but in the absence of a detailed HI&E survey, it will be difficult to satisfactorily target the poverty strategies. The process outlined in the flow chart includes approval, design, implementation, and analysis.
- *Social Survey and Analysis:* In all likelihood, the social survey could be carried out in conjunction with the HI&E survey, albeit with a different structure and method. The results of the pre-consultation phase would need to be drawn together to prepare advisory reports for use in the final, Strategy Formulation, phase.

Step 3: Strategy Formulation. It is important that the final strategies are owned by all concerned parties: the government, NGOs, civil society and the ADB. This will best be achieved through a broad consultation process. As outlined in the flow chart, this step would involve a Poverty Round Table. This could be in the form of an open forum or a broadly based meeting with selected invitees. For the process to be effective, it is important that Government and the ADB endorse the end result.



Produced by: Chris Lightfoot & Tony Ryan: 11/12/00

Figure 5: Consultation Process

V. POVERTY PROFILE

In this section of the document, the poverty indicators used to analyze the situation in each of the PDMCs are described. Each sub-section includes brief comments on the situation in one or more of the PDMCs. A complete listing of the available poverty indicators for each of the PDMCs is included in Appendix I.

The data in the tables in Appendix I include: **Poverty Measures**; **Development Progress Indices**; **Inequality Measures**; **Population and Household** statistics; **Macroeconomic** statistics; **Vulnerability Indicators**; **Basic Education** statistics; **Primary Health and Nutrition** statistics; measures of **Gender Issues**, and **Governance** indicators. The quality and availability of data varies markedly between the PDMCs. In particular, the Poverty Measures are available for only three PDMCs. Partial Inequality Measures are available for another two countries. This lack of data is a constraint on the development of sensible poverty reduction strategies.

A. *Indices*

The UNDP calculates the **Human Development Index (HDI)** periodically. It is a composite of three factors: (i) longevity, as measured by life expectancy at birth; (ii) educational attainment, as measured by a combination of adult literacy (2/3 weight) and the combined gross enrolment ratio (1/3 weight); and (iii) standard of living, as measured by GDP per capita (adjusted for purchasing power parity). Countries with a HDI value of 0.800 or more are classified as having high human development status. Those with HDI values between 0.500 and 0.800 are classified as having medium human development. A HDI of less than 0.500 indicates low human development.

In Figure 6, the UNDP's HDI show that majority (75 percent) of the 12 PDMCs have from high to medium human development. The notable exceptions to this are the three predominantly Melanesian countries—Papua New Guinea, Solomon Islands, and Vanuatu—which have HDIs of less than 0.500. This puts them into the lower 30 percent of all developing countries along with some of the poorest in the world (such as Bangladesh, Ivory Coast, Mali, and Mozambique). Of all the PDMCs, only the Cook Islands is classified as having high human development.

The **Gender-related Development Index (GDI)** is similar to HDI except that it shows the level of development of women. The GDI also reflects quality of life—using the same indicators as leading a long life, being knowledgeable, and enjoying a decent standard of living.

The **Human Poverty Index (HPI)** is also calculated by the UNDP. It is a measure of deprivation. It is based on three variables: (i) longevity, as measured by the percentage of the population expected to die before aged 40; (ii) knowledge, as measured by the percentage of adults who are illiterate; and (iii) overall economic provisioning. Three separate indicators are used to measure the third variable: (a) the percentage of people without access to health services; (b) the percentage of people without access to safe water; and (c), the percentage of underweight children below age five.

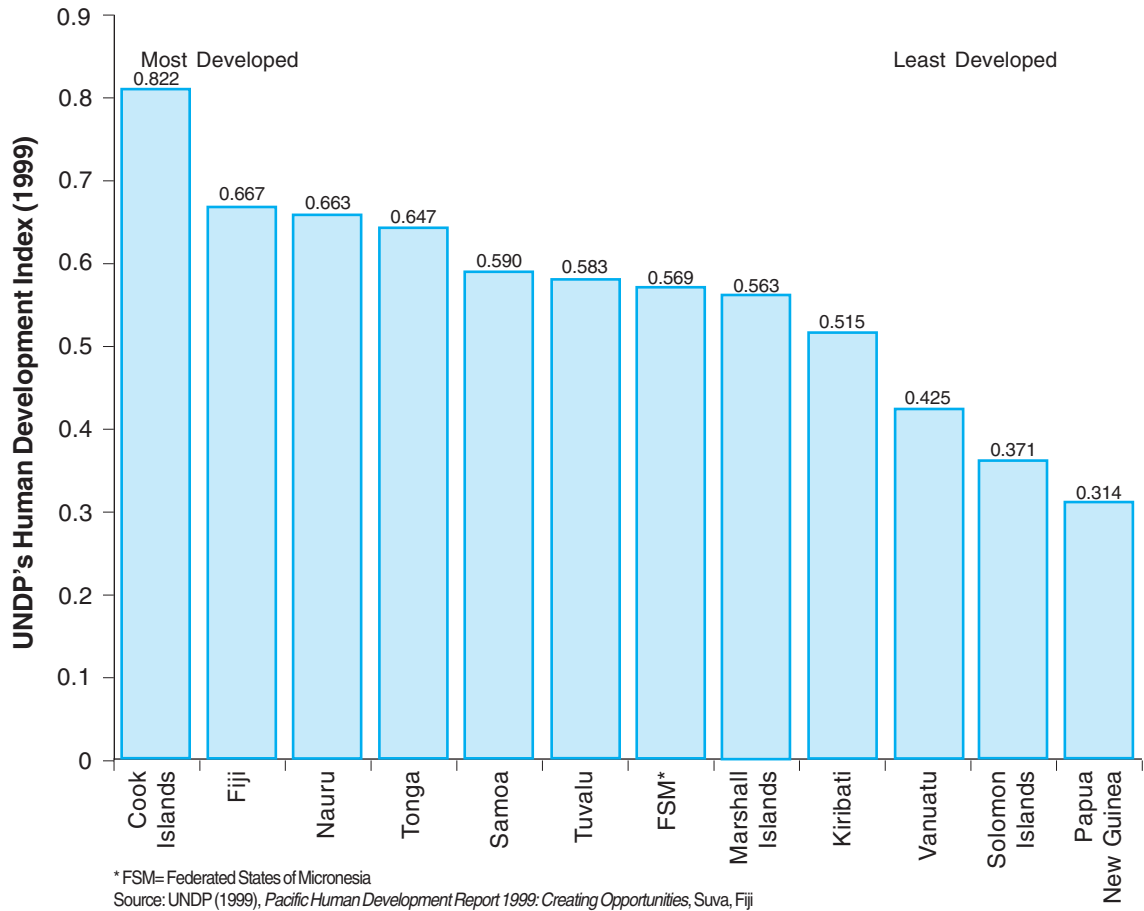


Figure 6: Human Development Index, Pacific Developing Member Countries

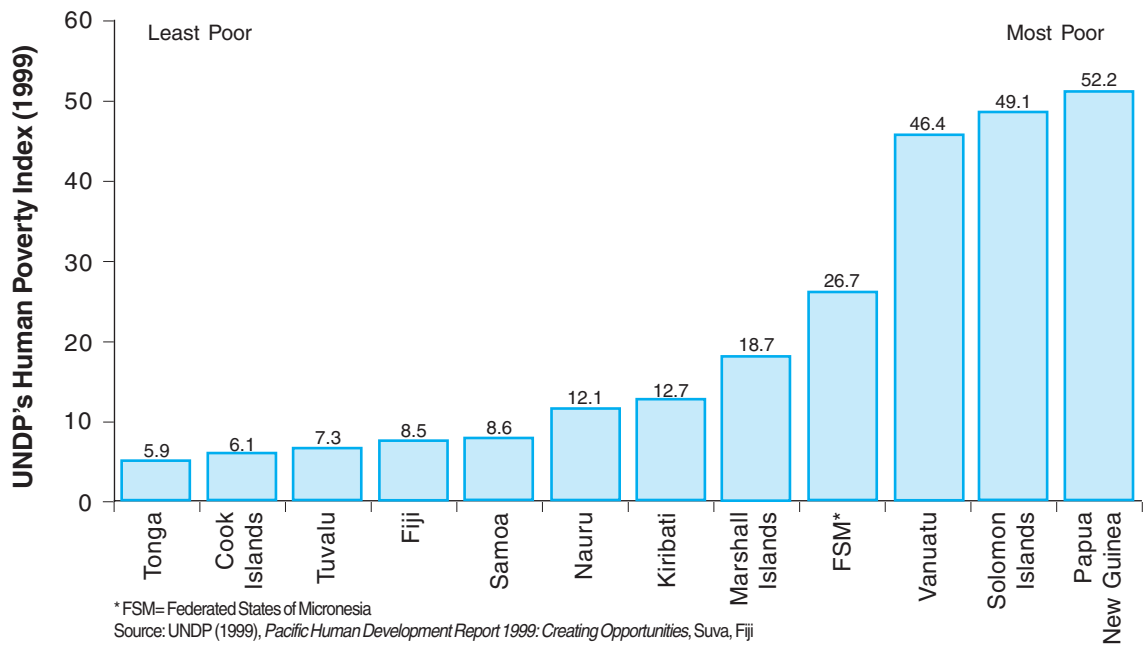


Figure 7: Human Poverty Index, Pacific Developing Member Countries

The UNDP research shows marked differences between the Human Poverty Indices (HPI) of the PDMCs, Figure 7. The three predominantly Melanesian countries (Papua New Guinea, Solomon Islands, and Vanuatu) score badly with close to 50 percent of the population being poor. The Polynesian countries (Samoa, Tuvalu, Cook Islands, and Tonga) do much better with less than 10 percent of the population being poor. Fiji, which has a complex ethnic make up, also does relatively well with less than nine percent of the population shown as being poor. The Micronesian countries are more variable with the Federated States of Micronesia having over a quarter of the population in poverty while the other three have somewhat less than 20 percent classified as poor.

The **Gender Empowerment Measure (GEM)** is a UNDP assessment of the level of gender inequality in key areas of economic and political opportunities (rather than capabilities). It is a composite measure of three indices: (i) for economic participation and decision-making; (ii) for political participation and decision-making; and (iii) for power over economic resources.

The **Composite Vulnerability Index (CVI)** was designed by the Joint Commonwealth Secretariat/World Bank Task Force on Small States to help identify vulnerable states. Vulnerability is the consequence of two sets of factors: the incidence and intensity of risk and threat; and the resilience in recovering from adversity. The CVI is a combined or aggregated measure of: (i) economic exposure (as measured, for example, by trade and capital openness); (ii) remoteness and insularity (as measured by levels of international transport costs); and (iii) proneness to natural disasters (as measured by frequency of, and percentage of population affected by such events).

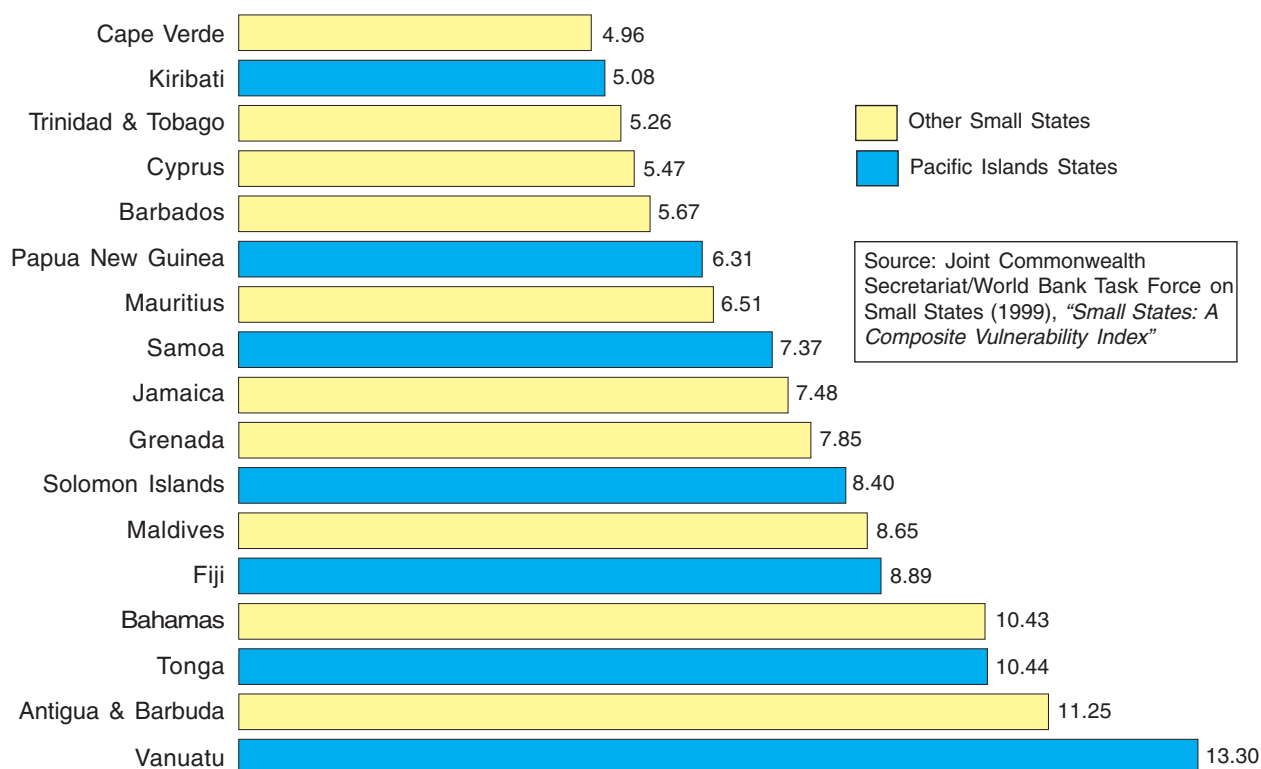


Figure 8: Composite Vulnerability Index, Selected PDMCs and Other Small States

In general, small States are more vulnerable to external economic forces and environmental hazards than are large States. Of the PDMCs, Vanuatu is the most vulnerable, reflecting its relatively low level of per capita GDP and its high susceptibility to natural disasters. The vulnerability of most, if not all, PDMCs stems from the interplay of common factors, such as remoteness, geographical dispersion, vulnerability to natural disasters, a high degree of economic openness, small internal markets, and limited natural resources.

B. Poverty Line

The **poverty line** gives an absolute measure of poverty. It is usually defined as the minimum income that is needed for essential living requirements—food, housing, clothing, water, sanitation, energy, transport, health, and education—and to be able to live according to the norms of society. The poor are then identified as the proportion of the population earning less than the poverty line. There are different ways of calculating the poverty line, the most common of which are discussed in Table 1.

Table 1: Poverty Line in the PDMCs

Pacific DMCs	Household Income & Expend. Survey (year)	National poverty line	
		US\$/year/ household	Headcount index
Cook Islands	x	x	x
Fiji Islands	1991	2,925 ¹	25.50%
Kiribati	x	x	x
Marshall Islands	x	x	x
Fed. States of Micronesia	1998	5,982 ²	40.00%
Nauru	x	x	x
Papua New Guinea	1996	2,065 ³	37.50%
Samoa	x	x	x
Solomon Islands	x	x	x
Tonga	x	x	x
Tuvalu	x	x	x
Vanuatu	x	x	x
East Timor	1999	x	75.00% ⁴

x Currently not available

¹ Based on minimum weekly gross household income required to meet basic needs, assessed at F\$83.00 (converted to US\$ using 1991 exchange rate of F\$1.4756/US\$), and multiplied by 52 weeks. Source: UNDP. 1996. *Fiji Poverty Report*. Suva

² Based on the value of a daily consumption of 2,223 calories and essential non-food expenditure; expressed in annual per capita consumption expenditure. Source: ADB. 2000. *FSM Poverty Profile Report*, draft report prepared by Rosalinda Bautista under TA#3258: *Strengthening the National Statistical System*.

³ Based on a 2,200 daily calorie intake per adult equivalent plus essential non-food expenditures; expressed in adult equivalent per year. Source: World Bank. 1999. *Papua New Guinea: Poverty and Access to Public Services*, Draft Report #19584-PNG.

⁴ Based on household cash expenditure as identified in ADB's *Rapid Assessment Household Survey*. 2000.

A **food-poverty line** indicates the cost of a food consumption basket that is sufficient to meet a minimum food energy requirement per adult per day. It will reflect the dietary patterns of the lower income groups, either nationally or, in some cases, regionally. Measurement of a food poverty line is usually a first step in defining poverty. Another measure, the **basic needs poverty line**, adds an allowance for basic non-food expenditure to the food-poverty line. Both the food poverty line and the basic needs poverty line allow poverty comparisons within an individual country.¹⁸

¹⁸ To allow comparisons between countries, the World Bank has devised an international poverty line, which it has set as US\$1 per day at 1985 purchasing power parity.

Many in the PDMCs have difficulty acknowledging the existence of poverty in their country. One manifestation of this difficulty is the fact that few PDMCs have an established poverty line, as shown in Table 1. One reason for the aversion to the term poverty in the PDMCs is the Pacific Islanders' association of poverty with widespread food shortages. It is, thus, important to emphasize that poverty in the Pacific context is not the same as poverty in Asia. Poverty has a number of faces, some of which are only visible in the Pacific—i.e., most people in the Pacific do not have access to decent public-funded health, education, and technical services; women in the Pacific are disproportionately represented among the disadvantaged; government resources are inequitably distributed across the population; and despite having generally egalitarian societies, Pacific leaders have become more removed from their communities.

C. Measures of (Income) Inequality

Thus far, **Gini coefficients**¹⁹ have been estimated for Fiji (UNDP 1996), Papua New Guinea (World Bank 1999), the Federated States of Micronesia (ADB 2000 under TA No. 3258), and East Timor (Pedersen and Arnberg 1999). For Fiji, the UNDP estimated a total household income Gini coefficient for 1990/91 of 0.460, and a per capita income Gini coefficient of 0.49. The Papua New Guinea Gini coefficient was estimated to be 0.484 in 1996. These levels of inequality are somewhat better than that in the Latin American countries that generally show the greatest level of inequality in developing countries, and marginally worse than the level of inequality in Asian developing countries. Gini coefficient for 1998 is estimated at 0.408 for the Federated States of Micronesia and 0.300 for East Timor. As with Fiji and Papua New Guinea, these levels of inequality are moderate and place the Federated States of Micronesia and East Timor in the mid-range of developing countries. While these generalized indices provide a useful overview they conceal some marked difference within several of the countries.

D. Social Indicators

In many PDMCs, the education system is plagued with widespread inefficiencies and failure to produce a skilled labor force. Low skill levels are not only the result of weaknesses in the formal education system, but also reflect a lack of non-formal and work-based skills training programs. The major causes of the poor quality of education include inadequately trained teachers, scarcity of instructional materials, and poor school facilities. Improving the quality and relevance of education is a major priority for human development.

There are problems with the reliability, comparability, and measurement of many human development figures for the Pacific. For example, **adult literacy rates**, the most common measure of education outcome, are misleadingly high for the Pacific. In most cases, they are not based on any real measurement of functional literacy, but instead come from census counts of the number of adults with three or less years of primary school education. As such, they provide little useful information on the functional literacy of the workforce.

The highest reported adult literacy rates come from the smaller Polynesian island states of Tonga (99 percent), Samoa (96 percent), and Tuvalu (95 percent). The lowest rates are reported from the large Melanesian countries of Solomon Islands (30 percent), Vanuatu (34 percent), and Papua

¹⁹ The Gini coefficient is a ratio (or index of income concentration). It is a statistical measure of income equality ranging from 0 to 1. A measure of 1 indicates perfect inequality; i.e., one person has all the income and the rest have none. A measure of 0 indicates perfect equality; i.e., all people have equal shares of income. In practice, a coefficient of <0.25 shows a low level of income inequality whereas a figure of >0.50 shows a high degree of income inequality.

New Guinea (52 percent). The rankings are affected by the relative size of the PDMCs, as access and delivery of basic education services (or any other basic public services for that matter) are easier and less costly for smaller states.

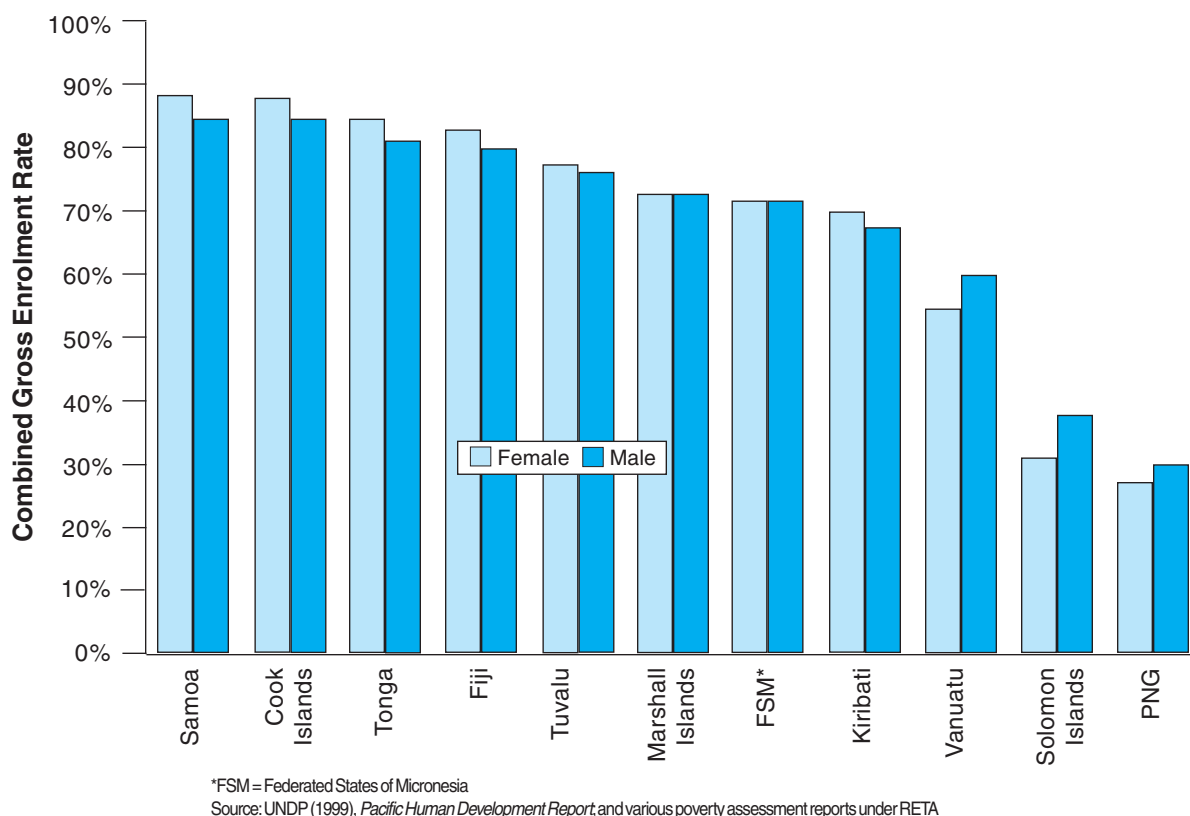


Figure 9: Combined Gross Enrolment Rate by Gender, PDMCs

Another measure of education outcome is the **combined gross enrolment ratio (CGER)**, which is the ratio of total enrolment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. The Polynesian countries continue to report the highest CGER, averaging over 80 percent. Middle ranking are the Micronesian states of the Marshall Islands (72 percent), the Federated States of Micronesia (71 percent), and Kiribati (68 percent). At the low end are the Melanesian countries of Papua New Guinea (29 percent), Solomon Islands (35 percent), and Vanuatu (57 percent). The levels of adult literacy and CGER are consistent with the PDMC's HDI ranking.

The health status of the people in the PDMCs has been undergoing major changes as countries become more developed and urbanized and their population's age, the pattern of illness and death changes. While the incidence of infectious and respiratory illness is still high, there has also been a sharp rise in non-communicable "lifestyle diseases", such as cancer, diabetes, cardiovascular disease, and accidents. The transition towards lifestyle diseases has produced new and costly challenges for the health service. The prevention and mitigation of these diseases also pose a challenge for the education system that now must give increasing emphasis to public education on the importance of proper nutritional and lifestyle practices.

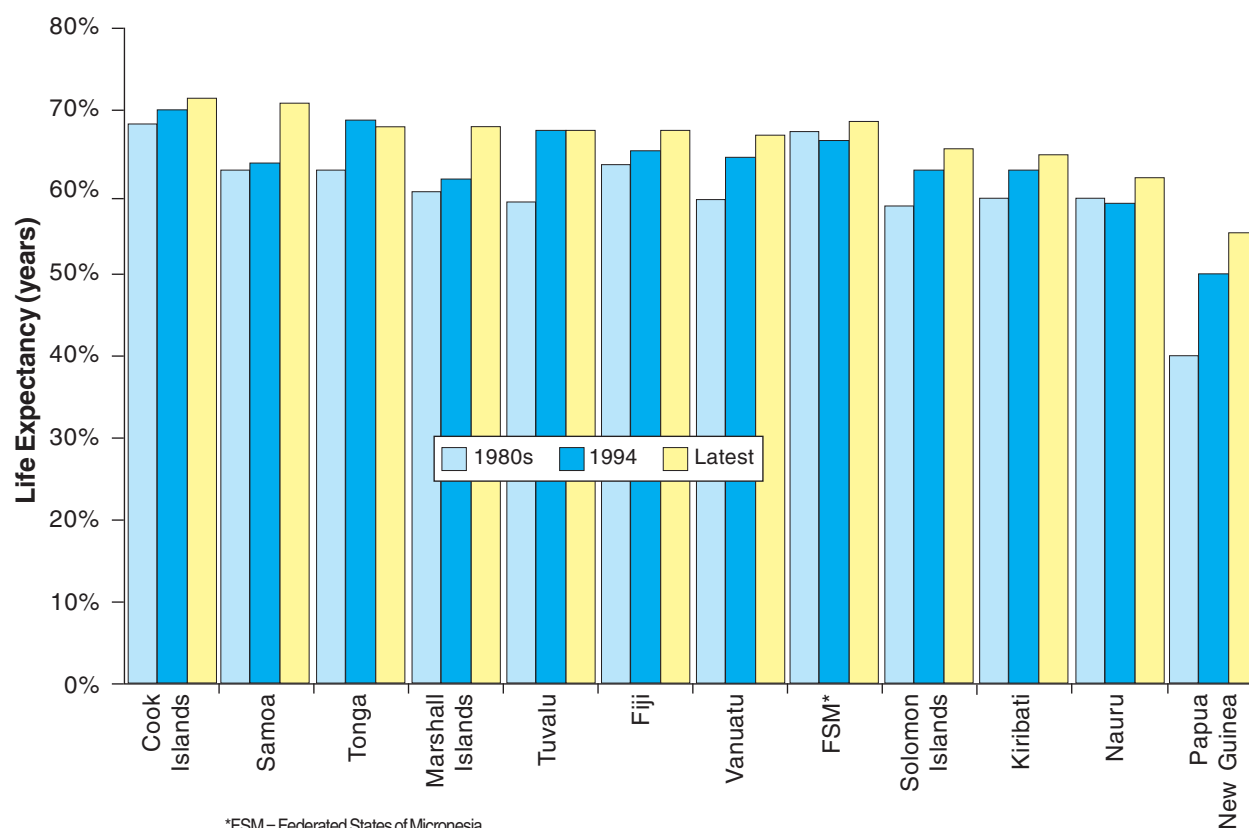


Figure 10: Improvements in Life Expectancy at Birth, PDMCs, 1980s, 1994, and latest available year

Two of the proxies of health outcome used in this report are **life expectancy at birth** and **infant mortality rate**. Life expectancy at birth is defined as the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. Infant mortality rate is the number of infants who die before reaching one year of age, per 1,000 live births in a given year. The past two decades have witnessed improvements in life expectancy at birth, as shown in Figure 10.

Another important measure of health outcome is access to health services, such as safe water, sanitation facilities, and immunization against measles and diphtheria, pertussis, and tetanus (DPT). Of particular note is the fact that some PDMCs that rank well in terms of HPI do not score well in health service access. For example in Tuvalu, which ranked third, 15 percent of the population does not have access to safe water. This is a common situation on small atolls. The Micronesian states of Kiribati, Marshall Islands, and the Federated States of Micronesia have middle-ranking HPI status, which reflects the difficulty of providing services across these widely scattered islands. Also, the lower-ranking of the Melanesian group of Vanuatu, Solomon Islands, and Papua New Guinea largely reflects poor access to basic services due to the large size, dispersal, and diversity of these states.

The **percentage of population with access to safe water** is defined as the share of the population with reasonable access to an adequate amount of safe water (including treated surface water and untreated but uncontaminated water, such as springs, sanitary wells, and protected boreholes). In urban areas, the source may be a public fountain or standpipe located not more than 200

meters away. In rural areas, the definition implies that members of the household do not have to spend a disproportionate part of the day fetching water. An adequate amount of safe water is that needed to satisfy metabolic, hygienic, and domestic requirements—usually about 20 liters a person a day. Among population in the PDMCs, access to safe water varies from a high of 95 percent (in Cook Islands and Tonga) to a low of 24 percent (in Papua New Guinea).

Percentage of population with access to sanitation is the share of the population with at least adequate human waste disposal facilities that can effectively prevent human, animal, and insect contact with human waste. Suitable facilities range from simple protected pit latrines to flush toilets with sewerage. To be effective, all facilities must be correctly constructed and properly maintained.

E. Gender Issues

A crucial component of any human development strategy is the education and health of females. In recent years, evidence from many developing countries shows that there is a close relationship between the educational attainment of mothers, the level of hygiene practiced by the family, the adequacy of family nutrition practices, and the effectiveness of health. Additional schooling also gives mother more control over the spacing and frequency of children and influences her use of health services during pregnancy and birth. Moreover, well-educated mothers tend to have well educated children. It is therefore vital that education policies ensure that girls and young women have access to a full range of education services.

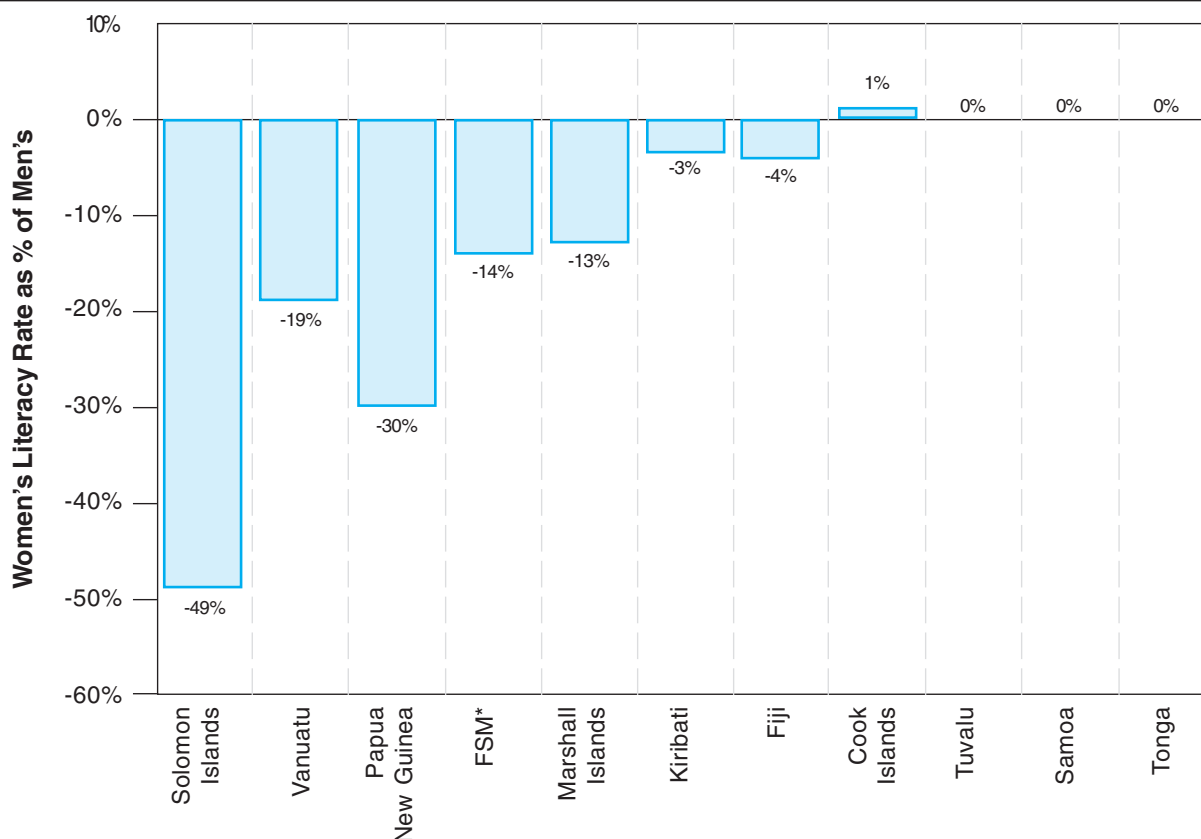


Figure 11: Differences in Adult Literacy Rate by Gender, PDMCs

In several of the PDMCs, there are significant differences between the genders. Figure 11 shows the difference in adult literacy of women and men. In the case of the Polynesian countries Tonga, Samoa, and Tuvalu, there are no differences. In addition, the overall level of adult literacy in these countries is high. Of far greater concern is the level of female literacy in the Melanesian countries where women lag far behind men. The generally low level of overall adult literacy in these countries makes this problem even worse.

For various physiological reasons women generally live longer than men. Where the difference in life expectancy is small, or in extreme cases less than the life expectancy of men, there are serious grounds for concern about the situation facing women. In Tonga, Tuvalu, and Kiribati, the life expectancy of women at birth is six years longer than the life expectancy of men. By comparison, as shown in Figure 12, the difference in the life expectancy of women born elsewhere in the PDMCs is markedly shorter. In the extreme case of Papua New Guinea, the life expectancy of women is a year shorter than that of men. These differences suggest that women have to cope with a very difficult life in several of the PDMCs.

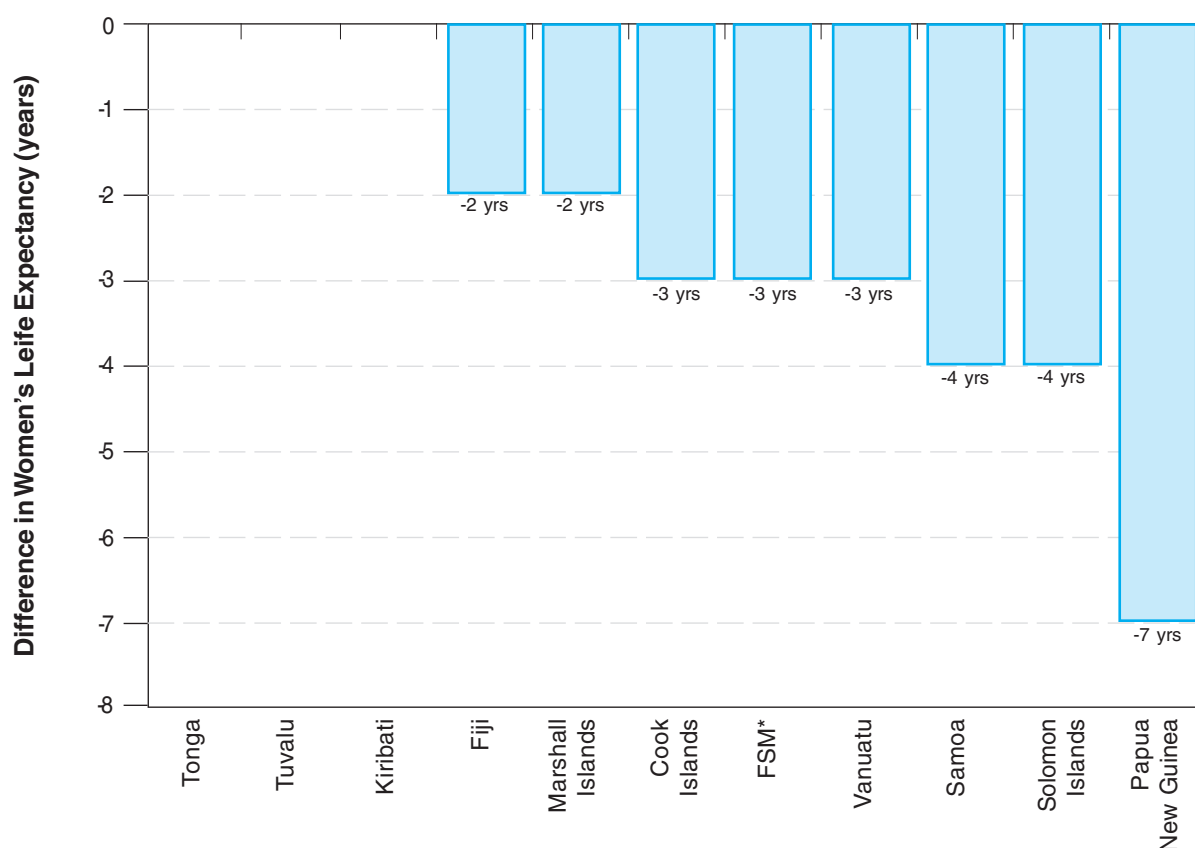


Figure 12: Gender Differences in Life Expectancy, PDMCs

In general, these differences reflect women's poorer access to education and health facilities and such fundamental inequalities as a more restricted range of livelihood or employment opportunities. In general, women have higher status and achievements in countries with better overall human development ranking.

Another important gender issue is the reproductive health of women. In this report, three measures of reproductive health are used: fertility rate, contraceptive prevalence rate, and maternal mortality rate. **Total fertility rate** is the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates. **Adolescent fertility rate** is the number of births per 1,000 women aged 15-19. Countries that are at the bottom of the HDI ranking—i.e., Marshall Islands, Solomon Islands, Papua New Guinea, Vanuatu, and Federated States of Micronesia—have reported fertility rates of five births or more. Top-ranking countries, including Fiji and the Cook Islands, have fertility rates of less than four births.

Fertility rates are somehow influenced by the **contraceptive prevalence rate**, which is the percentage of women who are practicing, or whose sexual partners are practicing, any form of contraception. It is usually measured for married women aged 15-49 only. Countries with high fertility rate usually have low contraceptive prevalence rate. Conversely, countries with low fertility rate have high contraceptive prevalence rate. Among the 12 PDMCs, the Solomon Islands report the lowest contraceptive prevalence rate of eight percent, while the Cooks have the highest rate at 53 percent.

Maternal mortality ratio is the number of women who die during pregnancy and childbirth, per 100,000 live births. The tiny size of many PDMC island populations makes this data especially difficult to get. Available data shows that Papua New Guinea has the highest maternal mortality rate at 930, followed by the Federated States of Micronesia at 561 and Solomon Islands at 550. The lowest rates are reported in the Cook Islands at 20 and Fiji at 31. The results again show that in more developed countries, women have better access to relatively high standard of health services.

F. Governance Indicators

Poverty in the Pacific has often been described as a poverty of opportunity. This means that the lack of opportunities for the disadvantaged groups (such as rural or outer islands people) are seriously handicapped when it comes to advancing their economic well-being. A major constraint of their development is the level of governance.

A significant governance issue in the Pacific is the size of the public sector. Many PDMCs have built large and inefficient public sectors. For example, in the early 1990s public sector employment accounted for 70 percent of paid employees in Kiribati, 69 percent in Tuvalu, 48 percent in Solomon Islands, and 46 percent in Federated States of Micronesia (UNDP 1999). Downsizing of the public sector poses another problem of how to absorb laid-off workers in other productive employment.

One measure of governance used in the report is the level of public spending on basic social services, namely: (i) **public expenditure on education**, which is the percentage of GNP accounted for by public spending on public education plus subsidies to private education at the primary, secondary, and tertiary levels; and (ii) **public health expenditure**, which consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and non-government organizations), and social (or compulsory) health insurance funds.

Most PDMCs spend an average of 17 percent of the budget on education. This is at par with other developing countries whose public spending on education ranges from an average of 17.3 percent in East Asia, 19.9 percent in Sub-Sahara Africa, and 20.5 percent in the Arab States (UNDP 1999). In several PDMCs, education budgets are distorted in favor of higher education, at the expense of primary education. A high proportion of the recurrent budget in primary and secondary schooling goes to paying the salaries of teachers. In order to make spending on education more effective, it should focus on the level of education with the highest social returns and provide quality universal basic education. And the most cost-effective way to do this is probably through a mix of private and public investment.

Public spending on health among PDMCs averaged around 13 percent. With the public sector and economic reform programs currently being undertaken by many of the PDMCs, health spending has come under pressure.²⁰ Instead of the less costly primary health care, expensive hospital-based and referral curative treatment dominates the allocation of public health spending. If the

²⁰ Measures in the reform programs include budget cuts, down- or right-sizing of the public service, and introduction of cost recovery or fee-paying schemes. These measures seem to hit social services particularly hard.

limited existing resources are used more effectively, it is important to improve health management either by: decentralizing management and service provision; identifying new financial options such as social and private insurance systems; or encouraging involvement of the private sector and NGOs in health service delivery.

VI. ISSUES AND STRATEGIES

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 20th 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

(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

Appendix I: POVERTY INDICATOR STATISTICS

The following tables include indicator statistics for each of the PDMCs. There are marked differences in the quality, availability, and coverage of the statistics for each country. The figures used in the tables have been extracted from a range of sources.

- **Poverty Measures:** Derived from poverty studies. These figures are not available for most of the PDMC countries.
- **Development Progress Indices:** Obtained from the UNDP's *Pacific Human Development Reports* (1994 and 1999) and the *Human Development Report* (2000).
- **Inequality Measures:** Derived from poverty studies. These figures are not available for most of the PDMC countries.
- **Population and Household:** In most cases, this data has been obtained from secondary data sources that have relied on census data.
- **The Economy:** Various sources, in most case the data has been extracted from the ADB's *Asian Development Outlook and Key Indicators of Developing Asian and Pacific Countries* plus Country Economic Reports and Country Assistance Plans prepared by the ADB's Office of Pacific Operations.
- **Vulnerability Indicators:** The Composite Vulnerability Index (CVI) is from the joint Commonwealth Secretariat/World Bank report. The other statistics are from the UNDP's *Pacific Human Development Report*; the Caribbean Development Bank's report on the economic vulnerability index of developing countries and the South Pacific Applied Geosciences Commission (SOPAC) report on environmental vulnerability index.
- **Basic Education:** Extracted from country budget documents, central bank reports, and ADB documents.
- **Primary Health and Nutrition:** Extracted from country budget documents, central bank reports, and ADB documents.
- **Gender Issues:** Extracted from country budget documents, central bank reports, and ADB documents.
- **Governance:** Extracted from country budget documents, central bank reports, and ADB documents.

Given the range of sources used to compile the indicators and different methods used to collect the original data, inter-country comparisons could be unreliable.

Poverty Indicator Statistics

Table A.1: Papua New Guinea

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	US\$ 350	• CVI	6.308
- Headcount index	37.50%	- PDMC rank (out of 7 PDMCs)	6
• Food Poverty line	US\$ 230	• Foreign grants (as % of GDP, 1998)	6%
- Headcount index	17%	• Exports (as % of GDP, 1998)	47%
• US\$ 1-a-day	31%	• Imports (as % of GDP, 1998)	28%
• Poverty gap ratio	33%	• Export : Import ratio	01:00.6
• Poverty severity index	...	• Outmigration significant? Y / N	N
		• Remittances significant? Y / N	N
2. Development Progress Indices		7. Basic Education	
• HDI	0.314	• Adult literacy rate	52%
- PDMC rank	12	• CGER	29%
• HPI	52.2	• Expenditure on education (1998)	
- PDMC rank	12	- As % of GDP	5.20%
		- Per pupil	...
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	0.484	• Life expectancy at birth	54
• Income ratio (H20/L20)	12.6	• Infant mortality rate	77
		• Pop'n with access to safe water	24%
		• Population per doctor	17,200
		• Reported TB cases (per 100,000 pop'n)	250
		• Immunization coverage rate (DPT)	60%
		• Expenditure on health	
		- As % of GDP (1990-97)	3%
		- Per capita (2000)	US\$22
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	4.36 M	• GDI	0.536
• Population net growth rate		- PDMC rank	2
- annual average (1990-99)	1.90%	• Total fertility rate	5.2
• Dependency ratio	0.79	• Contraceptive prevalence rate	20%
• Average household size	5.9	• Maternal mortality rate	930
- Poor	6.6	• Life expectancy gender gap (F-M)	-1
- Non-poor	5.4	• Female literacy rate	44%
• Ave. per capita household income		• Female CGER	27%
- H25	K2,127	• Women in paid employment (%)	39%
- L25	K258	• Women in gov't (# of seats held)	2
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-98)	4.60%	• Public sector (% of formal employment)	...
• GDP per capita (1998)		• Share in gov't spending	
- In real terms (1983 purchasers' value)	US\$ 395	- Education (1999)	19%
- In current prices	US\$ 878	- Health (1998)	4%
• Sectoral shares (as % of GDP, 1998)		- Agriculture (1994)	8.20%
- Agriculture	31%	• Educ. exp. on primary level (1998)	35%
- Industry	36%	• Private sector (as % of GDP)	...
- Services	33%	• Public service wages (as % of median wage)	...
• Inflation rate (1999)	14.90%	• Participation in local gov't budget?	Y
• US\$ exchange rate (31 Dec 2000)	K3.0581	• Published economic strategy plan?	Y
• % of labor force in:		• Democratically elected nat'l gov't?	Y
- Informal subsistence sector	77%	• Democratically elected local gov't?	Y
• Debt servicing (as % of GDP, 1998)	5%	• Ombudsman?	Y

Poverty Indicator Statistics

Table A.2 : Solomon Islands

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	...	• CVI	8.398
- Headcount index	...	- PDMC rank (out of 7 PDMCs)	4
• Food Poverty line	...	• Foreign grants (as % of GDP, 1992)	12%
- Headcount index	...	• Exports (as % of GDP, 1997)	43%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1997)	50%
• Poverty gap ratio	...	• Export : Import ratio	01:01.2
• Poverty severity index	...	• Outmigration significant? Y / N	N
		• Remittances significant? Y / N	N
2. Development Progress Indices		7. Basic Education	
• HDI	0.371	• Adult literacy rate	30%
- PDMC rank	11	• CGER	35%
• HPI	49.1	• Expenditure on education (1998)	
- PDMC rank	11	- As % of GDP	5.3%
		- Per pupil	...
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	...	• Life expectancy at birth	64.7
• Income ratio (H20/L20)	...	• Infant mortality rate	38
		• Pop'n with access to safe water	64%
		• Population per doctor	7,292
		• Reported TB cases (per 100,000 pop'n)	...
		• Immunization coverage rate (DPT)	65%
		• Expenditure on health	
		- As % of GDP	...
		- Per capita	...
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	409,000	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	3.70%	• Total fertility rate	5.5
• Dependency ratio	0.93	• Contraceptive prevalence rate	8%
• Average household size	5.9	• Maternal mortality rate	550
- Poor	...	• Life expectancy gender gap (F-M)	2
- Non-poor	...	• Female literacy rate	20
• Ave. per capita household income		• Female CGER	31
- H20	...	• Women in paid employment (%)	48%
- L20	...	• Women in gov't (# of seats held)	2
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-99)	2.90%	• Public sector (% of formal employment)	...
• GDP per capita (1999)		• Share in gov't spending	
- In real terms (1984 factor cost)	US\$143	- Education (1999)	14.0%
- In current prices	US\$780	- Health (1999)	12.1%
• Sectoral shares (as % of GDP, 1995)		- Agriculture (1998)	17.0%
- Agriculture	51%	• Educ. exp. on primary level (%)	...
- Industry	10%	• Private sector (as % of GDP)	...
- Services	39%	• Public service wages (as % of median wage)	...
• Inflation rate (1999)	8.00%	• Participation in local gov't budget?	
• US\$ exchange rate (31 Dec 2000)	SI\$5.1626	• Published economic strategy plan?	
• % of labor force in (1986):		• Democratically elected nat'l gov't?	
- Informal subsistence sector	71%	• Democratically elected local gov't?	
• Debt servicing (as % of GDP, 1998)	4.0%	• Ombudsman?	Y

Poverty Indicator Statistics

Table A. 3: Vanuatu

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	...	• CVI	13.295
- Headcount index	...	- PDMC rank (out of 7 PDMCs)	1
• Food Poverty line	...	• Foreign grants (as % of GDP, 1994)	1%
- Headcount index	...	• Exports (as % of GDP, 1998)	13%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1998)	39%
• Poverty gap ratio	...	• Export : Import ratio	1:03
• Poverty severity index	...	• Outmigration significant? Y / N	N
		• Remittances significant? Y / N	N
2. Development Progress Indices		7. Basic Education	
• HDI	0.425	• Adult literacy rate	34%
- PDMC rank	10	• CGER	57%
• HPI	46.4	• Expenditure on education	
- PDMC rank	10	- As % of GDP (1998)	4.70%
		- Per pupil (2000)	US\$436
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	...	• Life expectancy at birth	66
• Income ratio (H25/L25)	4.6	• Infant mortality rate	45
		• Pop'n with access to safe water	87%
		• Population per doctor	10,811
		• Reported TB cases (per 100,000 pop'n)	...
		• Immunization coverage rate (DPT)	75%
		• Expenditure on health	
		- As % of GDP (1999)	3%
		- Per capita (1993)	US\$26
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	193,300	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	3.00%	• Total fertility rate	5
• Dependency ratio	0.89	• Contraceptive prevalence rate	15%
• Average household size	5.4	• Maternal mortality rate	68
- Poor	...	• Life expectancy gender gap (F-M)	3
- Non-poor	...	• Female literacy rate	30%
• Ave. per capita household income		• Female CGER	55%
- H25	...	• Women in paid employment (%)	46%
- L25	...	• Women in gov't (# of seats held)	0
5. The Economy		10. Governance	
• Real GDP annual growth rate (1980-98)	3.00%	• Public sector (% of formal employment)	...
• GDP per capita (1999)		• Share in gov't spending (1998)	
- In real terms (1983 prices)	\$581	- Education	17%
- In current prices	US\$1,143	- Health	8.50%
• Sectoral shares (as % of GDP, 1998)		- Agriculture	<5%
- Agriculture	23%	• Educ. exp. on primary level (1998)	39%
- Industry	11%	• Private sector (as % of GDP)	...
- Services	66%	• Public service wages (as % of median wage)	...
• Inflation rate (1999)	1.90%	• Participation in local gov't budget?	N
• US\$ exchange rate (31 Dec 2000)	Vt 143.51	• Published economic strategy plan?	Y
• % of labor force in:		• Democratically elected nat'l gov't?	Y
- Informal subsistence sector	80%	• Democratically elected local gov't?	Y
• Debt servicing (as % of GDP, 1999)	1.87%	• Ombudsman?	Y

Poverty Indicator Statistics

Table A. 4: Cook Islands

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	...	• CVI	...
- Headcount index	...	- PDMC rank (out of 7 PDMCs)	...
• Food Poverty line	...	• Foreign grants (as % of GDP)	...
- Headcount index	...	• Exports (as % of GDP, 1999)	5%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1999)	52%
• Poverty gap ratio	...	• Export : Import ratio	01:11.5
• Poverty severity index	...	• Outmigration significant? Y / N	Y
		• Remittances significant? Y / N	Y
2. Development Progress Indices		7. Basic Education	
• HDI	0.822	• Adult literacy rate	93%
- PDMC rank	1	• CGER	85%
• HPI	6.1	• Expenditure on education (1998)	
- PDMC rank	2	- As % of GDP	8%
		- Per pupil	...
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	...	• Life expectancy at birth	72
• Income ratio (H25/L25)	3.25	• Infant mortality rate	11
		• Pop'n with access to safe water	95%
		• Population per doctor	910
		• Reported TB cases (per 100,000 pop'n)	...
		• Immunization coverage rate (DPT)	95%
		• Expenditure on health (1998)	
		- As % of GDP	6%
		- Per capita	US\$160
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	16,100	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	-0.10%	• Total fertility rate	3.7
• Dependency ratio (1996)	0.79	• Contraceptive prevalence rate	53%
• Average household size	4.4	• Maternal mortality rate	20
- Poor	4.8	• Life expectancy gender gap (F-M)	3
- Non-poor	3.8	• Female literacy rate	94%
• Ave. per capita household income		• Female CGER	86%
- H20	...	• Women in paid employment (%)	34%
- L20	...	• Women in gov't (# of seats held)	1
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-99)	2.20%	• Public sector (% of formal employment)	30%
• GDP per capita (1999)		• Share in gov't spending	
- In real terms (1990 prices)	US\$4,018	- Education (1999)	12.50%
- In current prices	US\$4,872	- Health (1999)	10.20%
• Sectoral shares (as % of GDP, 1999)		- Agriculture (1998)	3.90%
- Agriculture	23%	• Educ. exp. on primary level (1994)	31%
- Industry	7%	• Private sector (as % of GDP)	...
- Services	70%	• Public service wages (as % of median wage)	...
• Inflation rate (1999)	1.40%	• Participation in local gov't budget?	
• US\$ exchange rate (31 Dec 2000)	NZ\$2.2573	• Published economic strategy plan?	
• % of labor force in:		• Democratically elected nat'l gov't?	
- Informal subsistence sector	48%	• Democratically elected local gov't?	
• Debt servicing (as % of GDP, 2000)	7%	• Ombudsman?	Y

Poverty Indicator Statistics

Table A.5: Federated States of Micronesia

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	US\$867	• CVI	...
- Headcount index	40%	- PDMC rank (out of 7 PDMCs)	...
• Food Poverty line	US\$437	• Foreign grants (as % of GDP, 1999)	40%
- Headcount index	...	• Exports (as % of GDP, 1996)	5%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1996)	37%
• Poverty gap ratio	51%	• Export : Import ratio	1:08
• Poverty severity index	...	• Outmigration significant? Y / N	Y
		• Remittances significant? Y / N	N
2. Development Progress Indices		7. Basic Education	
• HDI	0.569	• Adult literacy rate	71.30%
- PDMC rank	7	• CGER	71.40%
• HPI	26.7	• Expenditure on education (1998)	
- PDMC rank	9	- As % of GDP	13.40%
		- Per pupil	...
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	0.408	• Life expectancy at birth	65.7
• Income ratio (H20/L20)	9.20%	• Infant mortality rate	46
		• Pop'n with access to safe water	44%
		• Population per doctor	2,277
		• Reported TB cases (per 100,000 pop'n)	2.4
		• Immunization coverage rate (DPT)	60%
		• Expenditure on health (1998)	
		- As % of GDP	6%
		- Per capita	...
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	114,100	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	2.00%	• Total fertility rate	5
• Dependency ratio	0.85	• Contraceptive prevalence rate	25%
• Average household size	6.9	• Maternal mortality rate	561
- Poor	8.4	• Life expectancy gender gap (F-M)	3
- Non-poor	6.2	• Female literacy rate	66%
• Ave. per capita household income		• Female CGER	71%
- H20	US\$3,882	• Women in paid employment (%)	30%
- L20	US\$746	• Women in gov't (# of seats held)	0
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-99)	2.10%	• Public sector (% of formal employment)	...
• GDP per capita (1999)		• Share in gov't spending	
- In real terms (1998 market prices)	US\$1,982	- Education	...
- In current prices	US\$2,035	- Health (1998)	15%
• Sectoral shares (as % of GDP, 1996)		- Agriculture	...
- Agriculture	19.1%	• Educ. exp. on primary level	...
- Industry	3.9%	• Private sector (as % of GDP)	...
- Services	77.0%	• Public service wages (as % of median wage)	...
• Inflation rate (1998)	2.60%	• Participation in local gov't budget?	
• US\$ exchange rate (31 Dec 2000)	US\$1	• Published economic strategy plan?	
• % of labor force in:		• Democratically elected nat'l gov't?	
- Informal subsistence sector	10%	• Democratically elected local gov't?	
• Debt servicing (as % of GDP, 1999)	9%	• Ombudsman?	

Poverty Indicator Statistics

Table A.6: Fiji

1. Poverty Measures			6. Vulnerability Indicators		
• National Poverty line		F\$83.00	• CVI		8.888
- Headcount index		25.50%	- PDMC rank (out of 7 PDMCs)		3
• Food Poverty line		F\$54.55	• Foreign grants (as % of GDP, 1998)		0.10%
- Headcount index		9.90%	• Exports (as % of GDP, 1998)		36%
• US\$ 1-a-day		...	• Imports (as % of GDP, 1998)		51%
• Poverty gap ratio		0.32	• Export : Import ratio		01:01.4
• Poverty severity index		...	• Outmigration significant? Y / N		Y
			• Remittances significant? Y / N		
2. Development Progress Indices			7. Basic Education		
• HDI		0.667	• Adult literacy rate		93%
- PDMC rank		2	• CGER		81%
• HPI		8.5	• Expenditure on education (1999)		
- PDMC rank		4	- As % of GDP		7.4%
			- Per pupil		...
3. Inequality Measures			8. Primary Health and Nutrition		
• Gini coefficient			• Life expectancy at birth		66.5
- Total household income		0.46	• Infant mortality rate		16
- Per capita income		0.49	• Pop'n with access to safe water		77%
• Income ratio (H20/L20)		9.8	• Population per doctor		1,557
			• Reported TB cases (per 100,000 pop'n)		...
			• Immunization coverage rate (DPT)		97%
			• Expenditure on health (1999)		
			- As % of GDP		3.3%
			- Per capita		US\$52
4. Population and Household			9. Gender Issues		
• Population size (1999 estimates)		802,000	• GDI		0.755
• Population net growth rate			- PDMC rank		1
- annual average (1990-99)		1.00%	• Total fertility rate		3.3
• Dependency ratio		0.68	• Contraceptive prevalence rate		31%
• Average household size		5	• Maternal mortality rate		31
- Poor		4.1	• Life expectancy gender gap (F-M)		4
- Non-poor		6	• Female literacy rate		91%
• Ave. per capita household weekly income			• Female CGER		83%
- H10		F\$164.7	• Women in paid employment (%)		21%
- L10		F\$11.1	• Women in gov't (# of seats held)		1
5. The Economy			10. Governance		
• Real GDP annual growth rate (1990-99)		2.80%	• Public sector (% of formal employment)		...
• GDP per capita (1999)			• Share in gov't spending		
- In real terms (1989 factor cost)		US\$1,287	- Education (1999)		19.0%
- In current prices		US\$2,272	- Health (1999)		8.8%
• Sectoral shares (as % of GDP, 2000)			- Agriculture (1998)		2.0%
- Agriculture		19.30%	• Educ. exp. on primary level (1999)		41.3%
- Industry		26.60%	• Private sector (as % of GDP)		...
- Services		54.10%	• Public service wages (as % of median wage)		...
• Inflation rate (1999)		2.00%	• Participation in local gov't budget?		
• US\$ exchange rate (31 Dec 2000)		F\$2.1882	• Published economic strategy plan?		
• % of labor force in:			• Democratically elected nat'l gov't?		
- Informal subsistence sector		...	• Democratically elected local gov't?		
• Debt servicing (as % of GDP, 1998)		2.10%	• Ombudsman?		

Poverty Indicator Statistics

Table A.7: Samoa

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	...	• CVI	7.371
- Headcount index	...	- PDMC rank (out of 7 PDMCs)	5
• Food Poverty line	...	• Foreign grants (as % of GDP, 1999)	12%
- Headcount index	...	• Exports (as % of GDP, 1999)	8.0%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1999)	49%
• Poverty gap ratio	...	• Export : Import ratio	01:06.4
• Poverty severity index	...	• Outmigration significant? Y / N	Y
		• Remittances significant? Y / N	Y
2. Development Progress Indices		7. Basic Education	
• HDI	0.59	• Adult literacy rate	96%
- PDMC rank	5	• CGER	86%
• HPI	8.6	• Expenditure on education (1999)	
- PDMC rank	5	- As % of GDP	5%
		- Per pupil	...
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	...	• Life expectancy at birth	71
• Income ratio (H20/L20)	...	• Infant mortality rate	22
		• Pop'n with access to safe water	90%
		• Population per doctor	3,150
		• Reported TB cases (per 100,000 pop'n)	...
		• Immunization coverage rate (DPT)	95%
		• Expenditure on health (1999)	
		- As % of GDP	25%
		- Per capita	US\$53
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	176,500	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	1.0%	• Total fertility rate	4.2
• Dependency ratio	0.71	• Contraceptive prevalence rate	31%
• Average household size	...	• Maternal mortality rate	70
- Poor	...	• Life expectancy gender gap (F-M)	2.0
- Non-poor	...	• Female literacy rate	96%
• Ave. per capita household income		• Female CGER	88%
- H20	...	• Women in paid employment (%)	19%
- L20	...	• Women in gov't (# of seats held)	3
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-99)	1.5%	• Public sector (% of formal employment)	40%
• GDP per capita (1999)		• Share in gov't spending	
- In real terms (1994 prices)	US\$1,187	- Education (1996-99)	14.0%
- In current prices	US\$1,416	- Health (1999)	10.3%
• Sectoral shares (as % of GDP, 1999)		- Agriculture (1996-99)	3.4%
- Agriculture	21%	• Educ. exp. on primary level (%)	...
- Industry	23%	• Private sector (as % of GDP)	...
- Services	56%	• Public service wages (as % of median wage)	...
• Inflation rate (1999)	0.30%	• Participation in local gov't budget?	
• US\$ exchange rate (31 Dec 2000)	ST3.090	• Published economic strategy plan?	Y
• % of labor force in:		• Democratically elected nat'l gov't?	Y
- Informal subsistence sector	80%	• Democratically elected local gov't?	
• Debt servicing (as % of GDP, 1999)	2.1%	• Ombudsman?	Y

Poverty Indicator Statistics

Table A.8: Tonga

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	...	• CVI	10.439
- Headcount index	...	- PDMC rank (out of 7 PDMCs)	2
• Food Poverty line	...	• Foreign grants (as % of GDP, 1990)	4%
- Headcount index	...	• Exports (as % of GDP, 1998)	6%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1998)	50%
• Poverty gap ratio	...	• Export : Import ratio	01:08.9
• Poverty severity index	...	• Outmigration significant? Y / N	Y
		• Remittances significant? Y / N	Y
2. Development Progress Indices		7. Basic Education	
• HDI	0.647	• Adult literacy rate	99%
- PDMC rank	4	• CGER	83%
• HPI	5.9	• Expenditure on education (1998)	
- PDMC rank	1	- As % of GDP	4.80%
		- Per pupil	...
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	...	• Life expectancy at birth	68
• Income ratio (H20/L20)	...	• Infant mortality rate	19
		• Pop'n with access to safe water	95%
		• Population per doctor	2,184
		• Reported TB cases (per 100,000 pop'n)	...
		• Immunization coverage rate (DPT)	92%
		• Expenditure on health (1998)	
		- As % of GDP	3%
		- Per capita	US\$57
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	98,700	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	0.30%	• Total fertility rate	4.3
• Dependency ratio	0.88	• Contraceptive prevalence rate	32%
• Average household size	...	• Maternal mortality rate	160
- Poor	...	• Life expectancy gender gap (F-M)	6
- Non-poor	...	• Female literacy rate	99%
• Ave. per capita household income		• Female CGER	84%
- H20	...	• Women in paid employment (%)	39%
- L20	...	• Women in gov't (# of seats held)	0
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-99)	2.30%	• Public sector (% of formal employment)	11%
• GDP per capita (1999)		• Share in gov't spending (1999/2000)	
- In real terms (1984/85 factor cost)	US\$592	- Education	17%
- In current prices	US\$1,555	- Health	12%
• Sectoral shares (as % of GDP, 1999)		- Agriculture	5%
- Agriculture	38%	• Educ. exp. on primary level (1993)	36%
- Industry	12%	• Private sector (as % of GDP)	...
- Services	50%	• Public service wages (as % of median wage)	260%
• Inflation rate (1999)	4.40%	• Participation in local gov't budget?	
• US\$ exchange rate (31 Dec 2000)	TS\$1.9817	• Published economic strategy plan?	
• % of labor force in:		• Democratically elected nat'l gov't?	
- Informal subsistence sector	28%	• Democratically elected local gov't?	
• Debt servicing (as % of GDP, 1999)	4%	• Ombudsman?	

Poverty Indicator Statistics

Table A.9: Kiribati

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	...	• CVI	5.082
- Headcount index	...	- PDMC rank (out of 7 PDMCs)	7
• Food Poverty line	...	• Foreign grants (as % of GDP, 1997)	2%
- Headcount index	...	• Exports (as % of GDP, 1998)	15%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1998)	87%
• Poverty gap ratio	...	• Export : Import ratio	01:05.7
• Poverty severity index	...	• Outmigration significant? Y / N	N
		• Remittances significant? Y / N	Y
2. Development Progress Indices		7. Basic Education	
• HDI	0.515	• Adult literacy rate	92%
- PDMC rank	9	• CGER	68%
• HPI	12.7	• Expenditure on education (1998)	
- PDMC rank	7	- As % of GDP	0.60%
		- Per pupil	...
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	...	• Life expectancy at birth	61.6
• Income ratio (H20/L20)	...	• Infant mortality rate	67
		• Pop'n with access to safe water	76%
		• Population per doctor	3,700
		• Reported TB cases (per 100,000 pop'n)	...
		• Immunization coverage rate (DPT)	72%
		• Expenditure on health	
		- As % of GDP	...
		- Per capita (1997)	US\$84
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	87,800	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	2.20%	• Total fertility rate	4.5
• Dependency ratio	0.84	• Contraceptive prevalence rate	28%
• Average household size	6	• Maternal mortality rate	225
- Poor	...	• Life expectancy gender gap (F-M)	6
- Non-poor	...	• Female literacy rate	91%
• Ave. per capita household income		• Female CGER	69%
- H20	...	• Women in paid employment (%)	33%
- L20	...	• Women in gov't (# of seats held)	1
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-98)	3.90%	• Public sector (% of formal employment)	...
• GDP per capita (1998)		• Share in gov't spending	
- In real terms (1991 market prices)	US\$409	- Education (1990s)	19%
- In current prices	US\$530	- Health (1999)	18.30%
• Sectoral shares (as % of GDP, 1998)		- Agriculture	...
- Agriculture	20%	• Educ. exp. on primary level (1996)	63%
- Industry	6%	• Private sector (as % of GDP)	...
- Services	74%	• Public service wages (as % of median wage)	...
• Inflation rate (1998)	4.70%	• Participation in local gov't budget?	
• US\$ exchange rate (31 Dec 2000)	A\$1.7883	• Published economic strategy plan?	
• % of labor force in:		• Democratically elected nat'l gov't?	
- Informal subsistence sector	74%	• Democratically elected local gov't?	
• Debt servicing (as % of GDP, 1999)	0.30%	• Ombudsman?	

Poverty Indicator Statistics

Table A.10: Marshall Islands

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	...	• CVI	...
- Headcount index	...	- PDMC rank (out of 7 PDMCs)	...
• Food Poverty line	...	• Foreign grants (as % of GDP, 1999)	44%
- Headcount index	...	• Exports (as % of GDP, 1997)	14%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1997)	66%
• Poverty gap ratio	...	• Export : Import ratio	01:04.8
• Poverty severity index	...	• Outmigration significant? Y / N	Y
		• Remittances significant? Y / N	N
2. Development Progress Indices		7. Basic Education	
• HDI	0.563	• Adult literacy rate	74%
- PDMC rank	8	• CGER	72%
• HPI	18.7	• Expenditure on education (1998)	
- PDMC rank	8	- As % of GDP	9.20%
		- Per pupil	US\$372
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	...	• Life expectancy at birth	68
• Income ratio (H20/L20)	...	• Infant mortality rate	37
		• Pop'n with access to safe water	82%
		• Population per doctor	2,735
		• Reported TB cases (per 100,000 pop'n)	...
		• Immunization coverage rate (DPT)	69%
		• Expenditure on health	
		- As % of GDP	...
		- Per capita (1999)	US\$ 55
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	50,900	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	1.50%	• Total fertility rate	5.7
• Dependency ratio	0.88	• Contraceptive prevalence rate	26%
• Average household size	7.8	• Maternal mortality rate	0
- Poor	...	• Life expectancy gender gap (F-M)	3
- Non-poor	...	• Female literacy rate	69%
• Ave. per capita household income		• Female CGER	72%
- H20	...	• Women in paid employment (%)	27%
- L20	...	• Women in gov't (# of seats held)	1
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-99)	-0.40%	• Public sector (% of formal employment)	46%
• GDP per capita (1999)		• Share in gov't spending	
- In real terms (1991 prices)	US\$1,229	- Education (1999)	19%
- In current prices	US\$1,903	- Health (1999)	11%
• Sectoral shares (as % of GDP, 1999)		- Agriculture	...
- Agriculture	12%	• Educ. exp. on primary level	62%
- Industry	15%	• Private sector (as % of GDP)	...
- Services	72%	• Public service wages (as % of median wage)	...
• Inflation rate (1999)	1.70%	• Participation in local gov't budget?	
• US\$ exchange rate (31 Dec 2000)	US\$1	• Published economic strategy plan?	
• % of labor force in:		• Democratically elected nat'l gov't?	
- Informal subsistence sector	15%	• Democratically elected local gov't?	
• Debt servicing (as % of GDP, 1999)	27%	• Ombudsman?	

Poverty Indicator Statistics

Table A.11: Tuvalu

1. Poverty Measures		6. Vulnerability Indicators	
• National Poverty line	...	• CVI	...
- Headcount index	...	- PDMC rank (out of 7 PDMCs)	...
• Food Poverty line	...	• Foreign grants (as % of GDP, 1986)	14%
- Headcount index	...	• Exports (as % of GDP, 1998)	0.30%
• US\$ 1-a-day	...	• Imports (as % of GDP, 1998)	55%
• Poverty gap ratio	...	• Export : Import ratio	1:20
• Poverty severity index	...	• Outmigration significant? Y / N	N
		• Remittances significant? Y / N	Y
2. Development Progress Indices		7. Basic Education	
• HDI	0.583	• Adult literacy rate	95%
- PDMC rank	6	• CGER	74%
• HPI	7.3	• Expenditure on education	
- PDMC rank	3	- As % of GDP (1987)	18%
		- Per pupil	...
3. Inequality Measures		8. Primary Health and Nutrition	
• Gini coefficient	...	• Life expectancy at birth	67
• Income ratio (H25/L25)	...	• Infant mortality rate	51
		• Pop'n with access to safe water	85%
		• Population per doctor	1,186
		• Reported TB cases (per 100,000 pop'n)	...
		• Immunization coverage rate (DPT)	85%
		• Expenditure on health	
		- As % of GDP (1987)	4%
		- Per capita (2000)	US\$109
4. Population and Household		9. Gender Issues	
• Population size (1999 estimates)	10,300	• GDI	...
• Population net growth rate		- PDMC rank	...
- annual average (1990-99)	1.50%	• Total fertility rate	3
• Dependency ratio	0.72	• Contraceptive prevalence rate	40%
• Average household size	6.2	• Maternal mortality rate	0
- Poor	...	• Life expectancy gender gap (F-M)	6
- Non-poor	...	• Female literacy rate	95%
• Ave. weekly household income		• Female CGER	75%
- H25	A\$198	• Women in paid employment (%)	33%
- L25	A\$47	• Women in gov't (# of seats held)	1
5. The Economy		10. Governance	
• Real GDP annual growth rate (1990-99)	5%	• Public sector (% of formal employment)	70%
• GDP per capita (1998)		• Share in gov't spending	
- In real terms (1988 factor cost)	US\$979	- Education (1990s)	19%
- In current prices	US\$1,378	- Health (2000)	14%
• Sectoral shares (as % of GDP, 1998)		- Agriculture (1987)	7%
- Agriculture	17%	• Educ. exp. on primary level	...
- Industry	24%	• Private sector (as % of GDP)	...
- Services	59%	• Public service wages (as % of median wage)	...
• Inflation rate (1998)	0.60%	• Participation in local gov't budget?	
• US\$ exchange rate (31 Dec 2000)	A\$1.7883	• Published economic strategy plan?	
• % of labor force in:		• Democratically elected nat'l gov't?	
- Informal subsistence sector	62%	• Democratically elected local gov't?	
• Debt servicing (as % of GDP)	nil	• Ombudsman?	N

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