Pollard’s Pacific Reflections

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Steve Pollard, known in the Pacific as a government employee, researcher, consultant, and donor staffer, recently retired from the ADB. He has almost 30 years' experience working toward the interests of better policy for better livelihoods in the Pacific, almost 40 years' experience in development. This document will collect a series of his reflections.

In this series, Steve shares some of his personal development policy sojourns in the continuing interest of adopting better policies for a better future in the islands. Check back regularly as we update this document.

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1. The Pacific tuna industry: do we have to repeat yesterday’s policy mistakes?

When I moved to the Pacific islands to work there in the early 1980s the majority of the island countries were still relatively newly independent. This was a time of guarded development enthusiasm. Backed by the donors of the day this was also a time of heavy government intervention in resource development. The country that I had come to work in, the Republic of Kiribati, had only been independent for 4 years and, quite typically for the time, the government and all major donors backed direct government investment in the tuna industry. While it was almost impossible in the 1980s to raise public finance for a cultural center or for historical preservation, there was no shortage of donor-backed finance for tuna vessels, cold stores, ice-making and refrigeration plants.

Looking back over the past 30 years it is hard to think of a single government investment in the Pacific tuna industry that has lasted beyond its heavily subsidized initial establishment. Just to cite one example, in 1994 the Federated States of Micronesia government investments totaled over US$100 million in the tuna industry. Almost none of these investments remain in operation today and yet the government policy of supporting direct government investment appears to remain. The earlier policy is reflected in the comment by one government advisor: “You mean you think we should allow the private sector to compete with government in the tuna industry?” The resulting, unfortunate history begs two questions: (i) how did it all go wrong; and (ii) why are some governments and donors still intent on pursuing the same policy?

My personal involvement in this story began with working as an agriculture resource development economist for ten years prior to moving to the Pacific. I had already witnessed the many failures of government-led agricultural development in both the more developed and less developed countries. However, upon joining the Government of Kiribati, at that time as their only economist, I inherited a number of directorships including that of Te Mautari Ltd, the government owned tuna fishing company. After the completion of my contract with the Kiribati Government I returned to the country.

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in the late 1980s to help evaluate the operations of both Te Mautari and Te Maiku, the tuna baitfish farm. So I continued to witness and struggle with the failures of state investment in resource development first hand.

In 1992 I joined the East-West Center in Hawaii as a Research Fellow where, in addition to my research, I was encouraged to continue my consultancy work. The latter included work on the Pacific tuna industry. Upon joining the ADB in 1996 I was asked to summarize the findings of some of my earlier work in the publication “The Pacific’s Tuna: The Challenge of Investing in Growth”\(^1\). As this report concluded: “... the region’s rich tuna resource offers the potential for significant locally based industry. ... [However], the major efforts thus far to establish this industry have been only minimally successful. Except for license fees, the region has received scarcely any benefit form the tuna industry.”

The ADB publication went on to identify two main constraints to the development of the Pacific tuna industry:

(i) the excessive direct involvement of government in domestic industry that deters the involvement of the private sector in a sustainable, locally based tuna industry; and

(ii) the protective nature of domestic economies and business interests that are primarily oriented to government.

Based on my own personal experience there are many reasons why government tuna ventures failed. Wrong vessels, equipment, facilities and managers supplied by aid, highly unrealistic operating projections including inadequate working capital, and political intervention in management all played a part. Asked to name one reason or set of reasons, I’d have to say this lies in the very nature of government ownership and operation in the small, remote, and close-knit communities of the islands. An old commercial fisherman one told me that: “Governments have no business being in business, most especially in the fishing industry which carries the greatest of 'high roller' risks.” Managing these risks would be hard for any government. In the Pacific, this is impossible. In the Pacific the reality is that the very real, very personal interests of individuals – their jobs, their families and their broader social relations – rather than
commercial considerations dominate the decision making of government-owned enterprises, it is impossible.

The ADB publication recommended support for private sector-led development of the tuna industry with island countries aiming to progressively exploit their comparative, locational advantages over the long-term, slowly building up the island-based on-shore supply and servicing of the tuna fleets. Some countries, and some with the help of the ADB, changed their tuna development policies and there have subsequently been successes with private sector-led tuna industry development in the islands. Examples include the private tuna transshipment operations in Micronesia in the mid 1990s, the private fishing fleets in Fiji and tuna processing in PNG and the Republic of the Marshall Islands.

It should however be of grave concern that despite this history, some Pacific policy makers and policy advisors continue to look to their governments to take the lead in investing in the tuna industry. While most donors have long turned away from providing grants and loans to government owned and operated “commercial” tuna ventures, others including Australia, the EU, and Japan continue to fund the replacement of rural and outer island fisheries refrigeration schemes that have rarely turned a commercial profit. Forum Economic Ministers’ discussions at the 2009 FEMM prompted the ADB to summarize and reproduce earlier findings and policy recommendations. Does the Pacific have to repeat yesterday’s resource development policy mistakes?

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2 These enterprises were comparatively short lived owing in part to some governments contradictory policies of supporting both direct foreign investment and subsidized domestic government operations.


2. Islanders in business? There could be more if the policies and institutions were right

I have great respect for those individuals who risk their savings, their future earnings, time and energy all in an undoubted belief in their business prospects. They create the jobs and incomes for the majority of us who are risk averse as well as the taxes for public expenditure on our welfare. The most stressful years of my working life were those spent as a director of a private company.

In my first blog I related the story of wrong policy in tuna and resource development in the islands, but what of the greater relationship between government and business? Whether in fisheries, agriculture and forestry, tourism, financial markets, or even in some cases wholesale and retail trade, in many Pacific island countries you will find a history of direct government investment, otherwise known as state capitalism.

Over the years, I have been given three reasons to justify this policy: (i) some policy advisors have argued that the islands have no domestic private sector so the government has to invest; (ii) some argue that the government should establish domestic industry and give the private sector time to grow and take over later on; and (iii) others have argued their private sector cannot develop because of the constraining nature of Pacific culture.

On one of my many consultancy visits back to Kiribati in the late 1990s the then Chief Secretary asked me “Just where is this private enterprise in Kiribati?” In response I told this story. When I first came to live and work in South Tarawa in 1983 the island was certainly quiet as far as any private commercial enterprise was concerned. However, over the remainder of the 1980s and through to my last visit in 2001 I witnessed a boom in small enterprise activity. Bairiki “Square” was an empty space in 1983. But I remember the day only a couple of years later, when one lunch time a Tarawa-stranded Asian who had been staying at the home of the Vice President wheeled a converted pram loaded with plate lunches of flying fish and rice to sell to office workers in a shady spot on the Square. The I-Kiribati copied his idea and the Square soon filled to become a vibrant centre for a variety of small-scale, private I-Kiribati commerce. Buses, petrol supplies, repair shops, small stores and more; private
enterprise spread the length of South Tarawa, despite government-subsidized competition. Today, many Pacific islands have a thriving private sector.

Regarding the second justification for state capitalism, one must wonder, where the government has initiated domestic enterprise, just how many have actually handed over such operations to private businesses? Indeed, can governments readily withdraw from a business when they have established vested interests in the form of employees, management, Board sitting fees and the perks sometimes of international travel? Ministries of Finance throughout the Pacific have struggled for years to free their budgets of annual subsidies to state-owned enterprises that could be better run by private enterprise.\(^5\) However, until recently there have been too few examples where State entities have transformed into private ones. This may now be changing for the better, albeit only very slowly.\(^6\)

So what of Pacific cultures of reciprocation, traditional land tenure and the close-knit family ties, all set within the island glass bowl where all individual activity is seen, where scruples may easily be ruffled and where the unscrupulous may also remain protected? One of my main subjects of research at the East-West Center from 1992 to 1996 was private enterprise in the cultures of the Pacific.

My research commenced with a literature review that determined that: “entrepreneurship is alive and well and ... indigenous enterprise continues to succeed.”\(^7\) The question was how? A survey of business values, practices and performance followed, the findings of which led to the conclusion that “community expectations may conflict with the needs of businesses” and that “strict (business) policies towards practices which may (otherwise) impede adequate cash flow are


\(^6\) Thanks in part to programs such as the ADB and Government of Australia funded Private Sector Development Initiative. <http://beta.adb.org/documents/pacific-private-sector-development-initiative-annual-progress-report-2010>

identified as important to business success."\(^8\) In other words, the demands of family for cash and free store goods, the demands of local leaders for goods on credit that would not be repaid, and the expectations of family members for jobs not worked, must all be contained to sustain cash flow and ultimately the existence of the business.

These management policies and practices were subjected to further survey of one country’s indigenous businesses. This last survey concluded that indigenous businesses succeed by adopting policies and practices that accommodate the needs of the employee, customer and community but only to a certain extent. \(^9\) The overall conclusion of the research was that indigenous enterprises have long existed, they can succeed and at least some island managers know how to succeed in business in the islands.

So why aren't there more island businesses in the islands?\(^10\) A further paper on economic policy in the Pacific argued that “if the Pacific desires domestic investment and economic growth, there may be no recourse save to lessen (land, labour, capital) factor protection, revise reserve prices, and correct existing institutional practices.”\(^11\) There could be more indigenous island business if the policy and institutional environment was more supportive. Later assessments of the island business environment support this finding.

In the 1980s and 1990s government and donor-supported approaches to developing the private sector in the islands was comparatively interventionist.\(^12\) This has since


\(^10\) As I’ve often had to point out, most businesses fail in any country.


\(^12\) This more interventionist approach included donor funded training programs such as ILO’s “Start Your Business” and “Improve Your Business”, the Australian Market Advisory Services’ annual training
matured into a much stronger focus on the policy and institutional environment. The publication in 2004 of *Swimming Against the Tide*, an ADB publication authored by Paul Holden and his colleagues was a significant shift in this regard. This report, and the many which followed it, put the spotlight squarely on the policy reforms needed to promote the private sector. Programs such as the Private Sector Development Initiative (PSDI) (footnote 2) have subsequently provided assistance with the implementation of these reforms.

Of course I’d like to think that my research helped bring this about, but I’m sure that the World Bank’s annual cost of “Doing Business” survey\(^{13}\) and the many, rigorous private sector assessments by the ADB have had a much more telling impact.\(^{14}\)

Whatever the reason for the change in approach, judging from the ADB’s annual assessments of developing member country policies and institutional settings there is still a lot of work that needs to be done to create an environment more conducive to private indigenous enterprise in the islands.\(^{15}\) While the PSDI is now in its sixth year of operation it has largely avoided the northern Pacific and it will take many more years to commercialize the operations, if not privatize the ownership of state-owned enterprises and decades of careful participation to secure the tenure that will allow land to be used as collateral. All such reform efforts must be carefully managed through the prevailing cultures and politics of all island countries.

However, progress has been made, from the markets of Tawara to the explosion of mobile telecommunications across the Pacific. All this points to the simple truth that there could be many more islanders in business in the Pacific if policies and institutions were more supportive.


\(^{15}\) See comparative country performance ratings in the table attached to the following document and, for the purposes of this article see especially the ratings for B.6 Business Regulatory Environment. <http://www.adb.org/Documents/Reports/Country-Performance-Assessment-Exercise/annual-report-2010.pdf>

From Azerbaijan to Zambia, with the UK and US in between, I have served over 40 governments in the past 38 years, most of them on short-term assignments of course. As I have experienced, even developed country governments have problems delivering public services.\(^{16}\) Pacific island countries may consist of only a few tens of thousands of people, but this population can be scattered over many islands or valleys at great distance from each other, and divided into many different families, clans, wantoks or languages as well as beliefs and traditions. Can any service be delivered to the public when they are so scattered and otherwise divided? In many cases, the costs of providing services is prohibitive and indeed many a service is not delivered, or is otherwise provided with great difficulty. However some services have been supplied and some of these services sustained.

Many Pacific island countries have found it difficult to grow their economies and where growth has occurred it has not been easily converted into the reduction of poverty. Attainment of the Millennium Development Goals has been patchy. Most Pacific countries have relatively high per capita spending on health and education, but this has not been matched by better outcomes. Throughout the region there are more and more unemployed youth and seemingly unresolvable gender, urban and environment problems.\(^{17}\)

Why should there be such a lack of social progress? I commented previously on the reasons for the lack of private sector–driven growth. For the public sector the reasons are also well documented. For the public sector they include peoples’ greater allegiance to traditional authority rather than the state, the incentives that these allegiances spawn, and the general lack of capacity, as well as the difficult physical geography.\(^{18}\)

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\(^{16}\) See the work of OECD, including 2007 Teresa Curristine, Zsuzsanna Lonti and Isabelle Journard. Improving Public Sector Efficiency: Challenges and Opportunities. [http://www.oecd.org/dataoecd/41/20/43412680.pdf](http://www.oecd.org/dataoecd/41/20/43412680.pdf)


Inherent governance, technical, administrative and political weaknesses help explain the region’s poor performance in terms of quality of policies and institutions.\textsuperscript{19} And such policies and institutions weaken the delivery of public services just as much as they impair the environment for private sector development.

It may therefore be no surprise to find that: “donors have invested heavily in strengthening the capacity of Pacific developing member countries (Pacific DMCs) over the past three decades. The results of all this investment have been mixed at best. Most Pacific DMCs are just as heavily reliant today on externally financed technical assistance and training and other means to build capacity as they have ever been.”\textsuperscript{20}

Given the inherent geography, divisions in society and the weak governance, policy and institutional regimes, is it possible to improve public service delivery in the islands? In my years with ADB I worked with many a brave effort to help member governments reform their public services. Over the period 1996 to 2002 ADB approved 11 program loans and associated technical assistance, totaling to $224 million, for 9 Pacific DMCs in support of public sector reform. Similar assistance was provided again in response to the more recent global economic crisis. The earlier reforms generally addressed: (i) sound fiscal and financial management, (ii) improved public service delivery, and (iii) an enhanced environment for private sector development. According to ADB’s own evaluation the earlier reform programs were assessed as “relevant,” “less effective”, “efficient” and with only a modest impact overall. Overall the assistance was rated as “less likely to be sustainable”. The programs often achieved the goals of short-term fiscal and financial improvements, but not that of public service delivery and structural transformation.\textsuperscript{21}

\textsuperscript{19} See comparative country performance ratings in the table attached to the following document and, for the purposes of this article see especially the ratings for B.6 Business Regulatory Environment. \textsuperscript{20} Joe Bolger. Pacific Choice Learning From Success. ADB. 2008. \textsuperscript{21} ADB Support for Public Sector Reforms in the Pacific: Enhance Results through Ownership, Capacity, and Continuity, 2009
Improving the delivery of public services has been a major problem throughout the world. However, as I argued in my earlier blogs private enterprise can and has found ways to overcome the challenges of the traditional, social, and physical environment. This hasn’t been easy and government policies could be much more supportive but the means to greater private enterprise is known. Why can’t the public sector also overcome these challenges?

In at least some instances, the public sectors and public services’ delivery in the region have improved and these apparent successes warrant close consideration. The Pacific capacity development study that I managed from 2007 to 2008 was based on case studies of more successful reforms. Mostly written by islanders, the study concluded that the successes were attributed to a number of factors, such as strong leadership, an enabling environment, effective community participation or demand, solid understanding of the context, getting the incentives right, effective use of technical advisers, ensuring sufficient time, taking a systems approach, and a harmonization of efforts. Combined these factors became known as the “under the water line issues”; that is, those issues usually hidden from the eyes of outsiders. (footnote 5).

The Pacific capacity development study also highlighted the key importance of underlying core government functions. Where these core functions are weak then any public service delivery is not well provided. I would have to say this relationship is all too often forgotten when designing programs to strengthen the delivery of public services. Another important finding of the capacity development study, “not unique to the Pacific region,” was that capacity is primarily thought of in terms of individual skills or organizational competencies. We tend to forget the much broader complexities of public sector capacity development.

Consider all these findings. They are “soft sector”, social issues, issues of people, management, and context. Also consider what is not listed as a priority for success. There was little if any mention in the study of cost (e.g. within donor budget), or sources of technical advice (e.g. “south to south cooperation”), or the latest alternate

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23 These core functions are policy formulation, economic management, public financial management and procurement, revenue generation and civil service administration.
techniques (e.g. output budgeting), sources of training programs (existing training institutions), or programming by fiscal year or electoral cycle; that is inputs. Yet, in my experience, these inputs-focused concerns are often the prior concern of the designer and supplier of assistance as well as some government beneficiaries. The market for more and better public services is much more complex. Indeed the means to build and sustain greater public sector capacity and to improve the delivery of public services is not so much a matter of what service and what input, but how? It is not so much the hardware but the software; that is, how to provide the participation and build ownership and demand? How to provide the required leadership? How to otherwise ensure the local context is well understood? How to allow for more time? This begs the question whether the institutions of both donors and recipient governments have the right focus, incentives, and structure to build capacity for improved public services’ delivery. Public sector reform can work when it is driven by considerations of how. Perhaps it should come as no surprise that where the major obstacles to change come from the people and their relationships then the solutions must start with the same.
4. Poverty in the Pacific – a forgotten priority?

With an increase in urban squatter settlements, rising youth unemployment, poor education, rising inequality, and islands impacted by climate change, life must be getting worse for many islanders. The mixed record of the Pacific Islands in relation to the MDGs would appear to endorse this. The poor living conditions evident in the likes of Betio, Ebeye, over the borrow pits in Funafuti, in Jenrok village Majuro, and in the informal settlements of Honiara, Port Moresby and Suva also attest to worsening livelihoods.24

To the outsider, the foreign academic and aid worker, increasing poverty appears to be an important issue. But it can be surprising how poverty may not be as readily apparent to islanders.25 I will never forget my first visit to Kwajelein Atoll and the contrast between the apparently happy Marshallese living on densely populated Ebeye Island and the rather unhappy Americans who lived in comparative luxury next door on Kwajelein Island. Do islanders, who may be considered by others to be living in poverty, actually know or mind? Increasing incidents of crime and wider civil disorder would appear to confirm that they do.

Do any of you remember the era of poverty reduction in the Pacific? For me it started some time in 1999 when President Chino of the Asian Development Bank gave a speech that included a statement that ADB was all about reducing poverty. With the rest of the aid world watching and similarly committed to poverty reduction at that time, ADB staff and management were then directed to prepare a new corporate strategy. The resulting document included the desire to help all Asian and Pacific developing member countries create their own poverty reduction strategies.

Much other activity included research, training, new poverty trust funds, a $1 million international forum and, more generally the overall pursuit of a greater clarity of purpose. In 2000 ADB created a four person Poverty Reduction Unit to implement the new strategy and I was invited to join it.

25 For poverty read hardship and for poverty reduction read alleviation.
Professional staff and management, especially those engaged in operations, were concerned to know if they and their professions were still employable in the era of poverty reduction. This was a time of great reflection. It was a great time to be focused on the poor and on development. It lasted for about 6 years.

For me there were 3 lasting impressions. First off, I learnt that there is poverty in the Pacific, though others denied it at the time. And the situation is getting worse. Secondly, I was reminded of the great importance of participation in development. Through participation, the poor could tell their decision makers in government exactly what to do and these priorities of the poor were and are quite consistent across the countries of the Pacific. Lastly, however, I became concerned over our apparent inability to do all that much to help reduce poverty.

Poverty exists in the Pacific, though twelve years ago few governments accepted this. The sometimes isolated public leadership and executive were invited at the time to recognize and learn about poverty, or “hardship” as many preferred to call it. Though difficult to accept, hardship and poverty exist within the cultures of the Pacific. Not only that, but they are extensive and growing. Our figures are now quite out of date, and they weren’t all that reliable at the time, but in 2004 David Abbott and I estimated that national poverty incidence ranged from about 20% in the Cook Islands to 50% in Kiribati. We also concluded that Pacific societies appeared to be rather less equal than those of Asia, though we also noted that poverty in the Pacific is rarely absolute or extreme.26

In studying poverty and hardship in the Pacific we took a very conscious decision right from the beginning of the work not only to measure it but to also use the peoples’ voices to bring about a better understanding of the issues. These participatory efforts were well received in every island country. Such exercises can improve ownership and commitment for change and bring forward better development directions. Done in an accountable and transparent manner, participation can also help spread better governance. When policy-focused party political systems are yet to emerge from the politics of personality, family and clan, and when most of the knowledge of government

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and investment is locked up in the hands of the few on the main island or centre, participation can open the door to more inclusive development.

Participatory poverty assessments were completed in 10 Pacific island countries. The priorities of the people were consistent across them all. They were threefold: (i) to improve access to, and delivery of, essential social services, especially primary education and primary health care; (ii) to improve access to employment and other economic opportunities; and (iii) to improve standards of governance. Participation showed governments and donors not only what to do but also how to derive development priorities. You might notice that these priorities verify the conclusions of my earlier blogs.

So the poor react to poverty. They can also prioritize solutions. Academics may measure and donors may program responses. But have island governments and others in society managed actually to reduce poverty? There are exceptions but as I look back over the past 12 years I feel great unease over what I have witnessed. I fear that so much has been forgotten or ignored. Donors talk very little these days about poverty and hardship in the Pacific. And on the whole I do not believe governments have adopted the right approach. This will be the subject of my next blog.
5. Approaches to Development: A Framework for the Pacific

Why is it that the most obvious and most direct development policies tend to be the ones that don’t work and yet they are also the policies, or the way of development, that receives the most attention from governments? In order to develop their EEZ tuna resources Pacific governments first decided to invest in fishing (Part 1). In order to promote business by islanders governments first provided subsidized credit, trained their businessmen-to-be and reserved industries for islanders (Part 2). To reform the delivery of public services donors have directed transfers of capacity (Part 3). On the whole such policies have not worked. They cost their governments and donors millions of dollars and have delayed delivery of the priorities of the poor by decades (Part 4). But the Pacific is not alone in this belief. The US government’s decades old policy on trade and investment with Castro and Cuba has been one of prohibition and yet, I would suggest, a policy of free engagement would be much more likely to change Cuban politics and economics. But what policy would receive the understanding and support of the electorate?

The approach to growth and development that works tends to be indirect, more subtle, and more a matter of a better environment for investment, growth and development. It is more a matter of tilling and tending, weeding and fertilizing the soil for investment, than transplanting a healthy and expensive tree into unprepared ground and then having to transplant again and again after the first and subsequent ones died. More supportive policies and institutions have tended to lead to more private sector development. Greater focus on context, leadership, ownership and participation has been more likely to lead to capacity development in the public sector. The same applies to economic growth and development. But this is still not a story that is well known, well understood and therefore it is not readily supported.

When poverty reduction directed development activity in the Pacific (Part 4) Ron Duncan and I were equally aware that a framework for effective investment, economic growth and the reduction of poverty existed. Though we were approaching this realization from separate careers and different perspectives, we both knew that the evolution of the theory of economic growth and the history of development efforts
both established the same set of relationships that explained how hardship and poverty could be reduced.  

In the 1950s growing economies was understood to be all about direct injections of capital and labor. The success of the post WWII Marshall Plan endorsed this simple equation and so the means to European reconstruction was transferred to aid and development, but without the same beneficial impact. Subsequent theorizing included the importance of education, skills and the quality of labor. As the experiences of aid and development continued to be frustrated by the lack of positive outcomes so the search for a better framework and approach continued. In the 1970s academics picked up on the idea that policy mattered. In the 80s and 90s theorists included the nature of technological change and then the importance of inclusive institutions and good governance, including property rights.

This evolution of thought and experience has eventually described a more complete framework for growth and development, a framework that can be depicted in the form of a tree. If we reverse this process of discovery, starting at the roots of the 'growth tree', there can be no effective investment in economic, social, and environmental development without civil order. When this is in place, society can then start to draft formal and informal contractual arrangements as well as other rules and regulations.

In turn, these rules of society support the demand for and application of good governance, and good governance helps society to apply better policy and to build relevant institutions. With good governance, better policy and institutions in place, private markets and the delivery of public services can develop.

Effective private markets and a performance-oriented public service are, in turn, fundamental requirements for viable investment including development projects that help reduce poverty. Firm roots help build a solid trunk and this in turn produces the branches to yield rich seed and fruit - which when ripened can be cast to the earth to produce new growth.

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From the roots to the trunk of the tree are matters of State. Above this are matters of the private economy and the delivery of public welfare. This suggests that a performing economy and improving welfare delivery very much depend on the quality and stability of the State.

The relationships within the tree are not static and the various components all depend on each other. The nature of growth and development is a cyclical one. Preferably these cycles are virtuous but they can depict dormancy or even decay. The quality of the fruit depends on the health of the tree with the latter depending on the quality of its environment, soil, spacing, and watering.

All economies, as plants are vulnerable to external shocks as the global economic crises attest. But it is not just a fall in demand that threatens economies. Excessive demand for an economy’s resources - and thereby also for fledgling good governance, for competitive markets and inclusive institutions, as well as developing rules and regulations - can also curtail equitable growth and development leading to poverty reduction. This threat is most evident in the small, narrow economies of the Pacific. While subsistence, demand for primary resources and international aid helped lessen the impact of external economic crises in the Pacific islands the same small and narrow economies and their developing institutions and markets have been much more vulnerable to excessive aid and resource demand. Too much of a good thing can be a curse, a “resource curse” and an “aid curse.”

Pacific governments, influential donors and Pacific societies all need to pay much more careful attention to the framework, approach and also the essential policies and institutions for growth and development as opposed to trying to reinvent theory and ignore experience. Even the smallest, most distant and resource poor economies can

perform better when more attention is paid to the proven approach to growth. In my experience, it is simply not the case that, as has recently been argued here, Pacific islands are inherently non-viable. Pacific islands, however small and remote, can develop successfully provided a conventional approach to development is adopted. And I fear that any discussion of alternative, non-conventional, approaches, such as recently put forward by the World Bank\textsuperscript{29} will excuse the region's leadership from taking the tough decisions on governance, rules and regulations and the environment for growth that are more difficult for the electorate to understand.

\textsuperscript{29} You can find a blog summarising the report here: \url{http://devpolicy.org/pacific-futures-the-world-bank-challenges-conventional-thinking-on-the-pacific-island-region/}. The report itself can be found here: \url{http://devpolicy.anu.edu.au/publications/reports.php}
6. We think it might work, but will it be implemented?

In my fifth and most recent blog post in this series (collected here) on reflections on Pacific development, I concluded that: “Pacific governments, influential donors and Pacific societies all need to pay much more careful attention to the framework, approach and also the essential policies and institutions for growth and development as opposed to trying to reinvent theory and ignore experience. Even the smallest, most distant and resource poor economies can perform better when more attention is paid to the proven approach to growth.” But what if better approaches, policies and institutions are known: can they be implemented?

An old friend and colleague, a Pacific islander who has held senior executive positions in his country, told me that he has many ideas to help his country, but if he tells them to others they say, “What’s in this for Sitiveni? How will this benefit him and his family?”

Proposals for public reform can be confronted by an interpretation of personal, as well as actual, vested interest in any country. Some Pacific island economies seem to be frozen in time, with the same collection of growth policies, institutions and approaches proposed again and again. Do individual, personal interests and others’ concerns about such interests consistently prevent greater public gain? Conversely, what situations support reform?

The capacity development case studies that the ADB commissioned throughout the Pacific from 2006 to 2007, under a project which I managed, determined that it is most difficult to build capacity without a much deeper understanding of the context, including the demand, for reform and development.30 In trying to explain the full context for capacity development, one metaphor that resonates well with both islanders and non-islanders is the picture of an island. The idea is that what lies above the water line and may be obvious to all observers (for example, the human and physical capital and the written law) does not reveal the full environment or context for change. The social relations, culture and informal politics that lie below the water line can be more powerful in driving decision making.

Rob Laking argues that: “... forms of traditional governance based on clan or chiefly authority, and the churches ... for many, these institutions are more important than the state as a source of social capital.”\(^{31}\) There can be much that is subtle or more or less hidden in the way the Pacific goes about its business, at least to the outside eye. What may be seen above the water line is not the full story of change, reform, growth and development by any means. How can proponents chart a course for reform through such a complex environment?

Acemoglu and Robinson argue that worldwide, more inclusive institutions help bring about decisions in favour of greater public benefit and stronger nations.\(^{32}\) I think many who have experience of implementing development projects would agree. The same authors contend that there is no natural process that leads to inclusion. Rather, it is only in the interest of the elite to cede power to inclusive institutions when they are confronted by something even worse. It may be easier for societies’ privileged leaders to accept reform together with the loss of their vested interests when it is absolutely necessary, for example, when confronted by a “fiscal cliff”, or a debt crisis or civil protest. Such public urgency may raise the acceptance of the cost of change.

Outside of crises, can there be an alternative process or means to change in the interest of greater overall prosperity? I believe the experiences of migration, settlement, trade, war and other cooperation and organisation in the islands prove that there can.

Pacific island societies had, and in some cases still have, the means to take decisions and consider change in an inclusive manner, in the greater interest, at least at what is now considered to be the local, community level. The Maneaba, Maneapa, Faluw, Fale, and other Pacific meeting houses have allowed a transparent, participatory and accountable process, that is, a more inclusive means to taking decisions in the interests of the societies they serve. Though surely not perfect, and just as assuredly liable to capture by self-interest, the potentially inclusive nature of the meeting house served the governing needs of many societies for many centuries. However, for all of these same societies, over the past four decades these older, more “traditional” and local

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\(^{31}\) Robert Laking. State Performance and Capacity in the Pacific. ADB. 2010  

centres of discourse have been supplanted at the national level by a more modern government.33,34

Departmental committee meetings, cabinet meetings and the parliament, or its equivalent, may be the new meeting houses at the national level, but the same inclusive systems and levels of transparency, participation and accountability (that is, good governance) have not necessarily been transferred into decision making at the newer national level. At least not yet.

As the ADB has argued: "Making wise development decisions is not easy in countries characterized by a scarcity of resources, isolation, and other geographic constraints, and the resulting dearth of development opportunities. The slow pace of creating effective, modern systems of government in these countries has also made decision making more difficult. Modern systems of public sector management that engage citizens and respond to their needs are not yet well established, allowing traditional systems of government to endure and opening the door to the pursuit of private, vested interests at public expense."35

The Pacific continues to be dissatisfied with its development results. Efforts to introduce improved policies, institutions and development approaches continue to be frustrated. In accepting the island metaphor for change, leaders of change have to look for the means to navigate a more inclusive reform process.

This insight led the ADB to study the political economy of change, to examine successful cases of reform and to test alternative practices.36 The findings of all these exercises probably justify another blog post, the final in my series. For now, while the search for better development results must continue, I think we can say the solution is

33 I am referring to government here in the broader sense as the system by which either a state or a community is governed and not just the government of the State.
34 My thanks to Dr. Tim O’Meara for comments and corrections on earlier drafts.
not just a matter of what policy, what institution, and what framework, but it is also very much a matter of how; that is, the process of reform.

Change in favour of greater overall prosperity may come about at times of crisis but may also be possible through better processes of transparency, accountability and by participation. Given the still evolving nature of the islands’ institutions and political systems, all reforms and all development assistance should embody processes that strengthen transparency, participation and accountability.