Development Bulletin
No. 70 April 2006

Building Better Pacific Economies

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  • Regional policy issues and economic growth
  • Rural development
  • Public sector reform and privatisation
  • Political and economic security issues
  • The informal economy and remittances
  • Women, governance and the development agenda
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The Development Studies Network provides information and discussion on social and economic development issues. It publishes a quarterly journal, *Development Bulletin*, runs regular seminars on development policy and annual conferences on international development. Members of the Network are encouraged to contribute information and papers to the *Development Bulletin*.

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Pamela Thomas

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Building better Pacific economies

This issue of *Development Bulletin* provides Pacific island perspectives on how Pacific economies might be strengthened and how sustainable economic growth might be achieved. Most of these papers were presented, or provided background to discussion, at the Oceania Development Network (ODN) conference, 'Building Better Pacific Economies' which was held at the University of Papua New Guinea October 12-14, 2005. The conference provided a valuable opportunity for Pacific island researchers, regional personnel, and university staff and students to present their research results and to discuss the economic future of the region. The issues discussed covered the pros and cons of islands-based trade blocs, a single currency, adding value to primary resources by undertaking some of the manufacturing process in the Pacific, improving policies and legislation to support investment, privatisation, reform in the public sector, providing secure tenure to land and the possible economic impact of reducing corruption. There was considerable discussion on the informal economy and the impacts of attempts to control it, and the longer-term impact of remittances.

We are pleased to be able to give young researchers the chance to make their work more widely known. Given the differing academic experience of the authors the quality of the papers varies considerably, but we feel it is important to highlight the work of the Pacific island universities. In many cases the original papers were considerably longer than those presented here. Some original papers and others not published here are available on the ODN website, http://www.GDN-Oceania.org/100108.php.

Oceania Development Network

The ODN is the Pacific chapter of the Global Development Network (GDN) which is funded by the World Bank. The ODN is based in the Pacific, and its activities organised by Pacific academics. For its first three years it was convened by the University of the South Pacific. Currently it is convened by the University of Papua New Guinea. Both the GDN and the ODN run important conferences on development economics. Background information on the ODN and GDN is provided in the Organisations section at the back of this journal. Beris Gwynne of the Foundation for Development Cooperation, who has been closely involved in helping establish the ODN, represents the ODN on the GDN Board of Directors.

Viewpoint

This section of the journal includes several additional papers. While they do not focus specifically on economic growth they provide important information on the context in which economies might function. Viewpoint includes a paper on educational change in China and the impact of the extensive consolidation of schools and one on new approaches to designing and evaluating development initiatives.

AusAID support

The ODN conference was supported by AusAID, who made it possible for young Pacific island researchers to participate and present their work. AusAID also made it possible for us to publish this issue of *Development Bulletin* and to make Pacific island perspectives on economic development more widely known. We are grateful for their support.

Next issues

*Sector-wide gender indicators:* Our next issue No. 71, will focus on establishing sector-wide gender indicators that will contribute in a practical way to ensuring that gender equality is an integral component of development projects, programmes and policies, rather than an issue that is paid lip service.
Disadvantage and disability: The following issue No. 72, will consider a seriously neglected aspect of development — disability. The proportion of people who are disabled is very much higher than is usually recognised and can result from war, conflict, violence, natural disasters, accidents, illness (HIV/AIDS), birth trauma or genetic problems. Those who are disabled are very often deprived of their human rights and have little or no access to services. Those most severely affected are usually women. What is seldom considered is the impact of disability on development and lack of development on disability. We intend to publish an issue 'Disadvantage and disability: Towards equity and human rights'. If you work in this area and would like to contribute a paper please contact us.

Reconsidering rural development: New strategies for assistance: Issue No. 73 will take a practical look at the rural reality of people's livelihoods in the Asia-Pacific region. It will consider more productive and more sustainable approaches to agriculture and rural lifestyles and new strategies for aid. It takes into consideration the Core Group Recommendations for a White Paper on Australian Aid and its focus on rural development. Your suggestions and papers are welcome.

Where there are no boundaries: Health and disease in a globalised world: Issue No. 74 will consider transboundary issues and the global spread of disease and how best HIV/AIDS, Avian flu, measles, and TB can be prevented or treated in today's world where national boundaries are constantly crossed legally or illegally.

Women, gender and development in the Pacific

We are very pleased to report that our on-line publication on women, gender and development in the Pacific is proving to be very popular. If you have not yet visited our website you can download any or all of the 87 papers from http://devnet.anu.edu.au/GenderPacific/index.html, or just google Development Studies Network.

Best wishes and happy reading from all of us here at the Network,

Pamela Thomas
Managing Editor
Introduction:
Building better Pacific economies

Pamela Thomas, Development Studies Network, The Australian National University

Background
Economic growth in Pacific island countries (PICs) is elusive. Economies are either growing very slowly or are static. Development is uneven and often unsustainable and in many countries key social services are deteriorating. In most, population growth is faster than economic growth. Economic disparities between and within countries are becoming more obvious and many of the non-renewable resources which have driven much of the region's economic growth to date are exhausted. While geography, including small size and isolation, combined with limited human resources are important factors hindering ready inclusion within the world market, corruption, illegal harvesting of natural resources, inappropriate policies, poor governance and administration, and limited infrastructure are also key factors which influence the economic options for Pacific island countries.

The following papers investigate both the constraints and drivers of economic growth in the Pacific and provide some possible ways towards improved economies and sustainable development. The key themes are regional policy issues and options; public sector reform and privatisation; political stability and security; the role of the informal sector; land tenure; governance issues; and the impact of gender equity on economic policy and performance.

Regional policy issues and economic growth
As an introduction to economic growth in the Pacific and the factors which influence it, Bob Warner outlines the relationship between economic growth and poverty reduction, distortions created when GDP is used as the single measure of economic growth, and the ways in which government and donor policies, geography, the levels of human and natural resources, technology, infrastructure, social capital and governance both together and singly influence opportunities for economic growth. Utilisation of labour and land resources are important issues, but Warner points out that most analyses of growth assume that there are no voluntary under-employed workers and no under-utilised natural resources. He outlines the underlying determinants of growth as openness to trade and capital flows; geography, including climate, natural resources, disease burdens, transport costs and diffusion of knowledge and technology; culture and social capital including values, preferences and beliefs of individuals and societies and their networks; the quality of institutions and governance and whether people or governments prefer to engage in productive activities or corruption, theft and extortion, confiscatory taxation, frivolous litigation and lobbying by special interests.

Taking a pro-poor approach to policy reduction, William Lyakurwa of the African Economic Research Consortium puts forward an economic policy framework that could be used to foster economic development. It incorporates fiscal, monetary, trade and sectoral policies and their outcomes. Lyakurwa raises a number of contentious issues regarding the key factors of economic growth. While some believe that increased use of labour and capital explain growth, others maintain it is the level of technology or public policy.
Using the African experience he maintains that the continent's slow growth has been explained by slow capital accumulation, which in turn is explained by the macroeconomic policy framework, inward-looking trade policies, lagging institutional development and poor development of market structures compounded by the effects of geography. He outlines a research agenda for the Pacific to support increased economic development.

New public management reforms which improve accountability and efficiency in service delivery are discussed by Manuhuia Barcham as key factors in improving economic performance. The reforms include principles of user pays, contracting out, cost-cutting measures and freedom for bureaucrats to manage. He also discusses alternative service delivery mechanisms where governance functions are shared with individuals, community groups and other government entities; for example, church-run schools and health services.

Regionalism and regional trade agreements and trade partnerships are clearly important to economic development in the small island states of the Pacific. New approaches to regionalism are incorporated within the Pacific Plan developed by the Pacific Islands Forum. The Plan recognises that regionalism of small and relatively similar markets can only stimulate economic growth so far, and cooperation alone is insufficient to overcome the constraints of smallness. Robbie Robertson outlines the difficulties that confront regionalism in the Pacific including the smallness of the market they offer Australia and lack of perceived benefits to Australia, and the difficulty of getting Pacific island leaders to work together. Taking regionalism further, Ponamusamy Manohar and Pulapa Subba Rao consider the viability of conglomerated joint manufacturing centres, supply-chain strategies and the development of strategic alliances with non-member nations. Key to the success of their model is the need for final products to be manufactured and exported from the region rather than the continued export of primary products which have value added elsewhere.

This theme is expanded by David Kavanamur who explores the opportunities for 'collective efficiency' or clustering and/or networking as a means of expanding the market for Pacific island exports. It is based on the concept of the concentration of many small businesses of similar character in specific localities rather than competition. The cluster comprises the firms which provide raw materials, machines, services and other essential inputs. Kavanamur suggests that clustering could be a valuable area for research in the Pacific region.

Rural development
Rural development and the role of the informal sector are both important aspects of the economies of PICs. Although urbanisation is occurring rapidly, 80 per cent of Pacific island people still live in rural areas and are largely involved in semi-subsistence agriculture. Any strategies for growth have to deliver production and consumption expansions for the rural populations. Service delivery to rural areas is poor. Robert Phillpot considers the role of governance in 'post colonial creations', as it applies to an Australian Cape York community and provides lessons for the PICs. The paper considers the tension between traditional values, belief systems and livelihoods and introduced social structures including those of the missions and government. The rural theme is continued by Scarlett Epstein who suggests rural growth areas, rural growth centres and small enterprise promotion centres as ways of encouraging rural-based industry.

Public sector reform and privatisation
Several papers consider the impact of a variety of public sector reforms on economic development in Papua New Guinea (PNG). In discussing the role of the public and private sectors, Bob Warner points out that the starting point must always be that it is the private sector, not the public sector that will carry the main burden of generating economic growth. And that in PNG (and much of the Pacific), the majority of the population depends on the private sector for their livelihoods. There are two key roles of the state in improving growth: it must provide the public goods that promote social and economic development that private suppliers have no incentive to supply; and it must improve equity by ensuring that health and education policies and social safety nets increase equity and promote growth. Warner warns that aid donors should focus on interventions where there is a strong case for state intervention because donors should no more tread where the private sector should function than should governments.

In attempts to improve economic performance, PNG's public sector reforms have included wage freezes, cuts in public service recruitment, privatisation of public entities, departmental restructuring, improved accountability, transparency and policy coordination. These have often been undertaken in line with World Bank demands. Peter Koe comments that reforms in PNG have been recycled by successive governments but have given little value to private sector growth as a stimulus for growth and development. Too often the reforms undertaken have been based on generalised models rather than tailored to the specific shortcomings of the PNG public sector, and too often they follow a crisis. Elly Kinkin discusses the role of the fiscal crises that have underlain PNG reforms and the way in which the financial imperative has shaped and distorted the reforms needed and in particular the reform of state-owned enterprises. As he points out, reform can only control, not cure, the ills of public administration. There are a number of constraints to privatisation of state owned enterprises in PNG. These include the rudimentary state of the financial market, the difficulty of putting in place regulatory and legal mechanisms, and lack of managerial and entrepreneurial skills. He believes that PNG should not privatisate its major statutory bodies but only the offshoots and companies that do not have a strategic influence on the overall economy and development.
Political and economic security issues

Further preconditions for economic growth and investment are financial, physical and legal security. Edward Wolffers provides the example of the Lincoln Agreement on Peace, Security and Development in Bougainville and the need for political development from the bottom up. Wolffers points out that peace in Bougainville has not been enough to ensure security or development. Political insecurity has been an important factor in the Fijian economy, with the coups resulting in withdrawal of investment and loss of professional, technological and managerial skills. Since the coups and the rewriting of the Constitution, affirmative action policies have been introduced with the aim of providing greater economic equity between Fijian and Indo-Fijian populations. While the Constitution calls for equality of rights for all communities, Neelesh Gounder and Biman Chand Prasad show that the interpretation of the Constitution is deliberately racially unequal in favour of ethnic Fijians. In the drive for equity and economic growth the policies are designed to reinforce and increase the participation of indigenous Fijians in commerce, reinforce the education and training of indigenous Fijians and strengthen the capacity of ministries to mount effective affirmative action programmes for indigenous Fijians. They conclude that in Fiji, affirmative action policy has contributed to institutionalised racism and has affected Fiji's long-term political and economic stability.

The informal economy and remittances

The differences in the levels of poverty among Fijians and Indo-Fijians are shown in Manoranjan Mohanty's paper which investigates the factors which underlie the growth of squatter settlements and urban poverty in Fiji. In research into the household economies of squatters and their involvement in the informal economy, he points to the increase in the number of Indo-Fijian families living in poverty as a result of the non renewal of farm leases. Most are forced to turn to the informal economy to survive.

In developing countries, the informal economy is a significant growth sector accounting for more than half of non agricultural employment, 75 per cent of manufacturing in Southeast Asia, 93 per cent of new jobs in Africa, and 60 per cent worldwide. As Saipo Sikipris and Subba Rao discuss, the informal sector plays a vital role in the economic development of urban centres and includes casual jobs, repair services, tailoring, small scale laundry services, sales of food and handicrafts. In PNG it also includes mining and manufacturing. There is widespread discussion on whether or not the informal sector should be regulated. The Government of PNG has recently attempted to regulate informal sector activity through the Informal Sector Development and Control Act 2004 with the aim of protecting public health and safety. Research into vendors' knowledge and perceptions of the Act and its impact on the informal sector showed that the informal sector has been discouraged by the Act and that there was very limited knowledge of its purpose or its rules.

Case studies of two informal entrepreneurial activities in PNG are provided by Albert Ayius who suggests that household informal enterprises are important avenues for providing incomes and employment opportunities. Although 87 per cent of illiterate people are formally unemployed in PNG, some of the more innovative are engaged in home-based business activities. He suggests that proper implementation of the Informal Sector Development and Control Act 2004 should support alternative means of sustaining and improving people's quality of life.

A key factor in the informal economy and in household livelihoods in several PICs is the high level of remittances. In Samoa remittances have an important impact on the national economy. Wood Salele considers the role of remittances and shows how remittances have considerable impact on both those who send them and those who receive them. Although there has been criticism that those who migrate from PICs to developed countries are those who are better educated and could provide much needed skills in their own countries, this is not borne out by the research. Most of those sending remittances are unskilled workers and there is no shortage of under-employed unskilled workers in their home country. Most remittances are spent on consumption with very little used for investment.

Land tenure and economic development

Considerable discussion focuses on the role of land tenure security in investment and economic development. In the Pacific it is a vexed issue with very clear lines drawn between those who maintain customary tenure is important culturally and provides a security network, and those who consider customary land tenure as a hindrance to economic development. Recently, the Core Group Recommendations Report for a White Paper on Australia's Aid Program (Australian Government 2005:iii) suggests addressing land tenure in the Pacific through a demand-driven Pacific Land Mobilisation Program. Tanira Kingi, in his review of land tenure and agricultural development in Fiji, explores the emergence of 'cooperative' or 'group' farming structures among indigenous Fijian sugar cane farmers and their promotion by the state. This is considered the way forward for Fijian farmers as it incorporates traditional values and shared benefits. Others, however, view this initiative with suspicion and ask whether they have improved productivity. Kingi's research shows that the cooperative groups performed at a higher level of efficiency and that structural organisation of farms can overcome deficiencies of individual farmers.

In PNG, Joseph Palimi explores the system of landowner entities which are corporate bodies that are collectively controlled by traditional owners. In PNG, 97 per cent of land is under customary tenure. Under resource development legislation,
participation by landowners in modern business enterprise, involving the exploitation of these resources, requires that participation be through landowner entities. Corporate governance problems threaten the sustainability of these entities. These include shareholders being denied their rights and self interested directors and management not being accountable to members. Although there is a legal framework covering landowner entities it is frequently ignored. Palimi provides information on the structural difference between modern companies and landowner entities and the legal requirements of each. This points to the contradictions between traditional and modern law — a theme taken up by Patrick Howley in discussing the ways in which courts function and the influence of Melanesian customary law on economic development.

Howley suggests there is an urgent need to reform PNG laws that deal with civil and criminal cases and to find a process that allows cases to be dealt with quickly and justly and in a way which deals with the individual victim or offender not just the law.

Women, governance and the development agenda

Although the PNG Constitution has included a gender equality provision since 1975 and there are now a number of women in professional positions, in 2004 Prime Minister Somare re-emphasised women’s reproductive roles when he addressed a protest march about sexual violence. Receiving a petition outside Parliament House, Somare instructed protestors to ‘raise good children, discipline them, include corporal punishment in schools so that children grow up to be responsible adults’. By relegating them to the familial sphere as reproducers of the nation, Somare underscored the position of women in PNG. Anne Dickson-Waiko outlines the difficulties of state-led gender equality as the state itself is built on societies steeped in patriarchal structures, customs and cultures.

This is played out in the difficulties PNG women have in political participation. Henry Okole and Kavanamur provide a review of women’s roles in government and the legislation that has been enacted to provide affirmative action that favours women. However, the reality is that the legal provisions have few potential benefits for women as people’s perceptions are powerful obstacles to women’s full participation in politics. With little formal education to allow more appreciation of endeavours to assist women, traditional norms and virtues are much more likely to influence people. A similar situation pertains in Solomon Islands (see below).

Electoral systems and governance

Winning elections in PNG is not just difficult for women. Alphonse Gelu considers the way in which electoral candidates campaign and the role of political parties which until recently had very little impact on electioneering or elections in PNG. Candidates campaigned as individuals and voters could not hold their elected member accountable. The Organic Law on Integrity of Political Parties and Candidates 2001 is beginning to bring about changes. Campaigning on party issues would make it easier for voters to hold parties accountable.

Solomon Islands provide an example of the way the Western democratic system can be adapted to traditional means for selecting leaders and how although legally there is gender equity, only one woman has ever been elected to Parliament — the lowest occurrence in the world. Joseph Foukona shows how elected leaders are chosen not because of competence and character but because of tribal connections, bribery and personal favours. Those who aspire to become leaders in the modern context capitalise on traditional means to become elected — the most common of which are persuasive oratory and distribution of wealth. The result is a lack of balance between how private and public interests should be addressed.

Bottom up development and the degree of stakeholder participation in local-level government are thought to influence opportunities for social and economic development and the delivery of basic services. Research into the impact of decentralisation undertaken by Bernard Esonu in seven PNG communities showed that stakeholders thought they had good knowledge of the issues affecting them, and that their participation was important in bringing about development. When asked about local-level government reform they did not know what the reforms might mean for them; there had been no improvements in service delivery or living standards and councillors failed to address their issues. The research points clearly to the fact that reform has little or no impact if people don’t know about it and there is a lack of funds and skilled human resources to implement the reform.

HIV/AIDS — a key factor in economic development

Little consideration is ever given to the relationship between health and social and economic development yet ill health, low life expectancy, high levels of fertility and poor nutrition are all vital determinants of economic development that influence productivity of the labour force and household survival. The rapid spread of HIV/AIDS is a critical issue for Pacific island economies and while to date it has not become a serious issue in most Pacific countries, it has already reached epidemic proportions in PNG. Esther Lavu looks at the short and longer term impacts of HIV/AIDS on children. The economic impact must be considered if better Pacific economies are to be built.

Reference

Economic policy tools for development

William Lyakurwa, African Economic Research Consortium

Introduction

Poverty reduction policies have been pursued mainly through the implementation of pro-poor government policies. In many cases this has involved the use of pro-poor fiscal policies, along with tax and expenditure policies. On the taxation side, the use of tax exemptions or zero-rating targets the commodities and services that are used by the poor. Expenditure policies, on the other hand, have mainly been in the form of sector specific expenditures such as education and health that are meant to benefit the poor. Monetary policy that intends to facilitate access to cheaper credit through reduction in interest rates may also be used to reduce poverty, although it hasn't been widely used especially in developing countries. Microfinance institutions have played a key role in providing such credit.

This paper looks at the economic policy framework and policy tools that can be pursued to foster economic development. These include macroeconomic policy, trade policy, and sector specific policies for industry and agriculture. The policies and the various potential outcomes are depicted in Table 1.

Outcomes of economic policy frameworks

There is considerable evidence worldwide indicating that economic policies pursued to achieve economic development have resulted in diverse outcomes as indicated by the broad economic divide. For example, economic policies in the Asian economies yielded remarkable growth and development, while those in Latin American and sub-Saharan countries have been termed disappointing. In general, economic policies are mainly intended to achieve a wide range of outcomes, among them an equilibrium in the markets resulting in more investment and other financial flows and hence growth, and also a reduction in poverty. Other outcomes include a reduction in unemployment and inflation rates, and also reduction in indebtedness (both domestically and externally).

Economic growth is an important aspect of the development process. It is recognised that economic growth globally has not been at the same pace. There is universal agreement that the economies of East Asia, and particularly the four tigers, have grown spectacularly over the past generation, but nobody seems to agree on why. The debate over why they have grown so well in the past raises difficult questions about regional growth in the future and about the aspiration of countries elsewhere to replicate the East Asian success.

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Table 1: Economic policy framework and the associated policy tools

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The arguments at the centre of the debate are based on theoretical notions of growth accounting. Theory holds that three elements contribute to the production of goods and services: labour, capital and technology; all must be present for
an economy to grow. What is subject to debate is the contribution of the other factors of production relative to that of technology. Some believe that increased use of labour and capital explains all growth; others are persuaded that the answer to growth lies in the use of more efficient technology (Sarel 1996). Solow (1956, as quoted by Sarel 1996), showed that accumulation of capital and an increase in the labour participation rate had a relatively minor effect, while technological progress accounted for most of the growth in output per person. Also, the standard view about the success of the East Asian countries emphasises the role of technology in their high growth rates and focuses on the fast technological catch-up in these economies. Other contentious issues in the debate on the factors explaining growth are those relating to the importance of public policy in promoting economic growth. Exports and investments have also been viewed as the major engines of growth given their high level of linkages. This stems from the theoretical argument that a high investment rate increases the capital that can permanently increase the growth rate through economies of scale and other beneficial side effects, while an emphasis on exports, on the other hand, increases the openness of the economy and, by exposing it to foreign technology and foreign competition, provokes a rapid rate of technological progress. Other debatable issues are the role of non-monotonic dynamics of growth (in which middle-income countries can take off and grow faster than either rich or poor countries) and about the importance of the geographical concentration of growth successes (why is East Asia the habitat of all Four Tigers?).

Development resources
Mobilising resources for development is another major challenge for countries pursuing development policy. For example, since the agreement on the MDGs there have been attempts to estimate the financing requirements of developing nations as they strive to achieve faster growth and development (Aryeetey 2004). Mobilisation of domestic resources is crucial for raising economic growth and promoting development since capital investment is a powerful engine of growth and higher levels of savings are associated with higher levels of investment. Microfinance institutions have been the biggest revolution in mobilising of domestic resources in the last decade. Most microfinance institutions are characterised by issuance of short-term loans; small initial loans; concentration on small working capital to firms with proven track records; specialised, simplified and localised services; shortened turnaround time for loan applications; and mobilisation of savings from the poor. The major challenge is the participation of the well established financial institutions in the provision of microfinance. Mobilising domestic resources in most least-developed countries is very difficult, given the high levels of poverty and high transaction costs. If domestic savings and investment were low, an approach to accelerating development would be to complement domestic resources through foreign savings, possibly through international financial assistance programmes. Attracting external resources has been important for development and growth, but for this to happen on a massive scale, capital inflows have to be attracted by gainful investment opportunities. By applying appropriate public policies, it may be possible to generate and attract more resources to finance the process of economic transformation in the developing economies.

In Latin America and the Caribbean, after a lost decade in the 1980s and a period of reform since then, many countries are still characterised by sluggish growth rates, rising unemployment and increasing poverty levels (Buira 2004). Despite the articulation of the Washington Consensus, and several attempted revisions, no tangible benefits have been reaped. The intensive and profound reforms left a mix of successes and failures, with a disappointing net outcome, especially in terms of growth and equity (Williamson 2003, as quoted by Ffrench-Davis 2004; see also Woo 2004). The successes include more balanced public budgets, eradication of hyperinflation, a rise in the share of exports, less bureaucracy and the decentralisation of microeconomic decisions (Ffrench-Davis 2004). Performance has been poorest in terms of growth and equity, with negative per capita incomes, declining wages, increasing incidence of poverty and highly regressive income distribution. This was partly attributed to the slackness of labour markets, higher unemployment, low physical investment ratio and sector specific approaches to the provision of education markets, access to markets. Among other shortcomings of Latin American countries’ development strategies was the assumption that the neo-liberal reforms constituted a unique policy recipe for development, including liberalisation of markets. The selection of policies did not consider the objectives of the society, the degree of the development of markets, the degree of homogeneity of domestic markets, and the nature of international institutions and markets.

As for the African experience, the continent’s slow growth has been explained by slow capital accumulation, which is in turn explained by the macroeconomic policy framework, inward-looking trade policies, lagging institutional development and poor development of market structures, compounded by effects of geography, and so on (Aryeetey 2004).

Experience shows that there is no blueprint for the specific ways of jump-starting an economy — the process involves a mix of various policies and depends on initial conditions of the economy. The major sources of growth can be summarised as
investment in physical and human capital, advances in technology, and institutions and economic policies that are consistent with efficient economic organisation. Such institutions include secure property rights and political stability, competitive markets, stable money and prices, free trade, open capital markets, and a favourable tax system. Economists have also always argued that freer economies are more productive. Economic freedom implies consistency of the legal structure, secure property rights, monetary stability, free trade and reliance on markets.

Potential research agenda

As Pacific Island countries search for a new policy agenda to enhance the pace of their economic development, there is need for focused research, as policy relevant research that is also relevant to the local context is required to generate solutions in terms of policy frameworks to address problems facing these economies. What therefore would constitute key elements of a research agenda?

This section borrows from sub-Saharan Africa's experience by looking at the research agenda developed by the African Economic Research Consortium. The thematic areas have been developed over time and encompass the relevant policy concerns in sub-Saharan Africa (SSA), given that economic development policy issues in SSA are evolutionary. The major issues and challenges in SSA have been: ever increasing levels of poverty; economic transformation given the little value addition in the dominant agricultural sector; microeconomic impact of macroeconomic policies; the labour market and the wage-price employment nexus in relation to Africa's competitiveness; and Africa's participation in the new world trade order.

Thematic research areas are identified as:

- Poverty, income distribution and labour market issues: including aspects, dimensions, measurement and causes of poverty; poverty incidence; income distribution; labour market issues; human resource development; and the growth and poverty reduction nexus.
- Macroeconomic policies, investment and growth: incorporating general macroeconomic growth models; production, employment, income, savings and investment; monetary policy; fiscal policy and macroeconomic stability; prices (interest rates, exchange rates etc); external aid and debt management; and analysis of economic growth performance.
- Trade, regional integration and political economy issues: covering commercial policy, trade negotiations and the international trading system; trade, international migration and economic development; trade in goods, services and intellectual property; regional economic integration; trade and the environment; and political economy issues in trade and international investment.
- Finance and micro/sectoral policy issues: spanning financial market development issues; financial institutions and services; corporate finance and governance; industrial production, market structure, conduct and performance with reference to specific sectors/industries; productivity, inter-industry linkages and capacity utilisation issues; and public policy towards business including privatisation, regulation, deregulation, liberalisation and antitrust issues/policies with reference to specific sector/industry.

The key to the research agenda is its policy relevance — other research areas may be more important in other regions. But the value of the research results lies in their contextualisation. They apply theory to the reality of African economies and are thus directly useful to policy makers.

Conclusion

As we have observed, setting a framework for policy analysis is fairly standard. Assigning appropriate policy tools to attain the desired policy framework, on the other hand, is quite a difficult task. This is where policy relevant research plays an important role and also where economists can make important contributions. Research evidence shows that there is no unique policy framework/blueprint for varying development issues, since similar frameworks have yielded different outcomes depending on initial conditions of an economy. This paper has highlighted the major elements of a policy framework and the associated tools, but the applicability of the tools is empirical. The relevance of the experiences in sub-Saharan Africa and Latin America should be verified empirically using data generated at the local level.

The research agenda suggested, while wide ranging, is certainly not exhaustive. A locally focused agenda should be evolutionary, should encompass the major development challenges facing these economies and should be tailored to the specific needs of the economies.

Note

1. For further discussion of policy agendas refer also to such works as Devraj et al. 2001; IMF 2004; World Bank 2004.

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IMF (International Monetary Fund) 2004, *Evaluation of the IMF’s role in poverty reduction strategy papers and the poverty reduction and growth facility, the independent evaluation office*, IMF.


The last 20 years have seen dramatic changes in the way the public sector approaches service delivery. One of the key changes has been the adoption of new public management-style (NPM) reforms by many countries around the world. Based in part on a drive to increase service delivery efficiency, the two key characteristics of this new approach are the introduction of a funder/provider split and the use of contracts to monitor the relationship between funders and providers. While NPM-style reforms have led to some positive outcomes, concerns have been raised about the concurrent emergence of an accountability deficit. This paper argues that the existence of accountability deficits in developing countries demonstrates how reforms should be matched to the task at hand and how context must be taken seriously if reforms are to be successful. What is required is a mechanism to inform decisions of whether or not a particular structure suits a particular context and task. The alternative service delivery (ASD) mechanism may be able to provide not only a front-end monitoring mechanism but also a diagnostic tool.

New public management reforms
The move to NPM strategies was prompted by recognition that the public sector in a number of OECD countries had become ineffective or inefficient. Older centralised forms of public sector organisation emphasised the importance of accountability as rule-following with a focus on inputs rather than outcomes. NPM-style reforms aimed to free up managers to allocate resources as they saw fit and to move towards a form of accountability measured in terms of results. A key tenet of this new approach was the belief that some functions previously carried out by the public sector might be more efficiently performed by the private sector. As such, NPM can be seen as part of a larger shift towards the rolling back of the state that characterised the closing decades of the twentieth century.

As a strategy for reform, NPM was based on a number of key principles including: transforming bureaucracies into agencies that interact with each other on a user-pays basis; contracting out to encourage competition; introducing cost-cutting measures; the use of performance appraisal techniques; the adoption of output targets and limited term contracts with the result being the freedom for bureaucratic officials to manage (Hood 1991). The adoption of the NPM approach has also introduced various structural changes to the machinery of government that encourage decentralised control through a wider range of service delivery mechanisms. A key outcome of this process has been the separation of policy making and service delivery provisions, motivated by the belief that it is more efficient for an organisation to focus on a smaller range of tasks and 'do' those goals well rather than 'do' a greater number of tasks less well. The shift towards organisations focusing on their 'core business' has led to a general shift towards the creation of quasi-markets where public and private service providers compete for contracts and resources from government funders. In terms of service delivery NPM-style reforms have led to the emergence of multiple new organisational forms including the creation of semi-independent government agencies. This separation of funder and provider has in turn led to an increased focus on the use of contractual arrangements in order to structure these new organisational relationships. However, while this new contractualism was initially adopted as a way to ensure a focus on outcomes it has led in some instances to the creation of an accountability gap.

Problems of accountability
The NPM goal of increased public sector efficiency requires new forms of accountability mechanisms, but this has occurred at the expense of older forms of accountability mechanisms. Despite the belief that contracts help to more clearly define goals, the loss of clear vertical lines of accountability typical of older public service models has led to a blurring of accountability. In many respects this can be seen as a trade-off, with the gain being increased efficiency (Mulgan 1997:106).

This idea is problematic, especially if the quest for efficiency dominates the need for accountability. Service delivery can never resort to a 'by any means necessary' approach. Accountability relationships need to be maintained to ensure that services are being delivered and that the services being delivered are the services that are required.

The move towards a form of accountability measured in terms of results has been identified as a replacement of political accountability with managerial accountability (Glynn and Murphy 1996). Whereas political accountability ensured that
government had been accountable to its citizens, the separation of former functions of government through the introduction of a funder/provider split has meant that the direct link between government and its citizens has been broken, as have associated forms of accountability.

**Forms of accountability relationships**

The new contractualism characteristic of the NPM means that the only formal accountability mechanisms are those which operate at the funder/provider level. In general, there is no accountability relationship between providers and clients other than the informal ones of exit, voice and loyalty (see Hirschmann 1970); the responsibility to monitor these relationships is transferred almost entirely to the client. This gap has been identified as the source of an accountability deficit (Considine 2002; Seddon 2004). Mulgan, however, has shown that this deficit is not as substantial as some may think, and that a degree of accountability to the public — which Mulgan (1997:16) has termed as accountability-for-results — still exists.

While there is no direct accountability mechanism connecting funders to clients, feedback mechanisms such as elections and complaints procedures do provide a form of indirect accountability chain. This chain is then extended to include providers through the contractual mechanisms that link funders to providers. This extended accountability chain thus functions to provide for the operation of an accountability-for-results mechanism. And so, in a developed world at least, NPM-style reforms have seen older accountability mechanisms replaced by new forms.

The NPM is the new orthodoxy in terms of both how the public sector should operate and what structures should be utilised. Yet there are concerns about its applicability in situations of low capacity and its ambivalence with regards issues of accountability — common problems in the developing world.

**NPM-style reform in the developing world**

The last 20 years have seen a number of attempts to transfer NPM-style reforms to developing countries. This transfer was facilitated through conditionality mechanisms such as those that accompanied the structural adjustment programmes of the 1980s and 1990s. These reforms have, however, met with mixed success at best (Batley 1999; Polidano 1999). For example, in sub-Saharan Africa NPM-style reforms have had very little, if any, positive impact on service delivery. In fact the shortage of skilled professionals and frontline workers that have resulted from the downsizing of the public service have actually severely constrained service delivery (Kiragu 2002:3).

In many respects these problems can be traced to a capacity shortfall. In a situation of low capacity, issues such as problems of accountability may become compounded. Governments may be unable to successfully implement NPM-style reforms due a lack of capacity to monitor the contractual forms of arrangement that characterise these reforms. This shortfall means that any possible gains that may have been obtained from the adoption of a contractual form of service delivery structure — such as clarity of outcomes — may be lost. And, in an extreme although not altogether unlikely situation, this inability to monitor contractual relationships may mean that service delivery programmes may actually experience negative gains.2

While the movement to utilise out-sourcing as a way to reduce the capacity load on government departments and services makes some sense, the increased capacity load required in monitoring the contractual relationships emerging from this shift is often neglected. In the developing world, this is a burden some states may not be able to bear (Kirkpatrick and Parker 2004).

**An accountability deficit?**

The problem in much of the developing world is that many public sector agencies do not have the capacity to operationalise performance measurement and evaluation mechanisms. Or, if they once did have this capacity, it has often been stripped away by public-sector downsizing. The removal of older forms of vertical accountability mechanisms combined with an inability to effectively operationalise these mechanisms can lead to an accountability deficit, with ramifications for service delivery. Deininger and Mpuga (2004) have shown that better accountability mechanisms in Uganda have led to decreased levels of corruption and significant improvements in the quality of service delivery. The main functional aspect of this mechanism is the existence of monitoring and reporting mechanisms to ensure that providers are responsive to the needs of clients (Deininger and Mpuga 2004:186-189). What, then, can be done to solve this accountability deficit?

While the obvious answer is the creation of the necessary monitoring capacity, the real problem is the adoption of inappropriate structures within a particular context. NPM-style reforms have generally ignored context and, as the above example shows, to ignore context may be to invite disaster. Yet this is not to say that one should not utilise NPM-style reforms. The introduction of the funder/provider split in New Zealand, for instance, has had positive impacts for funders and clients with an increased uptake of services (particularly health services) by Maori communities over the last ten years.

NPM-style structures should be utilised when they are the best type of structure for a particular task. Capacity across a state is generally not uniform; some agencies have greater capacity than others and there is often differential capacity within agencies. Therefore, some state agencies may be able to successfully adopt NPM-style structures, while others may not.
What is required is a mechanism to help decide whether or not a particular structure is suited to a particular context and task. An appropriate mechanism may be the ASD decision framework.

**Alternative service delivery**

A Canadian innovation, ASD has been defined as 'a creative and dynamic process of public sector restructuring that improves the delivery of services to clients by sharing governance functions with individuals, community groups and other government entities' (Ford and Zussman 1997:6). ASD has two main components: the establishment of appropriate organisational forms within the structures of government; and the linkage of organisations across government through partnerships with public and private organisations, to ensure that monitoring is carried out at all aspects of the service delivery process (Wilkins 2003).

ASD is based on the idea that any service delivery structure should be matched to the task at hand. In many respects this is what the NPM could do. Many of the mechanisms identified by ASD, such as private-public partnerships, are exactly those advocated by NPM proponents. In practice, however, NPM-style reforms have been transferred to countries wholesale. ASD, on the other hand, explicitly moves away from the one size fits all approach (Wilkins 2003:182-183).

**ASD decision framework**

To ensure that any ASD mechanism is appropriate to the task, ASD utilises a 'front-end' monitoring mechanism known as the decision framework. Comprised of a number of tests, this front-end testing on a case-by-case approach helps ensure that any delivery option adopted is the most appropriate for the service and the setting (Wilkins 2003:178). ASD does not necessarily involve the rejection of NPM structures and processes. Rather, ASD treats the NPM as a toolbox with ASD itself. ASD then is a mechanism through which the NPM may be able to live up to its promise as a way to increase efficiency of service delivery, although not at the expense of accountability.

One of the most important aspects of the ASD process is a concrete recognition that things need to be done in terms of the public interest (Wilkins 2003). Canada, the world leader in the development of ASD, has official policies to ensure that any service delivery mechanism promotes the public interest. Part of the ASD decision framework test comprises a series of questions for governments to ensure the resulting structures and processes further the public interest. The framework provides a dual function as a front-end monitoring mechanism and as a form of diagnostic tool, and in a low capacity context this dual-functionality is important.

**ASD as a diagnostic tool**

The use of the decision framework as a diagnostic tool is something which has not been widely discussed. Yet it could be of great use to donor and recipient countries alike. Use of the framework may for instance identify a shortfall in monitoring capacity at the planning stage of a proposed restructuring programme, and thus identify a more appropriate path as a continuation of government provision of services until the shortfall has been corrected. In doing this, the framework acts as a diagnostic device which can pinpoint where extra assistance in the form of bi-lateral or multi-lateral aid could be used. This diagnostic aspect of the ASD approach is one that deserves more consideration.

Finally, while ASD (and NPM to an extent) are concerned with alternative forms of service delivery structures we should not ignore alternative structures, such as churches, that in many developing countries have acted as the primary education and health service delivery agency. Rather than trying to replace these organisations with new organisations, a more appropriate approach might be to investigate how these organisations may be helped to fulfil these functions more efficiently.

**Conclusion**

While NPM-style reforms may be the new orthodoxy in terms of public sector restructuring, issues such as the accountability deficit show that more work needs to be done. What is required is a mechanism to help decide whether or not a particular structure is suited to a particular context and task. The ASD framework provides this mechanism and a diagnostic tool for pinpointing where extra assistance may be most usefully used to help implement successful programmes of reform.

**Notes**

1. The actual take-up of these reforms has been relatively low with the majority of developing countries still utilising older vertical service delivery mechanisms. Nonetheless, there is still a 'push' from certain influential sections of the donor community for LDCs to adopt NPM-style reforms. In many respects then this paper should be read as a note of caution for those advocating the adoption of these styles of reform in LDCs.
2. This is not just a problem in the developing world. Recent work by Brown and Potoski (2003) in the American mid-West has shown that even small towns in OECD countries are facing the same issues due to capacity shortfalls.

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The Pacific Plan as a development strategy

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The Pacific Plan is very different from earlier initiatives of the Pacific Islands Forum. The difference lies principally in the challenge it presents to Australia and New Zealand to engage with Forum island countries (FICs) as equal partners in Pacific development rather than as honorary members on the sidelines. It equally presents a challenge to island countries to acknowledge the problems older strategies for development have created for their own peoples. If both challenges are not addressed they will undermine the Pacific Plan.

In responding to the Plan we need to remind ourselves that it has not simply emerged from a vacuum. The region does face problems and many of these, while not new, have assumed greater importance during the past decade: economic decline, social instability, environmental and health threats, and the end to preferential access for exports, which many countries relied on to underwrite their post-colonial development strategies. Since regionalism has long been recognised as a way of overcoming national constraints, the Plan seeks to transform the architecture for regionalism to better address the region’s major development difficulties.

This goal is now in danger of being forgotten as commentators rush to focus on imbalances in regional economic and political power (Jayaraman 2005; Casimira 2005; Firth 2005; Kelsey 2004). Such imbalances are very real, but we need also to remind ourselves that they are not unusual. Many regions are dominated by large states: the North American Free Trade Agreement by the US, Mercosur by Brazil, and the Southern African Development Community by South Africa, to name but a few. Much of the early success of the EU relied on the economic strength of Germany.

The issue then is not dominance but how regionalism can transform dominance to the benefit of all parties. This is what the Pacific Plan seeks to do and has the potential to do very well. It has that potential precisely because it is not an Australian plan, as some critics believe, let alone a New Zealand plan.

The Plan’s special features

The Pacific Plan is an island response to regional changes over the last ten years; more specifically to the trade negotiations which ultimately produced the Pacific Islands Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER), to the current regional negotiations with the EU, and to civil strife and economic dangers confronting many states.

These events reinforced the need for deeper regionalism, and provided motivation in 2003 for the Forum’s Eminent Persons’ Group (EPG) to review its activities. The EPG was certainly no mouthpiece for Australia and New Zealand, and its goals were very different from the security concerns of the Australian Government. Its 2004 report outlined what island members were prepared to support: a Pacific plan of action to strengthen their existing Forum through a set of confidence-building initiatives that would improve governance and deepen commitments to regionalism. It also called for greater engagement with remaining colonial territories in the region and with civil society organisations. The inclusion of these two components in the EPG report reflects the deeper regional consultation undertaken by the EPG.

The EPG report also signalled another important shift in Forum island thinking: an awareness that if regionalism focused solely on trade liberalisation, it could aggravate tensions between states, and derail efforts to strengthen Pacific economies. While we see these tensions already in the so-called biscuit war between Fiji and Vanuatu, they are much stronger in the Caribbean where the drive for regional integration has been weakened as a result.

The point is simply that liberalisation alone cannot reduce disparities between states, let alone create opportunities for convergence. It cannot compensate for the lack of diversification in domestic economies and meet the costs of change. These things demand something very different; a strategy that gives purpose and incentive, which nourishes and sustains political will. The Pacific Plan addresses these issues.

Pacific strategy success

The background papers to the Plan outline three premises for a successful Pacific strategy; first, that it directly address the fundamental challenges facing the region. Hence the Plan’s regional provision of services to ease capacity constraints, improve governance, and lay the basis for increased economic opportunities. These initiatives have been selected because they address crucial problems facing the region, can be implemented relatively quickly, and should — by delivering benefits of up to US$10 billion over ten years — sustain support for regionalism (ADB-ComSec 2005). Many other examples of regionalism have failed to deliver such immediate benefits and have lost political support as a result.
The second premise is that a regionalism of small or relatively similar markets can only stimulate economic growth so far. This problem has confronted other regions, including the Caribbean; hence the importance of Australia and New Zealand, with a combined market of over US$700 billion, as integral components of Pacific regionalism. Without their stimulus to growth, regional members will have little incentive to work closely together (ADB-ComSec 2005). With a market of only US$20 billion, the costs of integration would quickly overwhelm the benefits of regionalism.

Thus the argument: cooperation alone is insufficient to overcome constraints of smallness and isolation; regional market integration without linkages to larger markets to stimulate growth may produce intra-regional inequality and disharmony, undermine political consensus, and thereby weaken regionalism.

But because of the trade dominance of Australia and New Zealand in the Pacific, their inclusion may, at least initially, reduce the pool of benefits needed to sustain deeper regionalism. The experience of other regions, even the Pacific’s experience of its Melanesian Spearhead Group Agreement and PICTA, demonstrate that it is the absence of offsetting benefits that make asymmetrical flows politically unpalatable (ADB-ComSec 2005).

The third premise then is that regionalism must focus also on those offsetting benefits. The most obvious benefit that impacts immediately on ordinary citizens is labour mobility. The Plan’s background papers note that the current situation of severely restricted access of unskilled labour to Australia and New Zealand, combined with relatively unrestricted and permanent movement of skilled labour, is a worst case scenario for Pacific welfare. Both Australia and New Zealand experience shortages in skilled and unskilled labour; hence the proposal for FICs to provide on a temporary basis one per cent of Australia and New Zealand’s respective labour forces (40 per cent of FIC populations are under 20 years of age). This would immediately deliver a net welfare increase of US$1.1 billion in the short to medium term to the Pacific. Gains are higher if the increased productivity of returning labour is factored in (ADB-ComSec 2005).

Because even a modest supply of labour to external markets requires improved planning and training, this important ingredient of the Pacific Plan necessitates a further initiative to galvanise regional support. Over the past 25 years development assistance to the region has declined 40 per cent; an increase in aid, particularly to Melanesia, from 2003 has only partially offset the decline (ADB-ComSec 2005:151-152). What is needed, therefore, is an agreement to both harmonise and stabilise development assistance in order to enable longer term planning, encourage economic growth and sustainable development, improve governance, and raise domestic skills. (The Pacific Plan’s consultants suggest that Australia and New Zealand give 0.08 per cent of their respective GDP and at least 25 per cent of their total aid budget to FICs; 25 per cent of aid to FICs should be provided through regional channels).

It is important to see the Pacific Plan not as a collection of disparate initiatives but as a comprehensive development strategy designed to assist FICs overcome capacity constraints, increase economic opportunities, and improve the well-being of their peoples. This is the challenge that FICs now present to their larger economic Forum partners, Australia and New Zealand, a challenge that could be met by formally integrating the Pacific Plan with PACER to ensure that closer economic relations between all Forum members involve more than just trade in goods and is truly developmental in character.

Will it happen?

Three difficulties confront deeper regionalism in the Pacific. First, because the Pacific Islands do not provide a large market for Australia, the latter’s politicians may argue that regionalism presents it no benefit and reject the idea of equal partnership encompassed most specifically in proposals for enhanced labour mobility.

Second, if FICs fail to see the forest for the trees, decide to accept only the confidence-building initiatives or resolve simply to go their individual ways, the Plan will also falter. Both difficulties can be overcome if the Plan is accepted as a negotiable framework for regionalism that will be eventually encapsulated within a regional developmental agreement. Such an agreement will provide stability and maintain regional momentum. It will also assist to demonstrate island ownership of the Pacific Plan. Leaders may not be able to transform Australia’s preoccupation with security, but they can argue that security is best achieved through development and that development can only be assured if Australia and New Zealand are prepared to commit to the kind of long term comprehensive package that the Pacific Plan represents. In some respects, Australia’s security concerns are the islands’ best bargaining chip.

Thirdly, the Pacific Plan needs popular support. Undoubtedly this will grow as the package of confidence-building initiatives, labour mobility and development assistance delivers benefits at the grassroots. But in the long term, deeper regionalism requires accountable and transparent institutions. Only by this means can regionalism avoid fears of domination by one or more countries and continue to reflect popular needs. Such democratisation necessitates among other things greater consultation and involvement with civil society as a first step toward a regional debate on the future political governance of regionalism.

Leaders need to recognize that many civil society criticisms of the Pacific Plan simply reflect this point. Sutherland et al. (2005) have argued that despite low levels of knowledge and
perceived benefit, there is a strong sense of regional identity and communities expect more from regional organisations. In particular they want more direct institutionalised engagement with regional organisations, rather than through governments, and they want to be integrally involved in the Pacific Plan. If Pacific leaders can harness that support, the result will be much stronger nations. This too is a challenge all Pacific leaders need to address as they consider the Pacific Plan and its evolution.

Notes


2. In 1997 the Forum Economic Ministers Meeting endorsed a proposal for a two stage free trade agreement to incorporate the islands over a ten year period, followed by Australia and New Zealand during a second ten year period. The plan fell foul of World Trade Organization rules, and the Forum decided instead to adopt an islands-only agreement, PICTA. Although evidence existed that PICTA might produce few gains, the islands welcomed it as a means to set their own pace of change and gain political influence as a grouping before tackling greater integration. Everything changed however when the African Caribbean Pacific Group and the EU agreed to sign a successor agreement to Lomé which foreshadowed a new reciprocal Regional Economic Partnership Agreement (REPA) within eight years. Because a Pacific REPA held the potential to advantage European goods over Australasian goods in the Pacific, Australia and New Zealand proposed an umbrella Pacific Agreement on Closer Economic Relations in 1999 to ensure that the FICs negotiated a similar agreement with them.

3. Other governance, economic, social development and security strengthening proposals are also foreshadowed: harmonising standards and extending policies on information access and dissemination; harmonising approaches to health; developing and implementing policies and plans for dealing with national disasters, waste management, urbanisation and biosecurity issues; and strengthening law enforcement training by focusing on domestic, gender and sexual violence, drug abuse and accountability mechanisms. Also foreshadowed are proposals for a regional audit service, a regional ombudsman office, a regional customs service, the bulk purchase of petroleum and pharmaceuticals, a regional sporting institute, and an intellectual property rights body.

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South Pacific Economic Union: Could it be viable?

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Introduction

The rapid growth of regional integration in Europe, Asia, North America and Latin America has raised policy concerns about their impact on the rest of the globe. The world is increasingly dividing into trade blocs. The world’s two most powerful economies, the United States and the European Union, have each sought to forge links to neighbouring countries and deny access to rivals. Other major trading countries, like the fast growing exporters on the Pacific Rim and the big agricultural exporting nations, have also sought to create loose trade groupings to foster their interests. The formation of free trade zones and trade blocs is one of the major issues facing the world trading system. Will they lead to increased protectionism, or will they promote trade liberalisation?

Regional economic integration has been adopted particularly in Europe to develop the economies at a faster rate through strategic alliances to share the strengths and minimise the weaknesses of member countries in order to meet the competition from the global economies. One school of thought advocates economic interdependence of the member countries, which would enable them to play complementary, but not competitive, roles within the trade bloc, resulting in successful regional integration (VanFossen 2005). According to this school of thought, where the member countries of the trade bloc have similar resources and compete among themselves, they cannot benefit from regional integration.

The second school of thought advocates that regional integration is possible and can be successful even among countries with the same or similar resources, as member countries can benefit from larger scale economies through integration and the advantages of the strategy of supply chain. The success of the European Union is attributed to the outcome of the second school of thought. Though the limited success of the South Asian Agreement for Regional Cooperation (SAARC) cannot be fully attributed to the limitations of the second school of thought, the SAARC countries may not have paid adequate attention to collaborative strategies.

One view is that regional integration among the nations with similar levels of economic development would be successful as they share similar technology and management practices. The success story of the European Union until 30 April 2004 is the best example of this view. This view also suggests that regional integration among countries with dissimilar levels of economic development will not be advantageous for those countries with lower levels of economic development. An example is provided by Mexico and the North Atlantic Free Trade Agreement (NAFTA).

Against this conceptual background, this paper considers the viability of regional integration among South Pacific island countries (SPICs) excluding Australia and New Zealand.

South Pacific island countries: Key characteristics

The SPICs are characterised by their smallness and remoteness. They range in size from a total land area of 12 to 462,840 square kilometres and are scattered in 30.43 million square kilometres of ocean. Each country comprises several islands, which are isolated geographically from each other and from the major world trade centres. These countries have very small populations, the largest being Papua New Guinea (PNG) with a population of around 5.3 million (see Table 1). Half the population of the region is under the age of 34, most of whom are not fully productive, in part because of low education rates. Due to isolation, small market size and remoteness, transport costs are 20 per cent of the total import cost in comparison to 14 per cent for other developing countries (CIA factbook 2005).

Most of these countries have relatively undiversified resources and as the level of industrial activity is very low, due to the small size of the market and poor infrastructure, these countries mostly export raw materials and semi-finished goods. The share of manufactured goods is less than ten per cent of the GDP of almost all of these countries. Though there is little resource diversification between countries, the national annual income per capita varies considerably — from US$580 to US$2,730 in the year 2001 (Robertson 2000).

There is high dependency on the primary and tertiary sectors of the economy. Agricultural activities include palm oil, coconut, cocoa, vanilla and coffee. The tertiary sector's contribution to GDP ranges from 55-75 per cent depending on the country. Tourism is an important economic activity as is fisheries, which includes subsistence fishing, commercial fishing, industrial processing, and fees from licensing of distant water fishing nations' vessels.

Owing to the similarity of resources and economic activity in these countries intra SPICs trade is very limited. The
Table 1: Basic economic indicators of SPICs

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<tbody>
<tr>
<td>PNG</td>
<td>5,420</td>
<td>580</td>
<td>2,450</td>
<td>1.0</td>
<td>-3.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Fiji</td>
<td>881</td>
<td>2,150</td>
<td>5,800</td>
<td>1.7</td>
<td>2.7</td>
<td>3.4</td>
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<tr>
<td>Solomon Islands</td>
<td>447</td>
<td>590</td>
<td>1,910</td>
<td>-1.4</td>
<td>12.8</td>
<td>-2.5</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>199</td>
<td>1,050</td>
<td>3,110</td>
<td>-1.1</td>
<td>-1.9</td>
<td>-0.6</td>
</tr>
<tr>
<td>Samoa</td>
<td>170</td>
<td>1,490</td>
<td>6,130</td>
<td>2.0</td>
<td>5.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Tonga</td>
<td>100</td>
<td>1,530</td>
<td>NA</td>
<td>2.1</td>
<td>-1.1</td>
<td>NA</td>
</tr>
<tr>
<td>Kiribati</td>
<td>91</td>
<td>830</td>
<td>NA</td>
<td>0.6</td>
<td>-0.8</td>
<td>NA</td>
</tr>
<tr>
<td>American Samoa</td>
<td>58</td>
<td>8,000</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>21</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>7.1</td>
<td>NA</td>
</tr>
<tr>
<td>Wallis and Futuna</td>
<td>20</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Nauru</td>
<td>12</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>11</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Niue</td>
<td>2</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Tokelau</td>
<td>1</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>


percentage of exports to other SPICs ranges from 0.1 to 11.7 per cent of total exports, and the percentage of imports from SPICs ranges from 0.4 to ten per cent of total imports. Thus most of the international trade of these countries is with non-SPICs.

Most SPICs receive very high levels of aid from organisations such as IMF, ADB, World Bank, European Union, Australia, New Zealand, China, and Japan. The economic growth rates of these countries are less than population growth. Poor security, widespread crime and civil conflict and rampant corruption are the other features of the SPICs.

Impact of existing trade agreements

The existing trade blocs and/or agreements include the Pacific Island Countries Trade Agreement (PICTA), Asia-Pacific Economic Community (APEC), and the Pacific Forum. APEC is a loose grouping of countries bordering the Pacific Ocean who have pledged to facilitate free trade. Its 21 members range from China and Russia to the United States, Japan and Australia, and account for 45 per cent of world trade. Only PNG among the South Pacific developing countries is a member of APEC (APEC 2005).

The Pacific Forum was established to support Forum member governments to enhance the economic and social wellbeing of their people by fostering cooperation between governments and international agencies, and by representing the interests of Forum members in ways agreed by the Forum (see http://www.forumsec.org.fj/).

PICTA is one way to overcome small domestic markets and it is hoped that the expanded market of nearly seven million people would enable fuller exploitation of economies of scale and attract foreign investment. In order to exploit the benefits of economies of scale, integration would have to be deeper than just an elimination of internal trade barriers (Everard and Strathfield 2003). But even the combined market will remain small.

Outcome from the different trade blocs

The number of trade blocs in the Pacific island region creates duplication and confusion among the member countries. Trade blocs with combinations of developing and advanced countries have led to the exploitation of the developing countries by the advanced countries in the form of exporting primary products without helping the developing countries to develop manufacturing facilities.

Trade creation and trade diversion from the existing trade blocs: The growth of regional trading blocs should benefit world trade and increase overall welfare. This in turn depends upon the difference between the trade creation effect and trade diversion effects. The trade creation effect is caused by the extra output produced by the member countries due to the formation of trade bloc. This extra output is generated due to the freeing up of trade between them. Increased specialisation and economies of scale should increase productive efficiency within member countries. The trade diversion effect exists because countries within trading blocs, protected by trade
barriers, find that they can produce goods more cheaply than countries outside the trade bloc. Production will be diverted away from those countries outside the trade bloc that have a natural comparative advantage to those within the trading bloc (Martin 2001:8).

The SPICs experienced only exploitation and export of natural resources rather than value addition to the products even after the formation of trade blocs. This is largely due to the continued export of primary goods and the import of manufactured goods from developed countries in the region. A free trade area will not provide benefits to the SPICs, particularly when partner countries have economically unequal capacity as advanced countries will continue to dominate trade. As a result, within the existing trade blocs, trade creation and trade diversion will not bring trade benefits to the SPICs.

Despite the formation, revision and amendment of regional trade agreements in the SPICs over the last 20 years, there has been no noticeable increase in the living standard of the people (Wikipedia 2005). It is widely felt that the South Pacific region will be completely controlled by global markets by 2050, unless SPICs establish a new form of regional integration exclusively with the developing economies. They need to adopt a common policy and a common attitude towards advanced countries as it is obvious that they cannot compete with countries such as Australia and United States. Pacific nations have to define a common way of creating and protecting small industries, because this is the only way to add value, create jobs, and derive the benefits of a trade bloc.

How is it viable?

The SPICs can progress economically only when they add value to their primary products by manufacturing and export them to the third party countries. Economic union would be an appropriate solution but the low level of capital formation and growth, limited human resource development, and dismal level of infrastructure and facilities make this impossible.

The following strategies can be viewed in conjunction with each other depending on the type of the economic activity, size of the country, and distance between countries:

• **Conglomerated joint manufacturing centres:** In view of the small size of the countries and raw material base, conglomerated manufacturing centres would allow countries to produce at an optimum scale. Smaller nations would need to locate the manufacturing centres jointly and transport their common resources for manufacturing final products. The higher transportation cost would be offset by the economies of scale to a considerable extent. This strategy allows the smaller nations to add value to the product rather than exporting the raw material, as has been the case so far.

• **Supply-chain strategy:** Under this strategy, various SPICs process the raw materials in their respective countries up to a level that allows the manufacturing unit to derive large scale economies and transport the semi-finished goods to the next stage of the supply chain that could be located in another country within the region for further processing. This coordination and collaboration among the SPICs would enable them to minimise the transaction, transportation and manufacturing costs in addition to producing on a large scale within the region.

• **Strategic alliances with non-member nations’ business:** SPICs can also develop alliances with the businesses of non-member countries for the supply chain arrangements in those areas where large scale production within the region is impossible.

**Industrial climate needed**

The SPICs could formulate these economic union strategies either on their own or with transnational companies with a basic requirement that they should manufacture the final product within the region and export it. This requires creation of a congenial investment climate, free flow of factors of production and improved education and health.

• **Create potential investment climate:** Creation of a conducive investment climate to attract foreign direct investment under joint venture/strategic alliances is the basic requirement for making a South Pacific Economic Union viable. This strategy requires providing security and a crime and corruption free environment.

• **Free flow of factors of production:** Free flow of capital, human resources and management among the member countries is a basic requirement.

• **Investment in education and health:** Good education and health are critical to economic efficiency and development. Nations should be ready to invest in these sectors.

• **Community land ownership:** Community land ownership can be a major hindrance to industrial growth in the region. Alternate strategies such as allowing the owners of the land as shareholders in the industry or long term leasing of the land.

• **Political stability:** Political instability discourages investment. There is a strong need to develop suitable institutional governance and efficient public sector management.
Conclusion and further research

Because of their small size and lack of manufacturing base, SPICs export raw materials for further processing contributing to economic development and employment opportunities in importing countries. In view of the existing social and economic environment, it is suggested that the developing countries in the region form a South Pacific Economic Union in order to develop the region industrially through the establishment of conglomerated joint manufacturing centres and by adopting supply chain and strategic alliance strategies. These countries should aim at manufacturing and exporting finished goods rather than raw materials. This paper has pointed out some early findings relating to the formation of a South Pacific Economic Union, but further investigation is required. In-depth attention needs to focus on the available resources, and the economic, political and social impact of such a union on the SPICs. Such an endeavour should account for political, legal and cultural factors.

References


Clustering: A research agenda for regional development in Oceania

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Introduction
This paper discusses the concept of clustering as a possible research agenda for Oceania within the concept of regional economic integration. Clustering offers the region the opportunity to benefit from economies of scale, scope and specialisation. Industries such as tourism, winery and light manufacturing have already benefited from clustering in Australia and to some extent in Fiji. The Australian Government has developed a policy intervention project known as the Business Network Program supported by AusIndustry which oversees the development of business networks among Small Medium Enterprises (SMEs). Academic research such as those of Buttery (1992), Buttery and Buttery (1994, 1995) and Dean, Holmes and Smith (1997), among others, have been credited with providing the rationale and strategies for advancing the idea of clustering in regional Australia. One of the most advanced clusters is that of the Cairns Region Economic Development Corporation (CREDC), www.credc.com.au. The CREDC has a specialised Cluster project manager and a number of network brokers. Currently, it has 15 clusters under its umbrella.

In Papua New Guinea (PNG) there are areas that may be amenable to such strategic clustering and need to be further explored. In this paper, I endeavour to provide the theoretical basis of clustering as well as pointers for in-depth research to be undertaken within Oceania drawing from an earlier paper (Kavanamur and Toledo 1993).

Theoretical rationale
Clustering and/or networking as a strategy is increasingly being adopted by firms in Japan, Europe, United States, and Australia. The last two decades have also witnessed the re-emergence of the Marshallian industrial district (ID). The term industrial district dates back to the 19th century when Alfred Marshall, in challenging the conventional view that efficiency in production can only be reaped by large firms due to economies of scale, argued that greater efficiency could also accrue from a division of labour not by individuals in a single integrated factory but by different highly specialised firms which compete with, and yet complement, each other (Bellandi 1989). Marshall’s views were based on early industrial districts in Britain where he noticed that the clustering of firms enabled them to reap benefits akin to what Schmitz (1990, 1997) has termed ‘collective efficiency’, defined as the competitive advantage derived from local external economies and joint action. Marshall introduced the notion of external economies to represent advantages arising from ‘the concentration of many small business of a similar character in particular localities’ (Marshall 1920:221). Although such externalities have often been seen as signs of market failure, Marshall saw them as serving an enabling function. Nadvi (1997:6) summarises Marshall’s view of external economies as arising from sector specialised clusters via:

- the benefits of a local specialised labour market, lowering search costs for employers and labour;
- a division of labour in production, allowing firms to concentrate on core competence while also accessing highly specialised machinery and other technical skills collectively, thereby exploiting economies of scale and scope which individually they would not have been able to;
- the presence of numerous allied and subsidiary sectors, providing firms with a cheap, readily available local supply of specialised raw materials, machinery transport, and services; and
- easy access to industry specific trade and technical knowledge allowing firms to access market intelligence, absorb new ideas and learn, via demonstration effects, from others.
Building collective efficiency

The other building block of collective efficiency is 'joint action' by local agents which is generated by clustering. Thus Schmitz (1992:67) describes external economies as 'unplanned' and joint action as 'planned', while Nadvi (1996, cited in Nadvi 1997) although in the same vein, prefers the distinction between 'active' and 'passive' as it captures more accurately the distinctive nature of inter-firm ties that bring about external economies and joint action gains. 'Passive' gains of clustering accrue to firms by virtue of their location in the cluster, while 'active' gains accrue as a result of joint action.

The recent popularisation of the ID concept has, however, been largely a result of the successes of sectoral agglomerations of small firms in Italy, Germany, Denmark, Mexico, Pakistan and Brazil where clearly small firms have emulated the success of large firms and have been resilient amid the adverse economic conditions of the 1970s and 80s. Refinements to the ID concept have come particularly from Becattini (1989, 1990) who perceived the network of firms as a socio-economic notion implying that explanations of the successes of the Italian IDs went beyond mere economic variables. He considered culture, trust, self-help organisations, state involvement and even institutions like the Church as germane to any discussion of the Italian IDs.

Although there is increasing interest in the ID model, there is still a need to sort out conceptual difficulties in standardising the definition of the ID model as well as the concepts used in discussing industrial districts so as to avoid confusion. But conceptual difficulties apart, there are key principles of the Italian model that one can readily identify.

Industrial districts: Key elements

The first set of related dominant elements in the Italian IDs is that there are clusters of firms comprising mainly small and medium firms which are within close geographical proximity and are sectorally specialised in a family of products — textiles, footwear, machine tools, and ceramics. The cluster also comprises firms providing raw materials, second hand machines, services and other essential inputs.

A second element of the ID model is that of a strong and durable set of inter-firm relations (vertical/horizontal linkages, formal/informal) based on both market and non-market exchanges of goods, information and people. This is so because there is vertical disintegration at the firm level where certain processes of production are contracted out to 'stage firms' (Brusco 1990). Therefore, it pays for economic agents to commit time, money, information, material and efforts toward the extension and consolidation of inter-firm relations. But at the same time, the high degree of cooperation is equally matched by intense competition among firms in the clusters. Some positive results that derive from this cooperative competition include an impetus for continuous product (designs) innovation via user-producer interactions; upgrading of machinery, tools and worker skills (flexibility); reorganisation of production processes (cellular layout) and a propensity to capture new markets. All these factors have acted to propel the Italian IDs toward the 'high road' path of competition.

Clustering resulting in vertical and horizontal links between clusters of firms also facilitates a crucial factor, not easily enjoyed by dispersed firms, that of the diffusion of know-how and skills leading to a reduction in technological discontinuities/gaps (Spath 1992). And in the Italian context, the availability of a skilled, often multi-skilled, and flexible labour force is a key component for a competitive strategy based on flexibility and innovation.

Providing the basis for inter-firm relations based on trust is a third element — the social milieu/social embeddedness. In the Italian clusters, there is a complex and tangled web of economic, social and cultural ties thickened over a period of 46 years that permeates and binds the firms together. This is based on a common culture, similar past experience, kinship, and ideology. Over time codified norms and values (dos and don'ts) emerge and are learnt by new entrants via socialisation agents including firms, people in formal and informal groups; and societal institutions such as municipal governments, labour, and religious institutions. The social milieu promotes trust and discourages malfeasance by increasing the exit costs via, for instance, social sanctions namely shame and a loss of business reputation.

Trust and social capital

A more recent concept that attempts to encapsulate terms such as trust, norms, social milieu, and networks is that of social capital. Coleman (1990) is credited with introducing the concept into mainstream social science. Other recent works include Putnam (1993) and Bazan and Schmitz (1997). The main thrust of social capital, according to Coleman (1990:304) is that:

> Just as physical capital is created by making changes in materials so as to form tools that facilitate production, human capital is created by changing persons so as to give them skills and capabilities that make them able to act in new ways. Social capital in turn is created when relations among persons change in ways that facilitate action.

Outside of Italy, social embeddedness has long been a subject matter of an extensive debate in business sociology (Granovetter 1985). Trust or trustworthiness is an age-old sacred concept at the core of Chinese non-contractual business relations and social structure, a subject which has recently attracted wide attention (see, for instance, Menkhoff 1992). Chinese merchants rarely use written contracts in daily business because they have strong,
embeddedness, and supportive role of the state and sectoral linkages, formal/informal) based on both social milieu/social situation since the preference is to transact with individuals of known reputation.

A final element of the ID model is the role of the state and sectoral associations in supporting the economic actors. In the Italian model, the municipal governments are active in supporting the cause of small firms by providing collective services as well as ensuring that the legal and regulatory framework is conducive to their growth. Self-help organisations also act to promote exports, hold trade fairs and exhibitions, conduct sales missions to foreign markets, lobby different levels of governments, conduct market research and training, assist in credit provision, and so on (Best 1990).

While flagging the importance of institutions, one must not convey the impression that the IDs can easily be created by institutional intervention elsewhere. In Italy, institutions only began to play a more meaningful role in the 1980s. This is the period where external intervention was necessary as new technologies and market developments in the 1980s posed grave problems for both small and large firms (Brusco 1990). Whereas up to the 1970s, small firms more or less grew as a result of individual efforts.

The foregoing elements of the ID model enable small firms to reap the benefits of collective efficiency, and economies of scale and scope, the latter two being benefits previously confined to large firms. At the same time, they have also led to a relative minimisation of transaction and production costs. As well as making information cheap and accessible, benefits also accrue when lawyers and accountants are seldom used in settling disputes.

Lessons for Oceania

The industrial district model offers important lessons for managing business networks or clustered networks in Oceania. These include clustering of firms within close geographic proximity, sectoral specialisation in a family of products, strong and durable set of inter-firm relations (vertical/horizontal linkages, formal/informal) based on both social milieu/social embeddedness, and supportive role of the state and sectoral associations.

Overall, at the heart of the ID framework are three salient points. These are:

- the importance of interaction among firms;
- the point that growth dynamics of small-firm clusters are based on internal/endogenous capabilities of the district; and
- the need for a holistic analysis that incorporates the social, economic and political dimensions that influence the way in which clusters of small firms organise, function and develop (Sengenberger et al. 1990).

Research potential in Oceania

There are cases of clustering already in existence within Oceania which require in-depth analysis in order to point up possible lessons. Sectors that have flourished through clustering include small businesses in both the service and manufacturing sectors as well as tourism. In these locations small businesses grew on their own and then were later supported by network brokers from AusIndustry who specifically assisted linking local firms with global buyers and suppliers (Buttery and Buttery 1995). Business advice is also based on concentrated research funded by the National Research Grant Scheme.

In Fiji and other Pacific Island countries, clustering of tourism service providers has greatly helped the development of tourism. Tourism is well developed in these countries partly because of geographical proximity of service providers and a good inputs market to support the industry. And in the area of small business, developments have specifically been fostered by specialised service providers, business associations and chambers of commerce. The capacity of these cooperative associations has in turn been enhanced through funding and advice from external development partners such as the Pacific Enterprise Development Facility (PEDF) of the World Bank.

Developments relating to clustering have, however, not been matched in PNG, thereby missing out on the potential benefits. Nevertheless, an increasing number of firms are entering into strategic alliances or business networks. More recently, the PEDF was promoting clustering within PNG, particularly in the areas of ecotourism, urban business promotion, microfinance, spice exports and horticulrure exports.

Early signs of the development of clustering can now be observed in the tourism industry in PNG revolving around market segments such as ecotourism, backpacker packages, and so on. Institutional intervention through the PNG Tourism Promotion Authority is showing some early positive results of business networking among tourism service and products providers, villagers, hotel owners and tour operators. As a result, PNG is currently experiencing a resurgence of tourists. Because of the country's high-risk reputation, more needs to be done to model and promote destinations such as New Britain, Milne Bay and Madang as tourist destinations with minimal connections to PNG as a country. New Britain, comprising Kimbe and Rabaul, offer the best cases for trailing this strategy. According to Prideaux (forthcoming), PNG has so much tourism potential that could be tapped once well-known
constraints have been addressed. The country could potentially piggyback on the 2.3 million tourists visiting Cairns annually, particularly backpackers.

Similar signs of clustering could also be observed in the primary commodity value chains such as that for coconut and cocoa. The Bogia Cooperative Society in Madang, for example, is showing signs of cooperative efforts in the area of joint marketing, joint extension service provision, and cooperative accounting service provision for many of its affiliated local producers. It has been observed that because of past problems that plagued cooperative societies in PNG in the 1960s and 1970s, it would be better for such clusters to initially cooperate in the area of marketing/accounting services, logistics, and microfinance provision in order to allow for a thickening of inter-relationships among relatively standalone producers.

In fact, it is advisable that producers maintain their independence but allow for cooperation in services that would not be otherwise accessible if one were to operate individually, hence the principle of cooperative competition resulting in synergistic benefits, as promulgated in the ID model. There is an emerging literature that supports the idea that cooperation in private markets in rural areas is an age-old practice that could be harnessed to regenerate regional development in poorer regions. Joshi and Moore (2002), drawing from extensive work done on industrial clusters in the 1990s, refer to this as coproduction.

A final area where clustering potential exists is in the area of small businesses operating out of the informal sector. The current Informal Sector Development and Control Act 2004 has given rise to an increase in entrepreneurial activities in urban PNG. However, this development has not been carefully thought out to allow for land allocation for specialised activities such as furniture making, bakery, tool making, metal fabrication, automotive repair, and so on. It would desirable for clusters to be established early with municipal support facilities such as land allocation, partitioned building blocks for rent, water supply, electricity, and other locational amenities that the local municipalities in Italy initially provided for the incubation of its industrial clusters. The experience of Export Processing Zones and industrial centres in PNG such as the Malahang Industrial Centre, which is currently half full, shows that clustering of firms along a family of products better promotes strong inter-firm cooperation than through the conglomeration of unrelated disparate firms. The lack of organisation of the informal sector in PNG will ensure that street sellers will find it difficult to graduate beyond the current 'buaistimuk' sub-sector into an export-oriented small business cluster.

At the regional level, if regionalisation has to take place, clustering must be considered as a proven strategy where resources can be pooled to overcome the region's inherent problem of economies of scale. The practice of 'doing it alone' should be re-evaluated in preference for increased regional cooperation in production and service provision.

**Conclusion**

Clustering has to be seriously looked into by researchers in Oceania. Lessons from Australia could be gleaned and studied more closely taking into account environmental contexts. These experiences could then be juxtaposed with lessons from Africa such as those from Kumasi in Ghana and South Asia, particularly that of Sialkot in Pakistan, for adoption in Oceania. With sufficient research funding being directed at clustering from research networks such as the Oceania Development Network and its parent research organisation, the Global Development Network, I believe our understanding can be further enhanced resulting in immense improvements to Oceanian competitiveness and livelihoods.

**Note**

1. Economies of scope are present when the cost of manufacturing two products jointly is less than the cost of producing them separately. It also arises when there is sharing or joint utilisation of inputs. So the cost of efficiency is brought about by a variety and not by volume (as in economies of scale).

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The ‘gammon economy’ of Cape York: Lessons for nation building in Pacific island countries

Robert Phillpot, Advisor, Cape York Institute

Introduction
The economic, social and health indicators for the indigenous communities north of Cairns on the Cape York Peninsula of Australia are well documented. Life expectancy for Aboriginal people is only about 60 years and going backwards. Prison rates for indigenous people are far higher than comparable rates for white Australians. In health, the rates for kidney and liver failures and heart disease are far higher than for the average Australian. Real unemployment rates are far more than 50 per cent in most communities. The statistics are overwhelmingly bad and undeniably worsening. Population growth rates for these communities are well above those of mainstream Australia.

Despite the appalling statistics the Cape York indigenous communities have been remarkably enduring, but their long-term sustainability is problematic. Developing a sustainable economy on Cape York faces many challenges arising from a number of factors, not the least being remoteness and a population characterised by poor health, poor housing, poor vocational skills, and poor education. Currently very limited economic activity exists around the mining, pastoral and service industries. Cape York faces a fundamental development problem, and the answer will have to be all encompassing. However, many communities around the world have achieved economic sustainability and social cohesion despite surviving in what are sometimes marginal economic and remote circumstances. This paper argues that poor governance and a welfare system designed for a developed economy has resulted in the current crisis facing indigenous communities in Cape York.

Current state of the Cape
The traditional economy on Cape York was characterised by the need to subsist and 'if you did not hunt and gather you starved' (Pearson 1999:32). Economic life for every indigenous community on the Cape now, however, is almost entirely dependent on transfer payments, primarily in the form of welfare. The work of a number of sociologists discusses the notion of a ‘culture of defeat’ resulting from long-term dependence on welfare payments in particular (Mead 2000:44). This might be said of transfer payments in general. Therefore, this paper has at its focus what Noel Pearson calls a 'gammon economy', and he explains that:

... common to the real economy of traditional society and the real economy of the market is the demand for economic and social reciprocity. This reciprocity is expressed through work, initiative, struggle, enterprise, contribution, effort. The key problem with welfare is that it inherently does not demand reciprocity (Pearson 1999:32).

Pearson in particular is concerned about the fact that the way in which welfare is delivered means that the state will be reluctant to transfer responsibility to the community for the resources provided. The process is one where, most importantly, it creates 'a mentality that accepts that the capable state should serve programmes to incapable, irresponsible and powerless people on the ground' (Pearson 1999:8). The ‘gammon economy’ is therefore a false economy.

It has also been argued that at least some of the problem has arisen not only as the result of the ‘passive welfare’ policies of the past 30 years but ‘in the complex conjunction between such policies and core pre-existing Aboriginal values and practices’ (Martin 2001:7). Martin, an anthropologist with considerable experience in these communities, argues that particular Aboriginal values and practices, especially those relating to social relations, have impacted upon the nature of the historical interaction between Aboriginal and non-Aboriginal societies. However, at the same time, these values have also been changed by the advent of the 'welfare-based cash economy'. He says:

access to resources is no longer mediated through a system of personalised relationships within the Aboriginal realm, but is predicated upon a person's rights as a citizen of the wider state, as defined by their particular status or category. Aboriginal people are thus increasingly able to assert their independence from others within their significant social networks — men from responsibilities towards their domestic units, wives from their spouses and children, younger men from older people — through the means which cash offers (Martin 2001:8).

The introduction of welfare payments for the first time enabled the individual in these communities to independently choose how they should spend their money, and this disrupted the traditional patterns of mutual obligation and sharing (Martin 1995). This in turn eroded the traditional social networks.

There seems to be evidence that this ‘poisonous’ mixture of traditional culture and passive welfare has contributed to the present dysfunctional communities. In addition, the populations of many communities comprise disparate Aboriginal groups
which have originally been brought together during mission
times. These settlement situations directly confronted such
widely reported Aboriginal values as the strong emphasis on
immediate kin group loyalties, and now encourages a preference
for direct confrontation and often violence, to redress perceived
wrongs. Furthermore, indigenous organisations such as
community councils have lacked the requisite legitimacy, and
Aboriginal authority structures have become further contested
(Martin 1995).

Early Australian government legislation applicable to the
indigenous community included a system of government
controlled reserves onto which Aboriginal people would be
gathered. As a result, large numbers of Aboriginal people were
transferred to reserves or missions which often bore no
relationship to their traditional country and were often in a
different region. It was also common for Aboriginal people to
be forcibly removed a number of times from reserve to reserve.
This policy continued in isolated instances until even the 1980s.
The policy ignored the special significance of land in the
Aboriginal worldview as a 'spiritual landscape' on which
Aboriginal people have written their history and culture.
Legislation did not recognise the social and religious relationships
with land, which underpinned Aboriginal societies and their
continued viability (DNRM 2004). More recently, this was to
have the effect of sometimes bitterly dividing communities by
creating conflicts between the traditional owners and those who
may have been born in the community but whose family had
had been brought from another area.

Institutions, social capital and governance

Governance can broadly be defined as:

the processes, structures and institutions (formal and informal)
through which a group, community or society makes decisions,
distributes and exercises authority and power, determines
strategic goals, organises corporate, group and individual
behaviour, develops rules and assigns responsibility' (World

Governance enables the representation of the welfare, rights
and interests of constituents, the creation and enforcement of
policies and laws, the administration and delivery of programmes
and services, the management of natural, social and cultural
resources, and negotiation with governments and other groups.
Here we define governance to mean how an indigenous
community is run, and the rules that apply in its day-to-day
operation, by reference to the processes, traditions and cultural
precepts which underpin the exercise of authority, methods of
decision-making and established mechanisms through which
individuals and families have their say. The importance of
ensuring the right institutions, incentives and governance in
the development process has considerable empirical support.

In recent years political scientists have begun referring to
society's confidence in its institutions as the stock of 'social
capital'. This aspect of social capital was given prominence as a
result of Putnam's research on regional government in Italy
(Putnam 1993). The World Bank assesses social capital by 'the
informal rules, norms and long-term relationships which can
explain differences in the nature and intensity of popular
collective activity in different communities or nations' (World
Bank 1997:114). Social capital is therefore determined by two
sets of issues; on the one hand the norms, values and traditions
which promote cooperation and on the other hand the networks,
relationships and organisations that bring people together to
try and solve common problems.

In this paper the broadest view of social capital is adopted,
which includes the social and political environment that shapes
social structure and enables norms to develop. Social capital is
now sometimes regarded as important as human capital and
natural resources; and, 'despite limitations of proxy indicators
for social capital, the patterns of results which emerge point to
the importance of cross-cutting ties across social groups for
genering co-operation, trust and social and economic well
being and better government performance' (Narayan 1999:23).

Applying the concept of social capital to the regional and
national level has raised new issues. In particular, it raised the
question of whether social capital necessarily has to result in
outcomes that are mutually beneficial to all in the region or the
country, that is, must social capital result in common good
outcomes? Recent research tries to address this by distinguishing
between 'bonding' and 'bridging' social capital (Woolcock and
Narayan 2000:227). Bonding social capital refers to relations
among relatively homogenous groups (such as an ethnic,
religious or socio-economic group), and it strengthens the social
ties within the particular group. Bridging social capital, on the
other hand, refers to relations between heterogeneous groups,
and it strengthens ties across such groups. Examples of bridging
social capital include the civil rights movement and ecumenical
religious organisations.

A number of studies highlight the importance of bridging
social capital in societies characterised by considerable ethnic
diversity. This is because trust, limited within an ethnic group,
may promote norms of social interaction that are inward looking
and less oriented to trust and cooperation at a broader
community level (Knack 1999). Bates has studied how ethnic
fragmentation in Africa affects political institutions, the potential
for political violence, economic outcomes, and resistance to
political reform. He found that:

'ethnicity is double edged. On the one hand, ethnic groups
promote the forces of modernisation; phrased more fashionably,
they constitute a form of social capital ... On the other hand,
ethnic groups organise politically; occasionally they engage in
acts of violence, destroying wealth and discouraging the formation of capital. Ethnic groups can thus both generate benefits and inflict costs on societies’ (Rates 1999:8).

Varshney looked at the impact of ethnic bonding, social capital and communal violence in India. He argued that more distinction needed to be made between social capital formation within ethnic groups (that is, ‘bonding’ social capital) and the cross-cutting forms of civic engagement that takes place between groups (‘bridging’ social capital), and that only the latter is an agent of ethnic peace. According to Varshney (2001), the different effects of the two forms of social capital can explain why some Indian cities have been able to maintain Hindu-Muslim peace, whereas other cities suffer endemic violence. Finally, a number of studies indicate that a particularly strong focus on group interests can encourage ‘rent seeking’ behaviour by the group to the disadvantage of the wider community. This may become particularly problematic in a predominantly ‘rent’ economy. How significant, then, is this distinction between bonding and bridging social capital for the indigenous communities on Cape York?

Indigenous institutions, social capital and governance

The indigenous communities on Cape York are essentially ‘post­colonial creations’ which comprise Aboriginal families drawn from traditional groupings across Cape York as well as families whose ancestors were forcibly removed from distant places. The concept of community in these circumstances is particularly problematic, as the Department of Aboriginal and Torres Strait Islander Policy concluded in its 2003 green paper on indigenous community governance:

‘the creation of these permanent settlements represented a significant challenge to the social, economic and political patterns of people who had lived in dispersed or even nomadic circumstances prior to colonisation’ (DATSIP 2003:19).

While most communities began as missions run by church authorities, the State began assuming total control over community members’ lives at the end of the 19th century. In the 1970s and 1980s, following pressure to reform these arrangements, the Queensland Government established Aboriginal Councils under the Local Government (Aboriginal Lands) Act of 1978, and the Community Services (Aborigines) Act of 1984. Further attempts to revise local government structures began in 1990, and several reviews concluded that in indigenous communities these bodies lacked legitimacy, because of inappropriate governance and decision-making structures which failed to take into account indigenous customs and tradition (for example the need to represent a larger number of clan or language groups than existing structures permitted), and the concentration of resources in a few hands.

The community councils did not fit with traditional social structures, nor did they reflect the traditional owners of the land on which the community was located. This caused divisions and conflict within communities. The large number of functions which councils perform in relation to ‘almost every aspect of the functioning of their communities’ exacerbated these deficiencies (DATSIP 2003:20). The councils operate supermarkets, taverns, child minding centres and numerous other kinds of ‘income generating’ enterprises. As a result, the economic and political structure encourages ‘rent seeking’ by family and clans as they seek control of the resources controlled by the local councils.

Lessons can also be drawn from past governance reform experience worldwide. In the past, an over­emphasis on governance thinking on getting ‘structures’ right at a point in time has lead to an under­emphasis on good governance processes. Instead, there is a need to tackle the problems raised by the highly localised and dispersed governance in the indigenous communities, and ‘different organisations doing different things can represent different interests that can and should be recognised in the local policy and asking whether institutional structures allow adequately for that representation. That is a bigger task than just establishing a single, well designed organisation’ (Sanders 2004:25).

International research, and in particular the Harvard Project, have identified the critical importance of indigenous communities making their own decisions about the use of resources backed up by capable institutions which are culturally appropriate. The Harvard Project recommends a ‘nation-building’ approach to development, in which ‘economic development on Indian reservations is first and foremost a political problem. At the heart of it lie sovereignty and the governing institutions through which sovereignty can be effectively exercised’ (Cornell and Kalt 1998:32).

Since it first began in 1987, the Harvard Project has been unable to find a single example of sustained indigenous development that did not involve the recognition and effective exercise of tribal sovereignty (Cornell and Kalt 1998). Closer to home, research in Arnhem Land has shown that ‘it is clear that the communities which enjoy the most intact traditions and are utilising and applying local knowledge and technology most effectively, are the ones which enjoy greatest stability and are least disturbed by the malaise of substance abuse and passive welfare’ (Andrews 2004).

Conclusion

In summary, it is generally accepted that the manner in which governance functions has a direct impact on the well-being of the individual and communities. In particular it seems that poor governance arrangements can impede or entirely obstruct...
development. It seems that some, if not all, the indigenous communities on the Cape are characterised by low levels of social capital, and where it does exist is primarily 'bonding' within clan and family groups. Indigenous communities should concentrate on building up stable, capable and legitimate governing institutions, and structures and processes which minimise the adverse impacts from this bonding. This will provide communities with the solid foundation and capacity to make sound decisions about development and to plan for the future. 'It is obvious that the process of transforming negative welfare into a positive resource involves a transformation in the role of the state from a disabler to an enabler' (Pearson 1999:33).

The argument put forward in this paper is that inappropriate governance structures coupled with a welfare system designed for a developed economy has resulted in the current crisis facing indigenous communities in Cape York. Three major areas of reform are necessary to reach the goal of bridging the gap between the indigenous communities of Cape York and the rest of Australia. They are: a significant increased investment in physical, human and bridging social capital; the amelioration of the perverse economic incentives that many individuals currently face; and improved community governance.

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Rural development and the informal sector: Theory and practice

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Setting the scene
Rural development needs to be placed at the top of the development agenda if the UN global goal of halving the numbers of the poor is to be achieved.

Globally, 1.2 billion people are in extreme poverty and three quarters of the poor work and live in rural areas; significantly more than a half are expected to do so in 2025 ... Progress with poverty reduction in the last decade has been slow ... The rural sector has largely remained neglected despite its great concentration of poor people ... (IFAD 2001:1).

Over the past few decades rural areas have exported some of their poverty to urban settlements, many of which now use the informal sector as a survival strategy. 'There are now more than 550 million slum dwellers in Asia; 187 million in Africa; 128 million in Latin America and the Caribbean; and another 64 million in the world's 30 richest countries' (The Guardian 2003:27).

This ever-growing rate of rural-urban migration of the rural poor is the result of a combination of an absence of income-earning opportunities in rural areas and the pull of the city where there is an expectation of work and a more fulfilling lifestyle. This is fuelled by global TV networks and media which entice particularly young villagers to move to cities. The explosive growth of world cities in the past few decades has left more than 900 million people living in urban slums with the probability that twice as many will live in unsanitary, overcrowded, unofficial settlements within 30 years.

Wakeley (2000) states that:

At the beginning of the 21st century, half the world’s population lives in cities and towns. Urban centres in Asia are expanding by an astonishing one million people a week — and rising. And the urban populations of Africa and Asia are set to double by 2025.

Many developers consider that the enormous growth of urban populations is inevitable, and that nothing can be done to avoid it. The rapid growth of urban centres is not only reflected in increasing crime and violence, but also puts strain on local authorities to provide services and infrastructure for the ever-growing influx of rural migrants. In turn, this puts pressure on policy makers to improve urban infrastructure so that cities can better absorb the increasing population. Such policies create a paradox. On the one hand they help to improve living conditions for rural migrants already settled in cities; and on the other, by increasing the difference between rural and urban facilities, they attract more rural migrants which in turn leads again to the deterioration of living conditions for the growing numbers of urban poor.

Presently, national governments and international agencies concentrate on improving the infrastructures of secondary cities to reduce the pressure on capital cities. However, what does not seem to be appreciated is that such expenditure can provide only temporary relief. Unless the volume of rural out-migration can be drastically reduced these secondary cities will soon suffer the same fate as the capital cities.

In Papua New Guinea (PNG) the highest poverty rates are among primary producers in the rural areas (World Bank 1999). As long ago as 1977 a large proportion of Papua New Guinean villagers had already migrated to urban areas: 52 per cent of Kukipi’s population were then living in Port Moresby and eight per cent in Lae (Morauta 1984). The PNG 2000 census found that 4.5 per cent of the country’s total population lived in the national capital (PNG National Statistics Office 2000).

It is difficult to understand why academics and policy makers accept the demographic forecast of an unavoidable doubling of Africa and the Asia-Pacific’s urban population by the year 2025, rather than concentrating on preparing cities for their enormous growth and thereby reinforcing urban bias in development. They would be well advised to seek preventative measures to reduce the number of rural-urban migrants.

The origin of the urban bias and its effect
After World War II, when colonies began to establish their independent national governments, many of these new nations took industrialised societies as their model. In many cases the first lot of developing country politicians and chief secretaries of planning commissions were either Western macroeconomists or had been trained in the West. This was reflected in an urban bias that was built into the development paradigms used in countries where the majority of populations lived in rural areas and derived their livelihood from agriculture and/or animal husbandry. This urban bias 'involves an allocation to persons or organisations in towns, of shares of resources so large as to be inefficient and inequitable, or a disposition among the powerful...
to allocate resources in such a way' (Lipton 1977). Many developing countries' five-year plans show an excessive emphasis placed on industrialisation, and a neglect of rural development.

Though it is widely recognised that there is an urban bias, to prove it is more difficult. 'It requires demonstrating the widespread existence, inefficiency and inequity of substantially worse rural than urban outcomes and such material is extremely difficult to find' (Lipton 2005). Official statistics of many developing countries provide a wealth of interesting data, including totals for the respective expenditure on the agricultural/rural and industrial Public Sector Development Programmes. Figures on expenditure for sectors such as education, training, health, nutrition, science, information technology, research, transport and commerce fail to show how much relates to rural and urban areas. Moreover, the periods of different sets of statistics often differ, which adds another obstacle to establishing the extent of the relative per capita public expenditure in rural and urban sectors.

It is a well known fact that most developing countries also spend a lot more on urban education than they do in rural areas. 'Since market response — rural people moving towards better lives, urban capital moving towards better returns — would normally slash inefficient disparities of outcome eventually, the persistence of such disparities strongly suggests relative rural powerlessness and diffuseness, so urban power generates exogenous intervention to maintain the disparities' (Lipton 2005).

A review of the average per capita expenditure on goods and services for provincial governments and the National Capital District (NCD) shows the strong urban bias. The NCD has a per capita expenditure ten times that of Simbu Province for example, although the country's constitution directs the government to ensure all citizens have equal access to services. This is not the same as equal expenditure per capita, as it costs much more to deliver services to remote areas of the country. To ensure that the Simbu population has access to services equal to NCD residents, Simbu needs considerably more funding per capita. Instead, it gets one tenth.

To meet the many demands, the PNG government became heavily dependent on foreign aid. With foreign aid came highly priced foreign consultants, many of whom knew little about Pacific economies and cultures. Their high fees absorbed a large part of the funds meant to help the development of recipient societies. There was a similar situation in other Pacific Island countries. With the establishment of tertiary training institutions and with increasing numbers of young Melanesians returning home with masters and doctorate degrees from abroad, a local intellectual elite developed. Their Westernisation has re-emphasised the urban bias in PNG's development policies that has resulted in rapid population growth in the capital city. However, this growth has not been accompanied by the necessary expansion of job opportunities, which in turn has placed increasing strain on the supply of services in Port Moresby, and makes survival for the growing numbers of slum dwellers difficult. To cope with the situation, slum dwellers are forced to operate in the informal sector or they turn to theft and burglary, creating serious security problems. There are a number of measures which, if implemented, offer a good chance of improving the quality of life in Melanesian rural and urban sectors. The rest of the paper discusses three such measures.

The establishment of a Melanesian Rural Development Centre

The proposed Melanesian Rural Development Centre (MERUDEC) claims to meet the already widely felt need in Melanesia for redressing rural-urban imbalances, as one letter to the editor in the PNG Post Courier (2005) pointed out:

There is immense potential in the manpower resources within rural areas … People are eager to participate in large or small projects except that they are not familiar of what commodities are in demand, best technique applied for producing healthy yields or how to acquire finance or administering projects.

MERUDEC will operate on a truly interdisciplinary research, consultancy and training basis and establish ad hoc problem focused groups as required. By making the best of opportunities as they occur, it will promote sustainable development in the overall economies of Melanesia at comparatively low cost. It will promote unity among the various small Melanesian Island states and strengthen their trade linkages. Its governing body will be composed of representatives from the participating Melanesian Island states, and since PNG is the biggest of these states, it is suggested that it should be located at Port Moresby. The Divine Word University plans to establish one in 2006 on their Port Moresby campus.

The proposed MERUDEC will:

• begin functioning with a stock-taking exercise of available Melanesian human and material resources, and will put all this in a computer data bank;

• exist as a resource centre to help people coming from various different backgrounds and various parts of Melanesia to educate themselves about the reasons for the problems they face and advise them in seeking appropriate solutions. Such education will enlighten and empower, both individual men and women, and organisations to help their respective communities;

• act as a consultancy agency by using the human resource data bank to meet the many different demands for consultants with different kinds of
expertise from the various international agencies and private enterprises that operate in Melanesia and thereby displace many of the high-priced expatriate consultants;

- **promote agricultural productivity** by acting as communication link between Melanesian cultivators and the appropriate international crop research institutes on the one hand and world markets on the other;

- wherever desirable and possible **promote economic diversification in rural areas** thereby increasing rural household incomes. This in turn will increase the rural demand for urban produce, thereby triggering economic expansion that will benefit both rural and urban sector; and

- require only a skeleton staff and should become self-sustainable within a maximum of three years by earning fees for the various services it will offer.

### A rural-urban partnership development paradigm

Another possibility to improve conditions in Melanesian rural areas might be the implementation of a **rural-urban partnership development paradigm**, with three levels of rural-urban partnership linkages. This can be made a reality by establishing a three tier network. The implementation of this development paradigm still awaits a local sponsor.

**Rural growth areas**: Reliable resource and market surveys can provide expert socio-economists with a basis on which they can suggest the most appropriate size and location of growth areas in order to facilitate easy access and communication between different settlements. Settlemets which constitute one rural growth area can be identified and distinguished from other growth areas or urban centres.

**Rural growth centres**: The nuclei of growth areas will be growth centres that have two-way socio-economic relationships with neighbouring villages as well as with urban and rural suppliers and markets. Some of the large villages and/or small towns in the different Pacific islands may lend themselves well to becoming growth centres that can provide formalised services for those in the population who reside in villages in the vicinity of different growth centres. This will enable villagers to have easy access to the various facilities they require without having to move to another place of residence in search of an income.

**Urban centres**: Cities or larger provincial towns can have a growing volume of network linkages with rural partners, suppliers and buyers. The resulting increasing rural incomes will, through the multiplier effect, raise demand for urban-produced goods, and will therefore also increase urban employment opportunities and incomes.

However, a number of preconditions have to be met before such rural-urban partnership linkages can be expected to operate successfully.

- political commitment to poverty alleviation is needed to attain balanced rural-urban development and remove any urban bias;

- local participation in such a revised development strategy needs to be ensured;

- decentralised education and training facilities have to be needs-based to ensure villagers acquire appropriate skills without their studies alienating them from their rural background;

- international crop research should focus on producing higher yielding varieties of seeds for crops that will maximise the output per unit of the scarce factor of production, which may be land, labour and/or water;

- promotion of agro-based industries will retain more income in the rural areas;

- appropriate shareholding arrangements with legally binding obligations needs to be formalised under a local statute or regulation; and

- rural infrastructures must be improved and maintained to give rural societies access to effective road networks. Such public works activities will provide many de-centralised employment opportunities and further boost the rural economies.

### Small enterprise promotion centres

A complementary innovation that is also still awaiting a sponsor is Small Enterprise Promotion Centres (SEPCs) that have the potential to help rural men and women to establish sustainable small enterprises. Many urban informal sector operators could also benefit from the same services. SEPCs involve the close collaboration of three sets of stakeholders: potential and existing rural and/or urban small entrepreneurs; in-country NGOs; and larger companies, SEPCs, if necessary, will arrange the skills training of local NGO staff so that they can operate 'one-stop shop' services to help some of the poor rural and urban citizens to become SEPC stakeholders, which will help them to establish viable small enterprises. Each client has free access to this service for three years, after which time the participating enterprises are welcome to use SEPCs but only if they pay for the services. SEPCs will provide opportunities for both rich and poor, and rural and urban dwellers to benefit from globalisation. SEPCs will also reduce urban migration by supporting income generating activities in rural areas. SEPCs are of interest to larger companies who may have a corporate social responsibility agenda. These companies can participate in a variety of ways besides fostering small entrepreneurs, and the incomes generated will promote overall economic expansion.
Conclusions
This paper has tried to show that redressing rural-urban imbalances is a necessary precondition of building better Pacific economies, and has suggested a few measures which if implemented would speed up this process. Such redress is urgent because it is in the imminent interest of both rural and urban populations. Income generation and improved services provision in rural areas will lead to a reduction in the rate of urban migration, which in turn will reduce the number of urban slum dwellers as well as urban violence and crime. Altogether increased rural incomes will, through the multiplier effect, trigger off sustainable overall economic expansion.

PNG politicians may be well advised to seriously consider the complaint that, 'The Government's policy on land registration with the releasing of land in the hope of foreign companies coming over to develop and provide employment is a waste of time and is a loss of confidence in its own people's capability to produce' (PNG Post Courier 2005).

Notes
1. A six page outline of the proposed MERUDEC is available on request from Fr. Jan Czuba, President Divine Word University, PO Box 483, MADANG; e-mail: jczuba@dwu.ac.pg.
2. For further details about SEPCs please contact Dr T Scarlett Epstein, e-mail: scarlett@epstein.nu.

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Pursuing economic growth

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Introduction
When we talk of economic growth, we are concerned with the increase in economic value created through production and trade. This reflects increases in the total value paid for all the goods and services produced in the economy, which we measure as Gross Domestic Product (GDP). By definition changes in GDP also measure changes in the incomes accruing to the owners of the land, labour and capital used in producing the goods and services.

Not all of the goods and services that people produce are captured in estimates of GDP, and not all of the income associated with producing GDP accrues to nationals of the economy (since income may accrue to foreign investors). But changes in GDP are an indicator of the changes in potential of the economy to support improvements in people's well-being. GDP alone does not tell the whole story — we must also ask how large a share is available to the average individual as income. Thus when talking about growth in the context of economic development, we are interested in movements in GDP in relation to the changes in the size of the population it supports.

Economic growth, if sufficiently broad based (or accompanied by appropriate distributive policies), and if faster than population growth, will expand the consumption possibilities of the people in the Pacific. The evidence is strong that growth is a prerequisite for poverty reduction: few countries have made serious inroads into poverty by redistributive policies alone. Governments like that of PNG are heavily dependent on resource-based revenues and aid to fund basic public services. The government wishes to become less reliant on aid. To be able to do this while delivering services on a sustainable basis requires that the revenue from agricultural, industrial, and service sector incomes, and from consumption of goods that enter into domestic trade must expand. For this to happen, the cash economy and the non-mineral economy must grow.

Determinants of growth: The proximate causes
Economic growth implies an increase in the production of goods and services over time. This requires increases in the quantity of inputs — land, labour, natural resources and capital — and/or more efficient ways of combining them.

Utilising unemployed or under-employed labour will enhance growth, as will bringing land and other natural resources into productive use. However, the most interesting aspect of input expansion is accumulation of capital, both physical and human. The efficiency of combining inputs to produce output is determined by the type of technologies in use, which can change because of the discovery, invention and adoption of new ideas.

Utilisation of labour, land and natural resources
Most analyses of growth tend to focus on the longer term and assume that there are no voluntarily under-employed workers, so that it is largely demographic forces that determine labour inputs. The analyses also tend to assume that there are no under-utilised natural resources (in fact, there is often concern that growth from exploitation of land, forest and mineral resources may be unsustainable in the longer run). In PNG, there is reason to believe that available labour and land is not used as extensively as in other countries. There could well be a growth dividend from removing impediments for further utilisation of these factors of production.

Capital accumulation
Rapid capital accumulation requires high domestic saving rates — or large inflows of foreign direct and portfolio investment. Countries such as Singapore, Taiwan and Korea have attained high growth rates for a sustained period by pursuing a high saving strategy. However, factor accumulation alone cannot produce long-run economic growth, as demonstrated by Solow's neoclassical growth model. The reason is that capital suffers from diminishing returns. That is, each additional unit of capital creates less additional output than the previous unit, holding the quantity of the other inputs fixed. The first unit of investment is highly productive as there are ample profitable investment opportunities in a low-income country. However, the returns to investment decline as these profitable opportunities are increasingly exhausted, leaving behind the less profitable ones for the next investor.

It is important to note that a country's natural resources are also a form of capital. If these resources are not renewable, their exploitation represents a running down in the nation's capital stocks. If these resources are not replaced by other forms of capital, the growth from exploitation may not be sustainable. Some see the relationship between natural resource endowments and growth as negative, arguing that economic and institutional
effects of natural resource endowments often work against growth. The economic effects include the 'Dutch disease effect' and the volatility of resource markets: the institutional effects are concerned with the impact of resource rents on behaviour and the performance of governments and legal systems. (These arguments are summarised in World Bank 2005).

**Technological progress**

In contrast to capital accumulation, the development and adoption of new technologies is largely immune to diminishing returns. Technological progress is thus considered to be the only source of sustained long-run growth.

Technological progress requires enormous investment of funds and human resources into research and development activities. Fortunately for developing countries, particularly those like PNG, technological progress can come about much more inexpensively via technological transfers. However, this typically requires openness and hospitality towards foreign investment or a business environment that provides adequate incentives for entrepreneurs to purchase technology. It also requires the necessary human capital to absorb new knowledge in order to facilitate this technological diffusion.

Big improvements in productivity, however, can often be achieved by adopting new ways of organising business operations — seeing how things are done elsewhere and working out how to apply the methods at home.

**The role of investment and finance**

The key feature of these proximate determinants of growth is that they all require savings and investment: some people decide to forego current consumption in expectation of future returns and/or some people incur liabilities to fund investment with similar expectations. This is true for individual decisions to acquire additional human capital; and at a community level creating new human capital requires diverting some of the existing human capital away from productive activities. Or it may be about the decisions of entrepreneurs to invest in physical capital or incur the expenses of adopting new technologies or new ways of doing business. But if expected returns are low, and the costs of foregoing current consumption high, growth-enhancing investment will be limited.

Given that those who save and those who make productive investments are typically not the same people, the mechanisms for channelling funds from savers to investors play a key role in accumulation. This channelling requires efficient intermediation by the financial sector. Financial development can thus facilitate economic growth by removing borrowing constraints on the financing of human capital accumulation (although it may retard growth by reducing the need for precautionary saving). Financial development also impacts on growth through the facilitation of risk management, and by mobilising savings to finance the most promising productivity-enhancing activities. The empirical relationship between financial development and economic growth is well established.

**The deeper determinants of growth**

What can governments do to facilitate growth, and what are desirable elements of a growth strategy? Much of this is about what the public sector can do to foster the development of institutions that facilitate private investment and the commercial contracting that underpins it. It is also about what governments can sensibly do to reduce transaction costs — the costs of arranging, monitoring and fulfilling contracts. This includes the issue of what kinds of investment the public sector itself should be undertaking, and it also concerns ensuring that public sector activity and policies do not depress or distort the pattern of returns to investment. But it is worth first looking at some of the factors that have been explored in the literature.

Why do some countries have higher investment rates than others? Why do some societies accumulate more human capital than others? Why does technology flow from developed countries to some developing countries but not others? Answers have been sought in what economists call the 'deep determinants' of growth: including openness, geography, culture and institutions.

**Openness**

Openness to trade and capital flows encourage technological transfers and greater efficiency due to increased competition from imports. Greater openness implies a closer integration with other regional economies and the world economy at large. Sachs and Warner (1995) find that countries that are more open to trade and capital flows have higher GDP per capita, grew faster and also exhibit stronger convergence behaviour. That is, poor countries that are more open to trade and investment catch up to rich countries more quickly.

The literature on the relationship between openness and growth is a bit vexed, however, as some people have queried the quality of the empirical analysis that have tried to demonstrate the links (Rodrik 2004). However, even the sceptics agree that protection and constraining foreign investment are unlikely to be ways of achieving sustained growth.

**Geography**

Geography is a key determinant of climate, natural resources, disease burden, transport costs, and the diffusion of knowledge and technology from more advanced countries. Access to waterways and sea-lanes facilitate exports while tropical climatic conditions encourage the spread of diseases that lower workers' health and productivity levels. Gallup, Sachs and Mellinger...
Jones (1999) define social infrastructure as the institutions and powerful elites) have a first-order effect on economic growth and financial credit. Easterly and Levine find that the quality of institutions 'trumps' geography and trade are shown to matter only through their indirect effects on institutions.

**Culture/social capital**

Culture and social capital are also seen as important explanations of economic growth. Culture is viewed as a key determinant of the values, preferences and beliefs of individuals and societies that in turn influence economic outcomes. Social capital, reflecting the value of social networks that people have and the inclination of people in such networks to do things for each other makes people more trustworthy since a person is less likely to cheat someone who is a member of his/her social network. The larger the network, the more people one can trust.

Apart from facilitating trust, social capital enhances information flows (about jobs, investments, or potential customers) and provides mutual aid and insurance, as well as facilitating collective action. Trust and social capital vary enormously between countries, and are generally higher in countries where people belong to the same ethnic group or speak the same language. It is reasonable to conclude that trust and social capital can impact positively on the willingness of people to enter into the kinds of contracts that span space and time that are so critical to investment decisions.

**Institutions and governance**

Most importantly, the quality of institutions (particularly those associated with the definition, enforcement and transfer of property rights) determine whether people or governments prefer to engage in productive activities or divisive activities such as corruption, theft and extortion, confiscatory taxation, frivolous litigation, and lobbying by special interests. Hall and Jones (1999) define social infrastructure as the institutions and government policies that determine the economic environment within which individuals accumulate skills and firms accumulate capital and produce output. They find a strong empirical relationship between social infrastructure and economic prosperity and between social infrastructure and rates of factor accumulation.

Acemoglu and Johnson (2003) find that property rights institutions (which protect citizens against expropriation by the government and powerful elites) have a first-order effect on economic growth and financial credit. Easterly and Levine (2003) find that institutions exert an important effect on development while endowments do not, other than through their effect on institutions. Rodrik, Subramanian and Trebbi (2004) find that the quality of institutions 'trumps' geography and openness to trade in determining income levels. Geography and trade are shown to matter only through their indirect effects on institutions.

**Growth strategies**

The World Bank has examined the experience of growth in the 1990s, and what lessons are being drawn about the contribution of policy and institutional reform (World Bank 2005). One of the key lessons from this report and the literature is that there are some general, first-order principles that countries with good longer-term growth achievements have adhered to. All successful countries have found ways of fulfilling four key functions: rapid accumulation of capital, efficient resource allocation, technological progress and sharing of the benefits of growth. Common to their experience has been:

- maintenance of macroeconomic stability;
- movement towards integration with the world economy;
- providing investors with effective protection of property rights and contract enforcement; and
- maintenance of a certain degree of social cohesion, solidarity and political stability.

These principles do not, however, map into a unique set of policy prescriptions.

It is argued that countries, especially in Latin America that have followed the principles of the 'Washington Consensus' closely have largely failed to achieve sustained growth, whereas countries such as Korea, Taiwan, India and China have achieved spectacular growth, despite departing in significant ways from the typical interpretation of the consensus. It is argued that the Washington Consensus mistakenly confounded the key higher-order principles that arise from the ultimate goals of economic policies with a set of development strategies that purportedly are uniquely capable of realising these higher-order principles.

Perhaps more importantly, there is no single prescription for the institutional paths for delivering these principles: in fact the analysis suggests that considerable caution needs to be exercised in proposing the importation of institutional mechanisms from other contexts. The Bank cites the mixed experience with privatisation as an example of insufficient attention being paid to the political and institutional context in which reforms will be implemented. But the evidence is that institutions are really important: both the deep 'rules of the game' institutions described by North (1997), and the more formal institutional mechanisms put in place to deliver functions of the state.

The experience of the 1990s, however, suggests that sound policies alone do not necessarily engender the institutions of a modern economy, and that it is very hard to work around their absence or to improve their quality. Some researchers have argued...
that because economic institutions influence the future allocation of resources in an economy, their emergence is driven by the interactions of political institutions and the existing distribution of resources (Acemoglu, Johnson and Robinson 2004). Economic institutions that encourage economic growth emerge, it is argued, when political institutions allocate power to groups with interests in broad-based property rights enforcement, when they create effective constraints on power holders and when there are relatively few rents to be captured by power holders.

The Bank report concludes that the policy focus of many of the reforms pursued during the 1990s enabled the better use of existing capacities, but did not provide sufficient incentives for expanding these capacities. It suggests that means were mistaken for goals — that is, that improvement in policies were mistaken for growth strategies. It argues that removing obstacles that make growth impossible may not be enough: pointing to possible actions to foster technological catch up or to encourage risk taking for faster accumulation.

There is a reasonable consensus on the first order principles that have been followed by countries with sustained growth patterns, there is no clear consensus on what it takes to initiate growth in the first place. Analysis of episodes where economic growth accelerated in a country reveals four important empirical regularities or stylised facts (Rodrik 2004):

- growth spurts are associated with a narrow range of policy reforms;
- policy reforms that are associated with these growth transitions often combine elements of orthodoxy with unorthodox institutional practices;
- institutional innovations do not travel well; and
- sustaining growth is more difficult than igniting it, and requires more extensive institutional reform.

**Aid and growth**

Along with the re-evaluation of growth strategies, considerable effort has been devoted to the question of the relationship between aid and growth. The aid effectiveness debate has been influenced by research that suggested that aid supported growth when recipient countries had good policies (Burnside and Dollar 2000). But as is so often the case, the robustness of the empirical analysis supporting this conclusion has been challenged (Easterly 2003). Early models of the contribution of aid to growth focused on the role of assistance in funding investment and filling foreign exchange requirements; models that more nuanced consideration of the determinants of growth have discredited.

Some work from the International Finance Corporation has also suggested that aid may damage institutions and growth, seeing parallels with the challenges created by natural resource endowments and resource rent flows (Klein and Harford 2005).

What seems important is the role that aid can play in helping countries search for and pursue appropriate strategies, rather than the volumes of funding that are disbursed.

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Economic growth in Papua New Guinea

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Introduction
The World Bank assessment of economic growth in the 1990s challenges both economic thinking and interventions made during the last decade. It also challenges confidence in the accepted economic models and leaves us with the exhilaration to move away from formulaic policy making and to focus more on binding constraints. The difficulty with this proposition, when applied to Papua New Guinea (PNG), is that it doesn’t offer immediate help in sorting out the priorities and sequencing for action by the public sector.

In a series of papers culminating in his 2004 WIDER annual lecture, Rodrik proposed a ‘growth diagnosis’ framework for figuring out policy priorities to create growth. The strategy is aimed at identifying the most binding constraints on economic activity, and hence the set of policies that, once targeted on these constraints at any point in time, is likely to provide the greatest impact for the reform buck.

The proposed methodology may be conceptualised as a decision tree. What keeps growth low? Is it inadequate returns to investment, are private investors unable to capture a large enough share of the total returns to investment, or is the problem inadequate access to finance? If it is a case of low returns, is that due to insufficient investment in complementary factors of production (such as human capital and infrastructure)? Or is it due to poor access to imported technologies? If investors are unable to capture enough of the total returns, is that due to high taxation, poor property rights and contract enforcement, labour-capital conflicts, basic breakdowns in law and order, or market failures? If it is a case of poor finance, are the problems due to poor access to finance? If for various reasons the full list of binding constraints is in play and are closely interrelated.

The approach Rodrik advocates is to design reform priorities according to the magnitude of the direct effects. The idea behind the strategy is elementary. If for various reasons the full list of requisite reforms is unknowable or impractical and figuring out the second best interactions across markets is a nigh impossible task, the best way forward is to focus on the reforms where it is reasonable to expect the direct effects are likely to be large.

The problem is that when such a diagnostic framework is applied to PNG, one is inclined to conclude that all conceivable constraints are in play and are closely interrelated. It would take a very brave person to suggest that there is one constraint that so dominates all others that it should be the sole focus of attention.

Is there a way to propose sensible actions when confronted by a situation like this? One way forward is to work from a more practical consideration of what role governments can be expected to play, and what the capabilities of public institutions in PNG say about the feasibility of classes of public sector interventions. This perception can then be used to guide an analysis of constraints to growth that makes full use of the knowledge and understanding of the PNG economy and society.

Public and private sector roles
The starting point must be that it is the private sector, not the public sector that will carry the main burden in generating growth. As the OECD recently pointed out (OECD 2004):

In market economies, it is risk taking to earn profits and incomes that is the main motivator, and in most economies it is the private sector, which includes individuals and households as well as businesses, that is the main engine of growth.

In PNG, the vast majority of the population depends on private sector activities for their livelihoods, for most certainly subsistence agriculture is not a government function. Given the public sector’s limited resources, and taking realistic account of its capacity, it is fairly clear that a very conservative view of the role of government should guide the design of growth strategies. Both theory and practice suggest that there are two reasonably uncontroversial roles for the state as follows:

• Providing the public goods that promote social and economic development: Public goods are goods that are socially desirable but whose characteristics are such that private suppliers will lack the incentives to supply them.

• Improving equity: Competitive markets may distribute income in socially unacceptable ways, and government action may be needed to protect the vulnerable. Appropriately designed policies in health, education and social safety nets can increase equity while promoting growth.

The challenge for the state is twofold. The first part is to match its role to its capabilities (by undertaking and promoting collective actions — such as law and order, public health, and basic infrastructure — efficiently). The second is to raise its capabilities (by reinvigorating public institutions by designing effective rules and restraints, establishing checks on arbitrary
state action, combating crime and corruption, improving incentives for public sector performance, and bringing the government closer to the people).

Matching the state's role to its capabilities requires choosing what to do, how best to do it and what not to do. While capabilities may vary from state to state, five fundamental tasks lie at the heart of any state's role: establishing a foundation of law, maintaining a market-friendly environment (including macroeconomic stability), investing in basic social services and infrastructure, protecting the vulnerable, and protecting the environment. These also happen to be functions that are essential to underpin sustainable broad-based growth.

**Rural development and industrialisation**

The other 'practical' consideration lies in the fact that over 80 per cent of the population of PNG lives in rural areas, and a high proportion of them are engaged largely in subsistence agriculture. Therefore strategies for growth that increases per capita incomes have to deliver production and consumption expansions for the rural population. In other countries, the participation of the rural population in growth has been driven by the processes of productivity growth in agriculture and increasing demand for labour arising from (mainly urban) industrialisation and development of the services sector. These are likely to be the main mechanisms in PNG, although a range of non-economic factors (such as ethnic and linguistic heterogeneity) may alter the way that developments such as rural to urban migration will unfold.

**Industrialisation**

With regard to the urban industrialisation side of the equation, it seems pretty clear that the role of government should be strongly focused on working on improvements in the climate for investment. But questions remain as to whether the Government should adopt a more active and selective industrial policy to encourage development of specific sectors.

This is another area where the debate has been quite intense. Some countries in East Asia had quite active industrial policies and successfully implemented non-orthodox approaches involving non-neutral approaches to industry development. But other countries, especially in Latin America, have been markedly unsuccessful with such policies. The World Bank, which recognises the theoretical case for such intervention, cautions that it is very hard to identify the conditions for successful assistance to new activities (World Bank 2005). It argues that experience indicates that it is important when pursuing such an approach to 'create an institutional architecture that resists the pull of special interests' and that whatever institutions are used must be transparent and accountable. Otherwise selective support is likely to evolve into a mechanism for supporting private interests in the name of public gain. It argues that the institutional and administrative requirements for success are formidable.

**Rural development**

It is not clear that it makes sense to suggest that the Government should embark on the type of heterodox policies and strategies that have been pursued in East Asia, but it clearly makes sense to start asking what impediments there may be that limit the capacity of rural PNG to respond to demands for products, labour, material and other inputs from an expanding urban sector. This seems to depend heavily on the scope for productivity improvement and expanded production and delivery to markets.

A 'constrained diagnostic exercise' seems to be warranted. One could envisage working through a set of questions such as the following:

- To what extent could new technologies, varieties and so on improve productivity?
- If technology is not available, should more research be done, and how might this be carried out: there are probably strong enough market failure arguments here to suggest some kind of role for the state?
- If technologies are available, why are they not being adopted?

The answers must lie in factors such as constraints on access to information, or farmer's judgments that the expected returns from adoption don't warrant the cost.

- To what extent are these constraints driven by factors close to the 'core' role of government — for example, transport and communications infrastructure affecting costs of market access, underdevelopment of the financial system, uncertainty concerning property rights, law and order problems?
- Do land tenure issues affect access to finance and farmers' ability to appropriate the gains from productivity enhancing investments?
- Does the public sector have the resources and capabilities to address these constraints, or can it acquire them?
- Do the potential returns from an intervention to address constraints justify the costs?

The analysis also needs to be influenced by an appreciation of the dualistic nature of PNG's economy and institutions. The legal and institutional framework underpinning the formal market economy and private sector transactions in the mining and formal manufacturing and service sectors has little reach into much of rural PNG. So, for example, improving the capacity of the judiciary to handle commercial disputes or strengthening mechanisms for enforcement of judgments may not do much to facilitate transactions in the rural economy.
The contribution of aid

What can development assistance do to help with growth processes in PNG?

For a donor, the guiding principle ought to be to focus interventions on areas where there is a strong case for state intervention because donors should no more tread where the private sector should function than should governments. And this principle should be applied with a very honest appreciation of the limited capacity of the state in PNG.

In a market economy, the presumption is that the state should concentrate its efforts on providing the basic public goods — such as law and order, environmental conservation, public administration, market infrastructure, public health and basic education — which are essential to promote social and economic development, and in improving equity, which is necessary to ensure that the poor also gain from economic growth. This could suggest that donors should primarily be concerned with the development of the enabling environment, and with improving the delivery of public goods and services.

Donors also need to take note of the cautious perspective on institutional development that emerges from recent development experience. It is one thing, for example, to observe that PNG might be performing much better if it had fully developed individual property rights in land. It is another to propose playing a strongly pro-active role in supporting changes in what must prove to be a politically daunting and socially disruptive transformation.

In this regard, it is important to operate with a clear appreciation of all of the limitations on state action in PNG. The state in PNG is constrained — not just because of limited human and institutional capabilities, but also perhaps because the networks of social capital are not yet broad enough to generate effective consensus on strong collective action at the national level. It may therefore be unrealistic to call for strong state leadership to promote radical change that may involve significant sacrifice of individual or communal interests for the sake of the common good. And it is hard to see how the conditions for a stronger state can be quickly brought about, especially by external intervention. As Regan (2005:11) has noted: 'There are no obviously applicable models for successful rapid engineering of state building or nation building'.

Given that the state is constrained, donors have choices about where in the spectrum of 'in principle' state functions they should operate. Chart 1 illustrates the choice. There is a large set of things that must occur to generate growth in PNG. A subset is logically areas where state intervention may be warranted, but the state in PNG can in turn only manage a subset of these. Donors can choose to work within the current constrained reach of the state. They can operate in the gaps between current and logical state functions, filling gaps pending creation of state capacity. And they can work in areas where the state has no clear role: primarily to work with non-state actors to deliver functions or promote demands for improved state performance.

The choice of where to operate involves hard judgments about the prospect for expanding state capacity, the extent to which the private sector may be able to find solutions to the limited delivery of public goods and services (and the costs of doing this), and the incentives created by operating outside of the current reach of the state. In practice donors often work in all three regions of the chart: but there must be questions about the sustainability of some of the interventions in the outer regions.
Conclusion: Questions for discussion

Some key principles and observations emerge from recent experience with growth strategies. How can they be applied to PNG? Some issues for discussion are summarised below.

Role of the private sector

It is the private sector, not the public sector that will carry the main burden in generating growth. And it is risk taking to earn profits and incomes that motivates the private sector — whether individuals, households or businesses — to be the engine of growth.

- Question: How well does the enabling environment in PNG encourage private risk taking and allow people to reap the rewards — and face the losses — associated with these risks?
- Question: Is the transition from quasi-subsistence agriculture into the cash economy being held back in rural PNG? What are the key constraints?

Investment

Investment in one form or another is a crucial ingredient for growth: people foregoing current consumption, directly or indirectly to invest in human capital, physical capital, new technology, or new ways of doing business. This is done in the expectation of a future return; if returns are low or uncertain and risk taking discouraged, investment will be low, and so will growth. A well-functioning financial sector that can intermediate between savers and investors is a key prerequisite for growth.

- Question: What deters domestic and private investment in PNG? To what extent are expected returns depressed by problems of law and order, high transport and communications costs? What are the key constraints?
- Question: How well does the financial system function in PNG? What serious a problem is the impact of land tenure on the ability of people to securitise loans? What can be done to extend the reach of the financial system? What are the key constraints on access to financial services?
- Question: How well does public investment target the key constraints to growth?

Necessary conditions for sustained growth

There is a reasonable consensus on necessary conditions for sustained growth. They are: maintenance of macroeconomic stability; movement towards integration with the world economy; protection of property rights and support for contract enforcement; and maintenance of a degree of social cohesion, solidarity and political stability.

- Question: How well does PNG deliver these conditions? What can be done to improve performance in these areas? What policy prescriptions and institutional paths for delivering these conditions are appropriate to PNG? What are the key constraints?

Institutions

There is a strong view that economic institutions that structure incentives for exchange and investment are extremely important. But these institutions tend to evolve within the context of the deeper political and cultural characteristics of a nation. It is hard to force-feed their development, and importing institutional constructs from other contexts often fails. This said, it is difficult to see how a dynamic private sector can develop without an institutional framework that can underpin the creation and enforcement of contracts and support the evolution of and maintain the viability of property rights.

- Question: How effective and appropriate are the institutions that underpin economic activity in PNG? What can be done to improve them, especially with regard to reach and impact on rural PNG? What are the key constraints?

Selective interventions

The evidence suggests that governments in some countries have successfully intervened to help development of new forms of activity. But success has been associated with strong state capabilities and adherence to some key principles: target sunrise activities; have clear benchmarks for success or failure; have sunset clauses for support; support activities such as worker training or infrastructure investment, rather than sectors such as electronics and heavy industry; focus on activities with clear potential for externalities; and deliver through agencies protected from capture by private interests.

- Question: Can PNG meet the preconditions for this kind of intervention to be successful? What are the key constraints for development of new activities?

Aid

Donors tend to concentrate on governance (broadly defined) and delivery of key public goods and services (health, education and infrastructure).

- Question: Should donors be doing other things to help the growth process? For example, should they assist with development and adoption of new agricultural technologies, or with the application of information and communications technologies? Or should they concentrate on building state capacity?
Note
1. UNU-WIDER is the United Nation's World Institute for Development Economics Research, see <http://www.wider.unu.edu/>.

References


Introduction
Growth and development are priorities for many developing country governments, including those in the South Pacific, and state responsibility for development projects is reflected in economic policy. This state-centred approach to development, which has dominated the post-depression era, has been criticised by neoclassical economics that consider state involvement in economic production and allocation to be inefficient. Organisations such as the World Bank and the International Monetary Fund view reform as the panacea to inefficiency and in response to this, reform has been carried out in various sectors of the political economies of developing and developed countries alike.

This paper examines public sector reform initiatives in Papua New Guinea (PNG) with the view of demonstrating the extent to which the reforms have catalysed development. It considers the nature and suitability of reform initiatives. In particular, it seeks to contest the idea of clustering reforms aimed at inducing and enhancing growth and development with those that seek to address other areas of importance to the country. It argues that current reforms in PNG may be off the mark if the intention is to prepare the state to serve as a vehicle for development.

Public sector reform in PNG
General reform to PNG's public service began in the late 1970s-early 1980s. Initial attempts to revamp the public service were made by way of commissioning research: an initial study was conducted in 1979 under the guidance of Sir Henry ToRobert, governor of the Bank of PNG (Kavanamur and Okole 2005); five years later, the Kilage Committee was established to review the public sector. In the 1990s, however, more drastic public sector reforms were undertaken by numerous governments including that of Chan's (1994-1996), Skate's (1996-1999) and Morauta's (1999-2002), and the incumbent government of Sir Somare is reconfiguring the sector with the aim of salvaging the nation's perilous economy.

PNG's public sector reform has entailed the adoption of strategies such as a wage freeze coupled with a cut in public service recruitment in 1995, and these have been followed by more comprehensive reforms in 1998, 1999 and 2000. Such reforms were embodied in policy initiatives such as the privatisation of public entities, departmental restructuring and reorganisation, improving accountability and transparency, and policy coordination (see World Bank 1999, 2000). In an attempt to coordinate and expedite the reforms, the Public Sector Reform Unit was created within the Prime Minister's department by the Morauta Government. Successive governments in the 1990s along with the World Bank, IMF and other international agencies linked the Governments' laxities in delivering development objectives as largely due to a dysfunctional and/or defective public sector. Among the shortcomings identified was that the public sector:

- was consuming much of the nation's resources yet its delivery of services was not improving;
- management was widely seen as being ineffective and was increasingly under pressure to meet escalating demands;
- was inefficient, not cost effective and un-innovative, not focused on delivery, lacked accountability and transparency; and
- did not keep abreast of global trends and technical advances (CCAC 2003).

According to the World Bank, the poor performance record of PNG's public sector was linked to a variety of problems including poor work ethic, wastage, a lack of results in delivering critical services, bureaucratic corruption and over-politicisation of the bureaucracy (Sause 2003; see also World Bank 1995, 2000). It was also noted that poor public sector performance in PNG culminated in the near collapse of the economy in mid-1994 (Sause 2003; Duncan and Temu 1995; Garnaut 1995).

As a result of these deficiencies, public sector reforms have been instituted in PNG under various guises. Broadly, however, PNG's reform process is a two-pronged programme comprising: organisational reform, that is, improving the systems, processes and people in organisation; and institutional reform, that is, improving the underlying institutional rules and regulations that shape the incentives driving behaviour, performance and expectations (Kua 2005:11). The reforms specifically aim to:

1. Strengthen the policy planning and decision making processes as well as the relationship between political institutions and the state services (public services, constitutional and statutory organisations);
2. Streamline functions, organisational structures and resources management;
3. Establish and align the cost of government operations with available funding and development priorities;
4. Improve efficiency, performance and accountability;
5. Establish and rationalise office and accommodation infrastructure and facilities to better support public sector operations;
6. Improve reporting systems and database linkages;
7. Establish a stable, professional and performance-oriented public service;
8. Improve partnership and cooperation among the public sector, churches, NGOs and the private sector; and
9. Establish a public service that operates with probity, integrity and respect for law. (Berry and Harris 2002).

These reform initiatives are being supported by donor agencies such as AusAID and the European Union. Their effects have yet to be appreciated, but if anything, they echo the yearning for public sector machinery that is responsive and efficient. In the succeeding section an attempt is made to scrutinise three aspects of the reform which arguably militate against its desired outcome vis-à-vis growth and development.

Analysis of the public sector reform

Pro-market reform versus efficient public sector

Public sector reforms basically represent two interrelated goals, one that seeks to engender a conducive environment for private sector involvement in development and the other which aims to improve the governance systems and mechanisms of the public sector so that it serves as a vehicle for development and progress. Literature is quite ambiguous in this distinction because much of the reforms tend to be pursued under the cacophony of often ambitious and unclear policy commitments on the part of governments and hasty responses to organisations such as the World Bank to solicit funds. Furthermore, the World Bank's call for strong central capacity for formulating and coordinating policy points to a paucity of well refined, tailor-made policies. In PNG, Sause and Aloi (2003) note that reforms have been recycled by successive governments and one of the chief reasons is the cloudiness over policy direction and impacts of these policies.

PNG's public sector reform gives little value to private sector growth as a stimulus for growth and development. Although private sector growth is on the agenda of the present Government, the reform strategies do not adequately address key ingredients required for effective market operations such as: the function of private property as a link between effort and reward; respect for the rule of law so that surety of contract is guaranteed; public security ensuring investment returns cannot be arbitrarily expropriated; and effective government resistance to the pleas of interest groups (see Garnaut 1990; Kasper 1989).

A cursory glance at the reforms reveals little evidence of robust market friendly reform strategies besides the embracing of the central tenets of the New Public Management model (management techniques and practices mainly drawn from the private sector comprising elements such as decentralisation and out-sourcing) and managerialism.

Another critical facet of the reform emphasis is its macabre conception of the overarching development challenges that are elusive to mechanistic budgetary benchmarks and 'bottleneck' procedural guidelines. According to Curtin (2000), the reform process should not weaken PNG’s public service but enable it to expand and perform more effectively those functions which the private sector is usually unwilling to undertake, as well as address critical issues of governance such as minimising openings for corruption. The expansionary element of Curtin's view may be seen as an antithesis to the spirit of the current reform process but it rightly denounces the notion that rigidly controlled public expenditure and a trimmed public sector labour force could respond to the idiosyncratic development and growth requirements and challenges of the nation.

Growth oriented reform versus crisis driven reform

PNG's reform endeavours have been spurred by the country's fiscal crises of the 1990s (Kavanamur and Okole 2005; Curtin 2000; Sause and Aloi 2000); and therefore underlying fiscal issues have undoubtedly influenced the orientation of the reform. For instance in 1995 much needed public services were cut, a wage freeze was imposed on public sector employees, and capital expenditure on road maintenance, air strips and bridges was given little or no attention (Duncan and Temu 1995; Leechor 1995). Curtin (2000) notes that the Government's 1999 budget intended to substantially reduce public sector expenditure through:

- termination of public funding for 15 research, training, and other statutory institutions including the National Research Institute, the Agricultural Research Institute, the Institute for Medical Research, the Nautical Training Institute and the National Mapping Bureau, together with major restructuring of 21 national government departments; and
- reduction in central and provincial government staff numbers by 7,000 or nearly 20 per cent, ten percent of jobs axed in the police and defence forces, abolition of 140 positions within the

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Department of Education (including school inspectors) and 200 (mostly drug procurement staff) in the Department of Health.

These cuts demonstrate a reform process fuelled by issues unrelated to development and growth per se, as well as reform which has resulted in an erosion of the capacity of government agencies charged with the responsibility of realising development objectives. For instance, health and education are widely acclaimed pillars of development, and with the staff cuts heralded by PNG's 1999 budget, the country's progress in the long term has been seriously hampered and compromised. Another important body, the police force, which maintains law and order in a country described as the 'most risky to live and do business' (Kua 2005:11) suffered a hefty ten per cent reduction in staff numbers; ironic in a country which struggles to contain escalating lawlessness which has prevented foreign and domestic investment.

Reforms based on experience versus reforms based on stereotype
Reform outcomes in PNG have been described as 'disappointing' and 'lethargic' (Kavanamur and Okole 2005; Sause and Aloi 2000). The World Bank (2000), for instance, considers implementation of the first stage of its Structural Adjustment Program loan to PNG has been unsatisfactory. The Bank's perception may be influenced by a number of factors chief among which is a tendency not to base reform initiatives on lessons from previous reform endeavours. Sause and Aloi (2000) have said that PNG's public sector reform has a cyclical nature and the impact of the reform on the public sector is not clearly understood nor adequately measured.

If the impact of past reforms have not been adequately understood, the reform measures adopted by successive governments in the 1990s could be described as idealistic and do not necessarily account for realities on the ground. For instance, in the 1990s, cosmetic short term internal adjustments were adopted intermittently just before the adoption of the World Bank SAPs, but their purpose was mainly to secure the release of funds rather than to genuinely change the fundamental structure of the economy (Kavanamur and Okole 2005). In an analysis of public sector reform in the Pacific Island Countries, Toatu (2004) observed that poor performances of the public sector had to be attributed to the people in these organisations and not necessarily the systems and processes that governed their operations. Sause and Aloi (2000) note that in PNG the Departments of Personnel Management and Provincial Affairs, two lead agencies responsible for national and provincial departments, have not carried out performance reviews of any departments. Undertaking sweeping reform in the hope of containing and preventing deficiencies of the public sector in haste and in isolation from concrete and substantial information such as this would render those efforts fruitless. Dissatisfaction with one set of reform may set the stage for another set thus becoming trapped in a 'bad case of reformitis' (Whimp 2000:2).

In a nutshell, reform initiatives in PNG have not created the stage for development and growth to materialise. Some suggestions for ameliorating these setbacks are discussed next.

Policy implications
Reforms in PNG and elsewhere in the Pacific need to be clearly defined and specifically tailored to respond to particular shortcomings in the public sector. Development and growth related reforms should not be clustered or subsumed under 'generalised' reform exercises that pay little or no attention to the discrete requirements of growth and development.

Reforms aimed at fostering growth and development should revolve around effective public service machinery. PNG's reforms are trapped midway between state and market led development. This can result in stalemante and provide the recipe for 'reformitis'. If the state and its agencies are to continue to play a dominant role in facilitating development and growth, as it is the case in PNG, the country's public sector reform process should endeavour to instil measures that reinvigorate the institutions, systems and processes of the state rather than emasculating it by downsizing agencies and cutting back personnel directly involved in delivering public services.

Distinctions need to be made between those reforms that create the environment for state and market led growth and development. This is necessary in countries such as PNG which have embarked on this pro-market reform bandwagon but relies heavily on state apparatuses to deliver public goods and services. An important aspect of the reform process in PNG that warrants immediate attention is the compatibility of the reforms and development challenges.

Effective reforms that foster development and growth should be based on documented and credible information gathered from past development initiatives. This requires proper and astute evaluation of performance of the public sector organisations directly involved in implementing and coordinating development programmes and policies.

On the whole, reform should be sensitive to the discrete challenges and needs of growth and development in PNG which necessitates continued government participation.

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Evaluation of privatisation in Papua New Guinea

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Introduction
Papua New Guinea (PNG) is among a number of developing countries which over the last two decades has attempted to reform its state owned enterprises (SOEs) but with little lasting impact. Many countries, including PNG, have embarked on reforms including privatisation without assessing the viability of the proposed reform strategies. This paper tests the 'crises hypothesis' outlined by Williamson and Haggard (1991:563-564) using PNG as the model:

It has been suggested that policy reforms emerge in response to crises. Crises have the effect of shocking countries out of traditional policy patterns, disorganizing the interest groups that typically veto policy reform, and generating pressure for politicians to change policies that can be seen to have failed.

Why reform state owned enterprises?
Reforms are necessary not only as a response against maladministration but also to position the SOEs sector in a fast changing and dynamic world. There is now a general consensus that governments have grown and taken over many responsibilities that are beyond their administrative and institutional capacity. Given that governments operate under fiscal constraints and there are increasing demands and pressure being placed upon them, reform has become a necessary means to shed some of this pressure and responsibility.

There are also crises of governance which are linked to economic crises. Crises of governance in the case of PNG stems from alleged corruption, widespread patronage and all forms of maladministration that have contributed to the deteriorating delivery of services. As part of the reform, the search is for 'a set of institutional arrangements by which leaders can mobilize popular energy in support of development action, and through which followers can keep leaders honest and accountable' (Bratton and Rothchild 1992: 269, cited in Axline 1993).

The important point is that:

Reform can only control, not cure, the ills of public administration. It exposes maladministration and proposes alternatives that promise to reduce maladministration, but it cannot guarantee good administration nor can it prevent the reappearance of maladministration (Caiden 1991:377).

Rationale for privatisation
Privatisation has been viewed as the panacea for the poor performance of SOEs. Proponents of privatisation including politicians, academics and the wider public have argued that SOEs have not lived up to or performed as expected but have turned into bloated, expensive white elephants (Islam 1993). The reforms invariably involve selling part, or all, of an enterprise to private owners, or changing the operations of the authority or agencies in the name of greater efficiency, responsiveness to market forces and individual endeavour and less reliance on government as a productive agent (Savas 1987; Heald 1990).

The pressure to privatise SOEs is in part due to the success of the United Kingdom's privatisation programme which is being adopted on a global scale by other countries and espoused by powerful institutions such as the World Bank, International Monetary Fund (IMF) and United Nations (Heald 1990; Pirie 1986).

The reasons for the move to privatisation cover the spectrum from 'ideology' to 'pragmatism'. Some proponents of privatisation have their roots in the school of thought which maintains that the role of the state is to provide a conducive environment in which the forces of the market allocate resources efficiently and productively (Davis and Harper 1993:57; Hank 1986). Much of the impetus for privatisation has come from a perception that SOEs do not behave in a cost-minimising manner. This behaviour can be explained by the 'incentives confronting public sector management which are not compatible with the pursuit of efficiency in production' (Domberger and Piggot 1986:48).

The public choice theory states that officials, both public and private, serve their selfish interests, however, they are constrained by incentives which govern their management. For the public sector management there is no incentive to increase productivity whereas the private management is continuously under pressure to perform, because of threats such as bankruptcy, takeovers and motivations such as profit (Domberger and Piggot 1986; Hank 1986). Advocates of privatisation also argue that private ownership restores the incentives to promote productive efficiency and there is a clearly defined objective — profitability. The SOEs on the other hand always have multiple and often at times conflicting goals (Gupta and Deklin 1992).

Historically, the justification for larger governments has been the occurrence of market failures due to externalities or the 'public goods' problem which economists say can only be dealt
with by the state. However, it has been shown that public goods and services can be privatised through a number of ways including contracting out certain functions, franchising, deregulation of protected or monopolised markets and increasing contestability within the industry.

The rationale behind privatisation, which includes corporatisation and commercialisation, is essentially an economic one. Commercialisation refers to the assigning of a price for a service (Millet 1990). Corporatisation refers to the supplying of goods and services autonomously, reflecting market prices but still having government ownership.

Privatisation policy in Papua New Guinea
In 1978 the Government commissioned the IMF to report on the effectiveness and efficiency of the commercial statutory authorities (CSA). The report, known as the Floyd Report, set the initial theoretical framework for privatisation. The main thrust of the report's recommendation, based typically on IMF tradition, was for SOEs to 'get prices right'. In summary, the main recommendations were:

1. Prices paid by consumers should cover the social opportunity cost of inputs;
2. When prices are altered for distributional reasons and so on, the CSA should be paid an explicit subsidy to cover the resulting losses;
3. The good being sold is not a free good but must earn its opportunity cost;
4. Government should spell out its objectives clearly, both financial and non-financial so that management know what is to be expected of them; and
5. CSAs should not be exempt from dividends, taxes, duties, and so on and loans should not be subsidised (Whitworth 1993:vii).

An important point is that most of these recommendations were not implemented until four years after receipt of the report. Although the Floyd Report focused on the CSA (PNG Electricity Commission now PNG Power; Post and Telecommunications now Telikom, and Air Niugini) the recommendations were generally meant for other SOEs.

After the Floyd Report was presented and subsequently implemented albeit in an ad hoc manner, there was still no explicit policy on either SOEs or on privatisation. It was only in 1990 that the Government formed the privatisation advisory committee, charged with the responsibility of advising it, with the option of commercialising a number of Government agencies including the National Statistics Office, National Computer Center, Government Printing Office, Registrar General's Office and the Public Curator's Office (Millet 1990). In essence this was part of wider public service rationalisation and cost cutting measures.

While no government since independence has produced a coherent set of policies on privatisation, there have been cases where government has privatised a number of small commercial entities such as the PNG Shipping Company out of commercial necessity. The push for privatisation came from the Ministry of Finance in 1988. This was in the form of a Cabinet submission which sought approval to:

1. Begin a programme to sell the state's interests in a number of commercial enterprises in order to gain revenue and to reduce the administrative costs; and
2. Provide an opportunity for the provinces, superannuation funds, and the people to participate in the ownership of the enterprises as desired (cited in Adam et al. 1992:283).

A national privatisation committee was formed and simultaneously approved the privatisation policy, after having adopted the World Bank-IMF structural adjustment programme following the 1989-90 economic shock. A primary reason advanced by the Department of Finance was that these SOEs were showing a very low rate of return on investments by the Government (Adam et al. 1992). The principle aim was to make SOEs more responsive to market forces and to be productive and efficient. The components of the privatisation approach also included commercialisation and corporatisation.

In mid-1992 the Government passed a Bill establishing a new statutory authority called the Papua New Guinea Holdings Corporation (PNGHC) whose function was to:

1. recommend to Cabinet a policy on privatisation;
2. examine each enterprise and decide whether privatisation should take place; and
3. recommend to cabinet that a particular enterprise be privatised (Post Courier 1992:3).

Prime Minister Pais Wingti stated that the aim of privatisation was to 'transfer a larger share of the economy to the people of PNG'. Furthermore he stated that the state's role in direct participation in enterprises will be limited and those more suitably conducted by the private sector will be allowed to participate in and benefit from such enterprise' (Ibid).

Despite the establishment of the PNGHC, very little was done and no major privatisation exercise was undertaken. In 1994, the Department of Finance and Planning reassumed the responsibility for privatisation in light of the fiscal crises and the apparent pressure from the donor community. In 1998, the Office of Public Enterprise and Asset Management was established but little was done to either reform or privatise some of the SOEs.

It was only in 2000 that the pro-reformist Government of Sir Mekere Morauta not only established the Privatisation Commission to further develop and implement a privatisation

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programme but actually wove it into the 'Government's strategy to restore the health of the economy through sound fiscal, monetary and budgetary stability and management ...' The Government's deliberate decision to embark on a comprehensive corporatisation and privatisation programme to divest the State of the ownership, management, and control of enterprise and investments ...' (Privatisation Commission 2001:1).

The central objectives of the privatisation programme were to:
- maximise sale proceeds;
- improve economic efficiency;
- develop national capital markets; and
- involve PNG citizens (Privatisation Commission 2001:5).

The Government immediately approved the privatisation of Finance Pacific, Air Niugini, Telikom, PostPNG, Elecom, the Harbours Board and water assets and directed that other smaller businesses where the Government was a partial or sole shareholder be identified and prepared for sale (Privatisation Commission 2001). The approval for privatisation and the actual implementation took time and ran into the middle of the national elections in 2002. Some of the proposed entities were in the final stages of being sold such as the sale of Telikom to a South African consortium. This sale was stopped when the new Government took power. The Mekere Government had only privatised one entity, the PNG Banking Corporation (PNGBC) which was part of the Finance Pacific Group to the Bank of South Pacific through a 100 per cent trade sale (Government of PNG 2003:3).

The new Government, led by Sir Michael Somare, immediately halted the privatisation process and instituted a major review of the privatisation programme.

The main findings of the review among others included the following:
1. There were no completed financial accounts for 1999, 2000, 2001 and the three quarters of 2002 of the Privatisation Commission. Taxes had not been paid resulting in a tax liability of PGK3 million to the internal revenue commission.
2. Staff positions within the Privatisation Commission had not been approved.
3. There was a complete lack of financial controls and there is evidence of significant misappropriation and fraud.
4. There were no budgetary controls or commitment recording systems resulting in large over-commitments and unauthorised expenditures well above appropriations and in breach of the Public Finance Management Act.
5. There was inadequate management control and supervision of project managers resulting in expensive contracts, contract overruns and failure to ensure the delivery of outputs.
6. Since 1999, the Privatisation Commission and its successor the Independent Public Business Corporation spent PGK87 million of public money of which PGK56 million was on expensive consultants.
7. Only one entity, the PNGBC, was sold but it was alleged that the process was compromised (Government of PNG 2003:2).

**Privatisation policies since 1975**

Since 1975 PNG has not had either a privatisation or a public enterprise policy. The Floyd Report of 1978 did not make any specific recommendation on privatisation but rather encouraged the corporatisation and commercialisation of the public utilities and commercial statutory authorities. The fact that the Floyd Report was adopted four years later showed either a lack of foresight or understanding by the Government and the recommendations were never seriously implemented.

A fundamental issue that has never really been given much thought is the appropriate role of SOEs in PNG. As aptly pointed out by Trebilcock (1982:304) more than 20 years ago:

> What substantive policy objectives are public enterprises capable of promoting? And where a number of policy instruments are available to promote a given policy objective, what characteristics of public enterprise make it superior to the alternative instruments in particular policy settings?

This assertion lies at the heart of a raging debate that policy makers in PNG are unable to grasp or explain, let alone operationalise. This is especially so, given the significant role the state plays in the economy.

There was a ten year gap between 1978 and 1988 when the Ministry of Finance and Planning made a Cabinet Submission to privatise some of the SOEs. It apparently appeared that the World Bank exerted a lot of pressure on the Ministry and Department of Finance to implement a privatisation programme (see Adam et al. 1992). Between 1988 and 1998 the World Bank, as part of its structural adjustment loans made it a requirement for PNG to privatise its SOEs.

From 1998 until today only the Government of Sir Mekere Morauta has had a comprehensive privatisation strategy and programme but fell short of fully implementing it due to the general elections in 2002 and change of government.

In evaluating the privatisation policies or lack of them, it is clear that the various policy statements, as seen in the newspapers, budget papers and other government documents, have been made against a backdrop of an economic crisis such
as those of the late eighties, the middle of the nineties and now. The documents consulted confirm the 'economic crises hypothesis'. This does not mean, however, that for every crisis governments should reform to avert perceived crises of governance. Economic crises are an opportune time to institute reform, but these reforms must be undertaken with the following key features, which were missing in the case of the various privatisation policies and programmes in PNG:

1. There was a lack of transparency in the manner in which the various governments since 1988 went about preparing to sell equities and entities. The manner in which staff were recruited and how expensive consultants were engaged were also not transparent.

2. Since 1988, there were no implementation schedules for the proposed privatisation programmes. For instance, nobody knew which entities would be sold and in what form and to whom and at what time.

3. None of the political parties since independence had a party policy, manifesto or philosophy either on privatisation or anything resembling it. Strictly from a political science point of view, political parties did not have a mandate to privatise, even the Somare Government that came to power in 2002 only promised during the election campaign that the privatisation programme would be reviewed.

4. All the objectives proclaimed by the various governments including those in the opposition, since 1988 have either been vague or contradictory.

5. No privatisation programmes have outlined in detail the regulatory and legal framework which will protect the citizens.

6. While the discussions have centred around efficiency as a requirement for privatisation, little consideration has been given to equity and other welfare issues.

The score card for the way in which privatisation has been handled since the mid-1980s does not look good. In fact the whole approach to reforming and privatising SOEs has been very poor, bearing in mind that the SOEs sector constitutes an important part of the public sector. SOEs also play a very dominant role in the economy in terms of investment, trade and employment.

**Constraints to privatisation in Papua New Guinea**

Three major constraints that would adversely affect privatisation in PNG are:

1. The financial market is relatively rudimentary and cannot support a full scale privatisation programme such as those carried out in countries such as Chile (Hank 1986). Adding to that is the fact that the PNG stock exchange is still in its embryonic stage and foreign capital will still be required to finance any major purchase (Adam et al. 1992).

2. The most difficult task perhaps is to put in place a regulatory and legal mechanism to monitor a privatised entity or sector of the economy. A look at the United Kingdom shows that it may be easy to privatise but the effects of privatisation has meant that many more agencies have to be created to ensure adherence to laws and protection of consumer welfare. PNG does not have the regulatory and supervisory institutions to oversee the operations of privatised entities and sectors (Guislain 1992).

3. There is a lack of skilled managerial and entrepreneurial skill. The workforce is both young and with very limited skills (as at the early 1990s). Only 17 per cent of the private workforce is educated above grade ten (which include the two universities) (Millet 1990:18). Furthermore, there is an absence of a business culture that would be required to sustain a privatised sector.

In order for privatisation to be successful, preconditions must be created that allow for the transfer of SOEs to the private realm. Many of these tasks such as infrastructure, creation of viable markets and financial institutions can only be provided by the state.

Based on the overwhelming evidence against privatisation this author contends that privatisation, which includes change of ownership from the public to the private sector, matters little. What is required is an institutional arrangement whereby SOEs can still be subjected to market forces including competition, insulated from political influence and given the autonomy to manage their affairs and yet be responsible and accountable for their actions. To this end, then, institutional and procedural reform are proposed.

**Institutional and procedural reform**

Procedural and institutional initiatives derived from various countries, think tanks, and meetings try to have a mix of public and private arrangements which are anchored in corporatisation and commercialisation (Wettenhall 1993:7). Corporatisation refers to a restructuring by an act of parliament or registration under the Companies Act of a government department into a statutory body with the legal status of a limited liability company. Commercialisation simply refers to the introduction of market forces of government agencies and transaction reflecting market value, the case of user pays.
Two institutional reforms that should suit the PNG situation are the 'focal point' and the establishment of peak organisations of public enterprise chiefs. What these institutional arrangements do is to 'coordinate/harmonize government control over or intervene in the affairs of the corporate enterprise' (Wettenhall 1993:7). The advantage of this approach is that there will be a systematic and integrated approach on issues and sharing of information which as an integrated body will avoid political pressure from respective ministries especially with regard to patronage. The procedural policies within these institutional arrangements should include:

... clear corporate objectives, precise performance indicators and target settings; executive salaries closer to those of the private enterprises; identification of, and separate funding of those community service obligations (Wettenhall 1993:8).

The model that would be suited for the above arrangements within PNG is the signalling system developed by Jones et al. The evaluation system built into the enterprise enables 'evaluating agents and the management to pinpoint causes, attributing responsibility and commence corrective actions'. Because of the multiple objectives of public enterprises, a distinction is also made between public profitability (social costs and benefits) and private profit (purely on commercial criteria). This model is specifically designed for an enterprise and takes into account all the variables affecting its performance (cited in Wettenhall 1993:8).

This system has been tried with success in both Korea and Pakistan.

Like most countries around the world, SOEs in PNG have broad and vague objectives which in most cases work against each other, for instance the need for efficiency/profit as against more employment or maintenance of unprofitable activities/services due to equity considerations. The way around this is for the government to specify precisely the role of an enterprise taking into account both commercial and non-commercial objectives.

The management should then be directed to produce a rolling three to five year corporate plan that interprets, elaborates and operationalises the governments' statements of objectives, and to submit the plan to government for approval. The lessons from New Zealand would be helpful as a guide here.

Conclusions

Privatisation success stories in the West have marginal lessons for a country like PNG. PNG should not privatise its major statutory bodies but rather offshoots and companies that do not have a strategic influence in the overall development and economy.

Performance improvements of public enterprises can be made possible without privatisation ... Increased efficiency could ... be achieved through better planning, more systematic management practices, development of better organizational climates and culture, stringent anti-nepotism rules in regard to personnel practices such as recruitment of incompetent staff etc (Sayner cited in Wettenhall 1993:6-7).

Privatisation in PNG will remove state control over the delivery of goods and services, employment patterns and equity considerations. This would lead to greater inequality in the distribution of income and wealth and an injustice for the majority of the rural population who do not have the same opportunity to take part in the privatisation process.

Privatisation on its own should not be seen as a simple solution to the perceived malice which afflicts the public sector, but as a element of the process of reforming SOEs and aspects of the public machinery which are directly involved in the delivery of services.

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Security, peace and development:
Reflections on connections, based on experience in
Bougainville, Papua New Guinea

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Contemporary public policy and commentary on the state of the world commonly view security, peace and development as multi-dimensional concepts, closely connected, and mutually dependent (see, for example, Hough 2004; Human Security Centre Report 2005; Renner et al. 2005). Or, at least, that this is how they should be regarded. The idea is not new. It appeared in pamphlets published during and after World War II concerning the need for a post-War 'new deal' for the people of the Pacific Islands (see, for example, Burton 1943; Cranswick and Shevill 1949; Elkin 1943). It has been a feature of security policies and discussions in the Asia-Pacific since the late 1980s (Evans 1989; Fry 1991). It was a key theme in the report of the 1991 Papua New Guinea (PNG) security review, Security for Development (Independent State of PNG 1991a). It runs through many contemporary analyses, debates and prescriptions concerning options, policies and strategies for countering terrorism.

However, saying that security, peace and development should or can be viewed in a particular way is one thing. Justifying why and explaining how is another. It might be useful to examine a situation close at hand where security, peace and development have been closely linked in order to identify some key issues, including the character of the concepts, and connections between them.

The Lincoln Agreement on Peace, Security and Development on Bougainville gives clear expression to the idea that the three concepts are closely connected. The detailed list of issues it covers makes clear the multi-dimensional way in which each has been defined. The previous history of Bougainville, both before and during the conflict which afflicted Bougainville between 1989 and 1997, as well as the peace process for which the Lincoln Agreement set the agenda, help to explain the origins and relevance of such an approach. In doing so, the Bougainville experience casts light on contemporary discussions of security, peace and development more generally, including the ways in which they are defined, and the relationships between them are perceived.

Development
One of the major themes of post-war Australian Government policy in PNG was the idea that other forms of development were basic to political change. Successive Australian Ministers for External Territories placed increasing stress on the need, as they saw it, for economic development to come first (Parker 1971).

Insofar as political development was officially fostered, it was bottom up, beginning with local government — until the process was cut short by the worldwide trend towards decolonisation and growing Australian recognition not only that PNG would become independent but that the change would occur much earlier than previously foreseen, and that the reason would not be that PNG was ready but that it was not. Or, to cite the then-leader of the Australian opposition Gough Whitlam, the question of PNG's political future was not simply a matter for Papua New Guineans to decide. Faced with the opposition the Australian administration was encountering on the Gazelle Peninsula of East New Britain and in Bougainville in the late 1960s and early 1970s, his view was that it was preferable to encourage Papua New Guineans to unite behind the idea of self-government than have one part of the country after another rise up in opposition against continued Australian rule (Whitlam 1971:133).

In Bougainville, PNG’s outermost outpost of administration, individuals, groups, local communities and alliances formed across primary community lines have a long history of opposing the imposition of external policies, institutions and activities. They were not always directly linked: one did not necessarily follow another, or give rise to the next one; many just happened to take place in the same group of islands, or even the same localities or communities. But together, they helped to create an atmosphere in which subsequent opposition to central government was both more likely, and liable to be more widely supported, than might otherwise have been the case.

As the character and methods of colonial rule changed, Buka became the scene of some of the strongest acts of defiance against the imposition of elective local government councils (or, at least, the taxes they were empowered to impose), when the Hahalis Welfare Society refused to comply with changing Administration policy in the early 1960s.

When the perceived need for large-scale foreign investment and development became a Government priority during the mid-
1960s, communities in Central Bougainville actively opposed the presence and activities of geologists, surveyors and officials whose arrival presaged the eventual establishment of the copper, gold and silver mine at Panguna. What was officially regarded as 'development' was perceived as a threat to their security by members of the communities whose land was affected. This resulted in actions which appeared in the Australian media in August 1969 in photographs of bare-breasted village women being pushed aside by helmeted and baton-wielding PNG police under the banner headline 'Australia's Shame!'

It was against this background, as well as a growing sense of Bougainville identity, that support for a separate political future for Bougainville began to grow in the late 1960s, especially among students at tertiary educational institutions. Their movement, organised through the Mungkas Association, gained support on the ground, as people there came to believe that separation from the rest of PNG would help to alleviate the problems they were experiencing and fulfil the hopes they held.

The unfortunate murder of two prominent Bougainvilleans at Goroka shortly before Christmas 1972 brought public demands and support for secession to a head. These, in turn, fuelled a debate which moved decentralisation to the top of the national agenda. Mistrust, fuelled by a series of misunderstandings, meant that the provincial government system proposed by the Constitutional Planning Committee was not included as part of the draft constitution being finalised for independence in 1975.

The outcome was a declaration of Bougainville's secession from PNG two weeks before the country as a whole became independent. A number of sources (including Independent State of PNG 1991b) document the various ways in which development in Bougainville threatened the sense of security of local communities, especially in areas directly affected by mining. They include large-scale, capital intensive foreign investment, with such Papua New Guinean participation as there was vested in the state, acting on behalf of a nation with which the communities directly affected had, at best, a low sense of identification.

Direct and increasingly visible threats perceived by Bougainvilleans in and around the mining project included the presence and activities of outsiders; environmental destruction; and negative impacts on food security. The manner in which compensation and other payments from the mine were distributed (or left to local communities to manage for themselves) gave rise to threats to local communities from within.

Here, at least, it seems fair to say that development did not go easily with security and peace in Bougainville, however broadly or narrowly each of these terms might be defined. Development, or at least development of a certain kind, was both an actual and a perceived threat, especially among communities close to the mine.

The implications for simple assertions about the ways in which security, peace and development can, should, or do go together seem clear: a great deal depends on the character of the development being undertaken or proposed.

**Security**

Competing concepts of security lie at the heart of the violent conflict that developed, spread and eventually affected almost everyone in or from Bougainville between late 1988 and mid-1997, and continue to impact on Bougainville today, almost eight years after the fighting stopped.

As already stated, communities in Central Bougainville in particular, felt threatened by the multiple changes which followed the development, operations and associated activities of the Panguna mine. When some of their number took the law into their own hands — when intra-communal conflict became violent and the mining project itself was threatened, initially by blowing up powerlines carrying electricity up to the mine — the reaction of many political leaders and officials, both nationally and in Bougainville, was to see their activities as threats to the project (development) and public order (security and peace).

The very substantial contribution the Panguna mine made to PNG's gross national product, export income, and state revenue (not to mention overall employment and technical training) meant that the view that disruption of mining threatened important state interests was not mistaken. Nor was the view that tensions between local communities and other Papua New Guineans living in the Loloho-Kieta-Arawa-Panguna area threatened other important national values, including the constitutionally guaranteed right to freedom of movement.

The Special Committee on the Crisis in the North Solomons Province took the view that the option of political negotiation was never exhausted; in the committee's judgment, it had, in fact, barely been tried (Independent State of PNG 1991b). But negotiations there were. Unplanned incidents, such as the setting of police dogs on to Francis Ona and his companions as they returned from a meeting with Government ministers in late 1988, increased distrust and tensions.

The Government's decisions to send in police to reinforce local forces in late 1988 and early 1989, followed by defence force troops to support the police in March 1989, meant that the situation on the ground came to be increasingly viewed as a threat to law and order.

The conflict widened and deepened as incidents not always directly connected with the original core conflict occurred, creating a spiral in which the conflict appeared to feed on itself. The formal declaration of a state of emergency in June 1989 made no effective difference, except to legitimate certain kinds of previously unlawful activities. The decision to proceed down
this track was made with the strong support of key Bougainville leaders, including some who subsequently became prominent on what might be termed the 'rebel' side, the Bougainville Revolutionary Army (BRA) and its self-styled civilian/political arm, the Bougainville Interim Government (BIG).

Failed attempts to negotiate peace contributed to growing distrust, and violence on all sides. The outcome was that attempts to maintain security by conventional means failed to achieve their stated objectives. Relevant factors included the multiple challenges involved in any attempt to prevail against dissidents employing guerrilla-style tactics by force of arms and personnel then available in PNG.

As armed conflict escalated and spread around Bougainville, local factors, such as traditional alliances and enmities, tended to influence who fought with and against whom. The result was a civil war, in which neighbour was often pitched against neighbour for reasons which did not always have a great deal to do with the wider labels they wore, that is, BIG/BRA or Bougainville Resistance Forces (BRF).

Norwithstanding the declaration of a formal state of emergency, the prospects of securing and reopening the mine seemed dim by the middle of 1989. The withdrawal of the security forces in March 1990, following a further unsuccessful attempt to make peace and disarm the BRA, exacerbated the breakdown of civil authority and the descent into civil war.

Steps towards peace

A 'quarantine zone' was declared around Bougainville following the BRA's declaration of Bougainville's independence in May, cutting off communities there from medical and other services—thereby contributing both to the suffering and death directly attributable to the conflict itself, and to the development of the 'lost generation' of young people who have grown up without access to schools or other forms of education and training.

It was in this context that the security forces returned to Buka later in 1990, and began to re-establish a Government presence, including 'care centres' for displaced civilians, there and on Bougainville Island.

Further attempts to make peace followed. Notable among them was the Arawa peace conference in late 1994, for which security was, for the first time, provided by an external security force, the South Pacific Regional Peacekeeping Force, consisting of personnel from Australia, Fiji, New Zealand, Tonga and Vanuatu, formally under Tongan command (Planning Cell of the Task Force on Pasifik Pis 1994). This led to further negotiations which, in turn, produced agreement to establish the Bougainville Transitional Government (BTG) in 1995.

Set up under PNG law, the BTG provided an umbrella for groups formerly identified with the BIG/BRA or the BRF who were ready to move towards peace.

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observer mission, consisting of military and civilian personnel, both women and men, together with a small United Nations observer mission which began operating in August 1998 (and never totalled more than a handful of personnel; and only two in its final months in 2004-2005).

Just how and why such a small, unarmed force of truce and peace monitors and observers helped to build the sense of mutual confidence and security required to maintain peace, or at least to avoid a relapse into civil war, is difficult to explain. But the reality is that they did. While they were present, other peace building activities moved ahead. They included the political settlement culminating in the Bougainville Peace Agreement signed on 30 August 2001, with its three main pillars: weapons disposal; agreed arrangements for Bougainville to achieve greater autonomy within the framework of the PNG Constitution — with provision for the functions and powers of the autonomous Bougainville Government to grow as capacity and resources allow; and a constitutionally guaranteed referendum on Bougainville's political future — with a separate independence for Bougainville an available option, ten to 15 years after the election of the first autonomous Bougainville. Meanwhile, the restoration of services has continued to move ahead, infrastructure continues to be repaired, replaced and upgraded, and peace continues to gather support on the ground.

The Bougainville Peace Agreement received bipartisan support at national level; with huge parliamentary majorities in support of the laws implementing the agreement, much greater than required, and with no votes against. The reason was not the linked provisions for weapons disposal, autonomy and referendum, structured to ensure that progress with one was dependent on another. Rather, it was the emphasis, and the title the new Part XIV of the PNG Constitution and the Organic Law implementing the agreement both share, 'Peace-Building in Bougainville'. It was peace that brought the national Parliament together in support of the Bougainville Peace Agreement and the Bills giving the agreement the force of law, not the specifics they contained.

Peace

In Bougainville, peace has been regarded as both end and means. National Government policy since early 1998, embodied as a shared objective in the Preamble of the Lincoln Agreement, has been to secure lasting peace by peaceful means. Whether or not the combination is apt in other contexts, it has been a key feature of the development of the peace process from the Burnham Truce, through the negotiations and agreements which led to the Bougainville Peace Agreement and implementing laws, to the election of the ABG, and implementation of the agreed arrangements for consultation and cooperation through which the ‘joint creation’ specifically referred to in the Preamble, and given substance in the body of the Agreement, is translated into a joint venture.

Peace has also been uncertain and partial. Weapons disposal took more than two years to be completed, even after the agreed weapons disposal plan was concluded in 2001; it proceeded on the basis of consultations about the sense of mutual confidence and security in the community, not just the number or proportion of guns collected or destroyed at each stage; the destruction of weapons continued for another two years. Francis Ona and the remaining hard core of his closest supporters have continued to be outside the peace process. As the Government and the other parties have come together to discuss and progress outstanding issues, so the need to bring people together has continued to be an ongoing concern for all of the parties, as has the process of differentiation or fragmentation into factions among Bougainvilleans. Thus it is that the BIG/BRA, the BRF and the BTG came together at Burnham, eventually forming the Bougainville People's Congress (BPC). The Leitana Council of Elders on Buka and the Bougainville Inerim Provincial Government (BIPG), the body appointed to take responsibility for the functions and powers of a provincial government under PNG law, distinguished themselves from the other factions in 1998-99; and the BIPG based the decisions it was lawfully entitled to make on consultations, in fact, agreement with the BPC. Among former combatants, committed to dissolve the previously existing armed factions identified in the Bougainville Peace Agreement, the BRA and the BRF agreed to form a single association for purposes of ensuring former combatants are represented in the Bougainville House of Representatives.

Coalition-building has also been important at national level, both for the sake of mobilising the bipartisan support needed to achieve the high absolute majorities required to amend the PNG Constitution, and to ensure continuity of policy as ministers, the composition of governing coalitions, and governments themselves, change. The importance of building and maintaining support for agreements reached can also be seen in the ongoing need to build and maintain understanding and support, and overcome challenges regarding the constitutionality of the laws implementing the Bougainville Peace Agreement and of the Bougainville Constitution made under, and required to be consistent with, those laws.

In this and other respects, peace building has been required not only between but also on both sides of the metaphorical table across which the Bougainville Peace Agreement was concluded. It is also an activity in which peace has made the strengthening of civil authority possible, while enhanced policing has, in turn, helped to strengthen security and peace thereby creating some of the preconditions on which many development activities depend. Development, especially increasing opportunities to participate in income producing activities by
former combatants, youths and other members of communities around Bougainville, has, in turn, helped to give participants and their families a genuine, personal stake in continuing peace.

Peace in Bougainville is still frequently described as fragile but, so far at least, the peace process which followed the 1997 truce has not suffered any major reverses, even if progress has been slower than many participants foresaw. The challenge for the ABG and the national Government is to identify and keep working to progress practical strategies which ensure that peace continues and becomes self sustaining.

Conclusion

Certain forms of development have appeared to threaten the security of Bougainvillean communities, both historically and, since prospecting for mining commenced, especially those in and close to the area of the Panguna mine.

Competing conceptions of what and who threatens whom, and how, and the best or, at least, the available means of securing vital interests, together help to explain the origins and spiralling character of the conflict which developed in Bougainville between 1988 and 1997.

Agreement by the parties to make peace has not been enough to ensure security or development. While progress continues to be made, it would be a bold person who declares with certainty that peace is secure. The experience in Bougainville raises important questions about the meaning/scope/dimensionality of security, peace and development, and the ways in which, singly or in combination, they can affect one another.

It remains to be seen whether and how the achievements of the Bougainville peace process, autonomy and partnership with the national Government help to build a 'better economy' in Bougainville capable of sustaining peace, security and autonomy, while promoting opportunities for Bougainvillean to participate in forms of development which help to improve other aspects of their lives.

These are among the challenges before everyone concerned for security, peace and development in Bougainville, and anyone interested in drawing lessons from experience in Bougainville which might be relevant elsewhere.

Note

- Also professor of politics, University of Wollongong (on leave); this paper is presented in the author's private and personal academic capacity. The views expressed should not be attributed to any other person or organisation.

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Affirmative action in Fiji: Is it justified?

Neelesh Gounder and Biman Chand Prasad, School of Economics, University of the South Pacific, Fiji

Introduction

Affirmative action policies regulate the allocation of scarce resources in order to increase the representation of the disadvantaged communities in education, employment and business. These policies are usually controversial because they involve the allocation of state resources. In Fiji, affirmative action policies have been based on race; since independence in 1970 the state has directed public resources towards the indigenous community. This paper looks at whether affirmative action in Fiji is justified.

Fiji is an ethnically plural society and comprises indigenous Fijians (52 per cent), descendents of indentured Indians or Indo-Fijians (43.75 per cent), and other ethnic communities (4.25 per cent). Indigenous Fijians are not only the largest group but are also politically dominant and own 90 per cent of the country's land; this positioning has given the dominant group the political leverage to improve the economic position of the indigenous Fijian community.

The Fijian Government recently formulated its ambitious affirmative action plan, the Blueprint for the Socio-Economic Advancement of Fijians and Rotumans. Like past plans, this one is based on racial preference rather than need. Affirmative action is a form of preferential governance because it involves the state designing and implementing policies which favour a designated group (Ratuva 2002); some view it as politically imposed discrimination. Affirmative action is often used as a generic label for efforts to counter discrimination (Holzer and Neumark 2004).

The intense public scrutiny and debate over affirmative action makes it critical to understand how affirmative action policies affect the formulation of wider state policies.

Affirmative action and constitutional provisions

The Constitution of the Republic of the Fiji Islands proclaims equality of rights for all communities, and requires that social justice programmes be designed to secure effective equality of access to opportunities based on allocation of resources broadly acceptable to all communities. In its chapter on social justice it states:

Parliament must make provision for programmes designed to achieve for all groups or categories of persons who are disadvantaged effective equality of access to:

(a) education and training;
(b) land and housing; and
(c) participation in commerce and in all levels and branches of service of the state (Government of Fiji 1997:32).

The writers of the Constitution deliberately digressed from the formal interpretation of equality, that is, viewing equality in terms of equality of opportunity for all based on merit or competition, to an interpretation that seeks to advance the position of the disadvantaged; there is no mention of affirmative action based on racial preference. As in any society, the disadvantaged in Fiji are found in every community and therefore affirmative action seems to violate the provisions of the Constitution as the beneficiaries can be indigenous Fijians even though they may not be disadvantaged.

The writers of the Constitution seem to believe that transition to a more equitable society requires a prudent balancing between the principle of equality for all on one hand and values of representation and redistribution on the other. Equality, however, is a very subjective term. Ideologically, affirmative action has brought to the surface a conflict of norms: whether equality should be seen as a right or a policy; or whether the strategy for tackling inequality should be aimed at the entitlements of individuals or the claims of specific groups (Beteille 2000).

The 20 year development plan

Section 44(7) of the Constitution's social justice chapter reads:

Unless it has sooner expired in accordance with its terms or has been repealed, an Act establishing a programme under this section expires on the tenth anniversary of its commencement, but the programme may be re-established, unless the benefited persons or groups have demonstrably ceased to be in need of it (Government of Fiji 1997:32).

The current development plan, nonetheless, has a 20 year timetable. The 20 year development plan aims to achieve the equitable and meaningful participation of indigenous Fijians and Rotumans in the socio-economic activity of Fiji. The broader plan is to achieve equal participation with other communities by 2020, as captured in the declaration '50/50 by 2020'. The plan identifies as a critical issue continued disparities in the distribution of development benefits between ethnic groups,
with indigenous Fijians and Rotumans identified as the most disadvantaged groups. This is basically a blueprint for the advancement of Fijians and Rotumans.

The broad objectives of this plan are:

- to reinforce and hasten greater participation of indigenous Fijians, particularly in the areas of corporate ownership, entrepreneurship and management;
- to augment and accelerate the improvement of indigenous Fijian educational achievement in terms of knowledge, skills, attitude and Christian values;
- develop and strengthen the ability of organisations to provide quality technical advice and to effectively and efficiently implement affirmative action programmes; and
- guarantee the future security of the rights of indigenous Fijians.

It also claims the political crises of May 2000 and May 1987 were a direct result of these grievances not being addressed, and is thus a direct threat to the country's peace and stability.

The plan aims to address the so-called 'economic disparity' by looking at specific issues within these sectors: education, population, human resource development and utilisation, commerce and finance, public enterprise reform, health, resource based industries, tourism, culture and heritage, and rural development.

The plan is to be monitored by the ministries, which may have responsibility for one or more sector. Monitoring and evaluation is supposed to be carried out in line with other government policies and programmes, with reports due twice a year to a monitoring agency. Provincial councils are also to be informed on progress.

Equity and growth are recognised in this plan as the main pillars of success. The suggested two-pronged framework comprises: ethnic equity through distribution of resources; and intra-ethnic distribution of resources to ensure equity within the Fijian community. For each sector, the plan provides affirmative action policies, identification of problems related to indigenous Fijian participation, and targets for achieving equity. At macro level, the policies and strategies are designed to:

- reinforce, hasten and increase the participation of indigenous Fijians in commerce especially in the areas of corporate ownership, entrepreneurship and management;
- reinforce the education and training of indigenous Fijians with the aim of identifying and fostering skills and talents; and
- build and strengthen the capacity of organisations/ ministries to provide quality technical advice and to mount effective affirmative action programmes for indigenous Fijians.

The strength of the plan is to have targets defined in terms of proposed outcomes rather than inputs. The overall benchmark is that by 2020 indigenous Fijians are to comprise half of all those contributing to: household income; salaried income; wage employment; government; public corporations; micro finance; small business; medium business; large business; employment in resource based industries; and ownership in resource based industries (Ministry of Finance and National Planning 2002).

**Legitimacy of affirmative action programmes**

Affirmative action programmes in Fiji have been justified on the basis that indigenous Fijians are lagging behind other ethnic groups in all facets of the nation's economic life. The coups of 1987 and the putsch of 2000 derived their rationale from such arguments. Furthermore, supporters of Fiji's affirmative action policies argue that if stability and peace are to be maintained, indigenous Fijians must be made to prosper by whatever means.

The affirmative action policy is considered to be an appropriate instrument. As indigenous Fijian academic and nationalist, Ravuvu (1991:99) puts it:

> It is imperative that Fijians be given a special position in their country and that an element of positive discrimination is practised in favour of them for a period in education, politics, business development and other areas in which they are lagging behind. This must continue until they are at par with those who have been well established through close contact with colonial and capitalist elites and institutions. Fijians, however, must make great personal sacrifices and work hard if they are to catch up with the others and to continue to control their destiny and their country. Fijians, nevertheless, must be assured of a degree of political paramountcy if all races are to live together peacefully.

But do indigenous Fijians lag behind in all sectors of the economy? We will consider two important areas: education and employment. Or can affirmative action policies be justified on the basis of current 'inequality'? It is a myth that indigenous Fijians are economically worse off when compared to non-indigenous Fijians, especially Indo-Fijians. Such arguments arise from misguided interpretations such as Indo-Fijians earn a lot of income from sugarcane farms leased from indigenous Fijians who receive much less; or all Indo-Fijians are rich and have control of the commercial sectors of the economy.

The facts, however, are different. Indigenous Fijians dominate employment in the civil service, for example, as Table 1 shows.
Fijians represent approximately 62.1 per cent followed by Indo-Fijians with 34.9 per cent in 2001. By 2004, the situation had become even more uneven. With such over representation of Fijians, is there need for affirmative action in employment in the civil service? The situation shows blatant disregard for section 44(9) of the Constitution which states:

For the purposes of this section, an ethnic community is to be taken as having effective equality of access to a level or branch of service of the State only if it is represented there in a number broadly proportionate to its number in the adult population as a whole, unless its under representation is due solely to its particular occupational preferences (Government of Fiji 1997:33).

In the area of education, the plan is to institute a 70:30 quota in all government scholarships in favour of indigenous Fijians for teacher training, undergraduate and postgraduate programmes from 2003-2007. This defies logic as more indigenous Fijians than Indo-Fijians work in the fields where affirmative action is targeted, as Table 2 shows.

Table 2: Occupation in the civil service based on ethnicity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental Officers</td>
<td>103</td>
<td>59</td>
<td>111</td>
<td>61</td>
</tr>
<tr>
<td>Medical Officers</td>
<td>138</td>
<td>69</td>
<td>138</td>
<td>68</td>
</tr>
<tr>
<td>Nursing</td>
<td>1,327</td>
<td>260</td>
<td>1,332</td>
<td>248</td>
</tr>
<tr>
<td>Education</td>
<td>4,498</td>
<td>3,577</td>
<td>4,640</td>
<td>3,665</td>
</tr>
</tbody>
</table>

Source: Public Service Commission 2003

As is shown above, 82 per cent of all nurses in the civil service are Fijian. Yet for the past few years more than half of the available places were reserved for Fijians. Many unsuccessful candidates claimed that Fijian students with low marks were selected but Indian students with relatively better marks were not. How can affirmative action be justified in the name of access to employment through scholarships when Fijians already outnumber Indo-Fijians and other groups in fields such as nursing?

In teacher training, 70 per cent of available scholarships are to be reserved for indigenous Fijians. Yet in 2002, of a total of 9,500 teachers, 4,620 were indigenous Fijians, 4,474 were Indo-Fijians, with 406 from other ethnic groups (Ministry of Education 2003:65). Given that not all indigenous students are equally 'disadvantaged', the premise that apparently underlies the current affirmative action policy is that ethnicity is, in itself, a disadvantage (Woodson 1996).

Employment by industry

Let us look at the broader picture of employment by industry. Employment by Fiji

Standard Industrial Classification (FSIC) sectors are also dominated by Fijians. Table 3 shows total employment by FSIC sectors and ethnic groups. Apart from sectors like manufacturing, construction, and wholesale, trade and hotels, all others sectors employ more Fijians. Government, in order to justify disparities in various categories lists data as compiled from 'unpublished 1996 census figures' in its plan. It is surprising that such 'useful' data is not published but is available to government to justify its policies and programmes.

The 20-year development plan states that the disparities between indigenous Fijians and other ethnic groups in terms of employment and socio-economic status is considerable and deserves immediate attention. This requires enhancing the performance of indigenous Fijians in areas where they are disadvantaged through systematically targeted affirmative action policies. However, as is visible in Table 3, indigenous Fijians outnumber Indo-Fijians in all but three categories.

Some observers argue that those sectors that have a larger proportion of Indians have relatively higher wages and this creates income inequality. From Table 4, it can be seen that the sectors which have a larger Indo-Fijian representation (manufacturing, construction and wholesale) have lower daily mean wages compared to sectors that are dominated by Fijians. So those areas that are dominated by Indo-Fijians can in no way be related to as contributing towards income inequality.

Another argument offered by proponents of affirmative action is the existence of income inequality between indigenous Fijians and others. In the 20-year development plan (Ministry of Finance and National Planning 2002:27), data on per capita income by ethnicity from 1953 is used to support the claim that poverty exists only among indigenous Fijians. Current per capita income levels for different ethnic communities are not available therefore it is difficult to gauge the level of poverty found in different ethnic groups. Nonetheless, the 1996 Fiji poverty report found that:

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Table 3: Total employment by FSIC sector and ethnicity 1996

<table>
<thead>
<tr>
<th>FSIC sector</th>
<th>Indigenous Fijians</th>
<th>Indo-Fijians</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry</td>
<td>1,176</td>
<td>684</td>
<td>120</td>
<td>1,980</td>
</tr>
<tr>
<td>Mining</td>
<td>1,237</td>
<td>872</td>
<td>199</td>
<td>2,308</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7,769</td>
<td>15,493</td>
<td>1,373</td>
<td>24,635</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>1,192</td>
<td>560</td>
<td>112</td>
<td>1,864</td>
</tr>
<tr>
<td>Construction</td>
<td>2,329</td>
<td>3,198</td>
<td>201</td>
<td>5,728</td>
</tr>
<tr>
<td>Wholesale, Retail Trade</td>
<td>7,966</td>
<td>11,450</td>
<td>1,314</td>
<td>20,730</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>4,530</td>
<td>4,166</td>
<td>1,094</td>
<td>9,790</td>
</tr>
<tr>
<td>Finance and Business Services</td>
<td>3,064</td>
<td>3,059</td>
<td>1,084</td>
<td>7,207</td>
</tr>
<tr>
<td>Community and Social Services</td>
<td>22,271</td>
<td>11,867</td>
<td>1,701</td>
<td>35,839</td>
</tr>
<tr>
<td>TOTAL</td>
<td>51,534</td>
<td>51,349</td>
<td>7,198</td>
<td>110,081</td>
</tr>
</tbody>
</table>

PERCENT                      | 46.8              | 46.7         | 6.5    | 100   |

Source: Fiji Islands Bureau of Statistics 2005

Table 4: Daily mean wages of wage earners by industry groups in FJ$

<table>
<thead>
<tr>
<th></th>
<th>Agriculture</th>
<th>Mining</th>
<th>Manufacturing</th>
<th>Electricity</th>
<th>Construction</th>
<th>Commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>16.77</td>
<td>27.88</td>
<td>15.15</td>
<td>26.46</td>
<td>19.69</td>
<td>18.94</td>
</tr>
</tbody>
</table>

Source: Fiji Islands Bureau of Statistics 2005

Income differences within each of the major ethnic groups are more significant than between ethnic groups. While overall, Fijian households have the lowest incomes and others have the highest, the lower income Indo-Fijian households are worse off than lower income Fijian households. Low income others in rural areas are the worst off of all. There are more Indo-Fijian households in the very poorest section of society, numbering just over half all poor households. They have an average income 14 percent lower than Fijian households (Government of Fiji and UNDP 1997:4).

Poverty exists among all communities in Fiji, not among indigenous Fijians only; indeed, as can be concluded from the Fiji poverty report, the worst poverty is found among Indo-Fijians. This situation has worsened in recent years with increased squatter settlements around the country, prompted in part by an exodus of Indo-Fijian farmers from rural areas, as their leases on sugarcane plantations expired under the Agricultural Landlord and Tenants Act.

The level of inequality that exists between indigenous Fijians and Indo-Fijians is not so vast that it requires positive discrimination. Inequality exists in every country and is bound to prevail among different ethnic communities. Can inequality be eliminated? Can 50:50 equality ratios be maintained forever? Sowell (2004:6) summarises this issue:

Moreover, when and where there is economic inequality encompasses virtually the entire world and virtually the entire history of human race. A temporary programme to eliminate a centuries old condition is almost a contradiction in terms. Equality of opportunity might be achieved within some feasible span of time, but that is wholly different from eliminating inequalities of results.

Multi-ethnic communities around the world display engagements in different occupations due to different levels of education and thus receive different incomes. As such different groups occupy a different place in the social ladder. A study of the Fiji military forces shows that in 2003 more than 99 per cent of the soldiers were indigenous Fijians. This does not represent the power to exclude others, but a manifestation of the particular skills possessed by these individuals. It is hard to find even representation anywhere in the world. That has been the situation for centuries. Any temporary policy, whose duration is defined by the goal of achieving something that has never been achieved before, anywhere in the world, could more fittingly be characterised as eternal (Sowell 2004:7).

Concluding remarks

In Fiji, affirmative action policy as a development tool, has not only been controversial but has also contributed to institutionalised racism and has affected Fiji's long-term political and economic stability. It has been used by some indigenous leaders and politicians to justify the graft, corruption and mismanagement now endemic in Fiji's economic and political
institutions. Affirmative action programmes based on racial considerations have not produced the desired results in many of the countries that implemented it.

The argument that Fijians are a disadvantaged group has been the basis for all affirmative action programmes in Fiji. There is, however, doubt that all Fijians are a 'disadvantage group'. Indeed there are disadvantaged indigenous Fijians, but there are people of other races who are also disadvantaged. Affirmative action programmes in Fiji have not been based on merit or any means tested approach where the poor and those that need help should have been the beneficiaries. Affirmative action policies in Fiji based on racial preferences has not produced the desired results. Many in the indigenous Fijian community have become accustomed to leg-ups and handouts and see affirmative action policies as a convenient way of extracting public funds.

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Urban squatters, the informal sector and livelihood strategies of the poor in Fiji Islands

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Background
The growth of urban squatter settlements is a common problem in developing countries. They are a particular challenge to small island developing states such as Fiji, where with increasing urbanisation, there has been an unprecedented growth in their numbers. In Fiji, a squatter is defined as 'a person who is in illegal occupation of state, freehold or native land or without any form of security of tenure or without any consent from the landowner' (Lingam 2005:2). Common characteristics of squatter settlements are lack of basic urban infrastructure, poor living conditions, poverty, and low energy consumption per capita. They usually provide unhealthy living environments and can give rise to crime and other social problems.

An understanding of the livelihood strategies poor squatters adopt is crucial to understanding how the poor cope in urban environments. Squatters usually have extremely limited resources, no assets and very few livelihood choices. Most get absorbed into the urban informal sector and it is through the process of ‘informalisation’ that poverty can be alleviated and the poor make a living.

This paper examines the current trends in urban squatter growth in Fiji and its contributing factors and explores the role of the informal sector as a livelihood strategy for squatters in Suva, Fiji.

Urbanisation and increased squatters
Fiji has urbanised rapidly. The proportion of people living in urban areas increased from 30 per cent in 1960 to 49 per cent in 2000 and is expected to reach 60 per cent by 2015 (UNDP 2001: 32-33). Increased urbanisation has been accompanied by the mushrooming growth of squatters. A 2005 report for the Ministry of Local Government, Housing, Squatter Settlement and Environment revealed that the squatter population in Fiji increased by 78 per cent between 1999 and 2003 (Lingam 2005). The report shows that there were 182 squatter settlements in the country with 13,725 squatter families and a population of 82,350. Of the squatter population, more than 60 per cent lived in the Suva-Nausori town corridor. There was wide variation between ethnic groups. Country wide, there were more Indo-Fijians (53 per cent) than indigenous Fijians (46 per cent), but in Central Division, there were more indigenous Fijians (61 per cent) in squatter settlements than Indo-Fijians (39 per cent). The reverse is true in Western and Northern Provinces.

Factors for squatter growth
Squatting is a symptom of poverty. According to the World Bank (2001), slums and squatter settlements are resulting effects of inadequate or failed policies, planning, bad governance, inappropriate regulation, dysfunctional land markets, housing crises and a fundamental lack of political will. The major contributing factors for the growth of squatters in urban Fiji are rural-urban migration, poverty, unemployment, breakdown of family relationships, land insecurity, shortage of affordable housing and high housing rent.

Land lease expiry and growth of urban squatter settlements
The non-renewal of farm leases has led to a large number of displaced people, who move to urban areas in search of a livelihood and alternative options, thus contributing to the number of squatters. An Asian Development Bank report (2003) shows that the highest squatter growth occurred among Indo-Fijians in the sugar belt of Western and Northern divisions. This suggests that most Indian farmers who were displaced when their land leases expired ended up in squatter settlements. It is expected that a further 3,500 farming families with a population of about 18,000 will be displaced and will seek resettlement in next few years (Lingam 2005).

Livelihood strategies of poor
Poor households take up various strategies for survival. For instance, the sustainable livelihoods framework (DFID 2005), used by the British Department of International Development, views accumulation of 'capital assets' — social, human, financial, natural and physical — as a coping mechanism of the poor. For example, many urban poor live by borrowing small amounts from their relatives and friends; these social assets based on networks and relationships of trust provide them social security and play an important role in strengthening households. The more capital assets the poor possess, the greater their capacity to survive. The informal sector provides the poor with a basis for developing capabilities, capital assets and activities required for a livelihood.
Table 1: Proportion of population in urban poverty, Suva City, by ethnicity

<table>
<thead>
<tr>
<th>Daily per capita income</th>
<th>Ethnicity</th>
<th>Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fijian</td>
<td>Indo-Fijian</td>
</tr>
<tr>
<td>N=824</td>
<td>N=678</td>
<td>N=1,533</td>
</tr>
<tr>
<td>&lt; FJ$1</td>
<td>14.6</td>
<td>6.8</td>
</tr>
<tr>
<td>&lt; FJ$2</td>
<td>37.7</td>
<td>31.0</td>
</tr>
</tbody>
</table>

* includes six other groups

Methodology

A study on low-income squatters in seven settlements in Suva City was conducted by the author during 2002-2003. The sample was drawn randomly from squatter households with a total of 290 households surveyed, covering a squatter population of 1,533. The study covered 137 Fijians households, 147 Indo-Fijians and six other ethnic group households. The average household size was 5.3 people and was higher in Fijian households (5.9) than Indo-Fijian households (4.6).

Survey results

Extent of urban poverty in Fiji

Nearly one-third of households in Fiji are classified as under relative poverty and 26 per cent under basic costs poverty (UNDP 1997:38). According to the Ministry report, 50-60 per cent of squatters were very poor and lived below the poverty line. The survey revealed that more than one-third lived on a per capita income less than FJ$2 a day and about 11 per cent lived on FJ$1 per day (Table 1). Their average weekly income was FJ$98.40 (Mohanty 2003) with some variation between ethnic groups. The proportion of population living on a per capita income of less than FJ$2 per day was higher among Fijian households (38 per cent) than Indo-Fijians (31 per cent).

Patterns of concentration of poor in squatter settlements, Suva City

The concentration of poor is location specific and varies from one settlement to another. The proportion of poverty-stricken households in Suva was high in Hawell Road (46 per cent), Flagstaff (44 per cent), Wailea (41 per cent) and Veidogo (36 per cent) (Table 2).

Categories of people living in squatter settlements in Suva City

There are at least four categories of people living in squatter settlements in Suva City. They are:

- the poorest in absolute poverty, unemployed or survivors based on social welfare assistance or a pension;
- people with some skills, self-employed largely in informal sector activities;
- people with formal employment or salary earners with higher standard of living; and
- displaced farming families due to expiry of their lease lands.

According to the survey, a large proportion of squatter households (40 per cent) in Suva City lived in absolute poverty and without assets of any kind. Nearly 47 per cent of indigenous Fijian and 35 per cent of Indo-Fijian squatter households were without assets. The proportion of such households was as high as 70 per cent, 69 per cent and 59 per cent in Veidogo, Hawell Road and Nanuku Vatu respectively (Table 3).

Housing poverty and overcrowding

About 23 per cent of households in Fiji experience housing poverty (UNDP 1997:38). Walsh (2002) found that in 1996, about 37 per cent of households in urban areas in Fiji and nearly one-fourth households in Suva City lived in below average to

Table 2: Proportion of population in selected settlements in Suva City living on daily per capita income of less than FJS$2

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>Jitu Estate</th>
<th>Wailea</th>
<th>Nanu-ku Road</th>
<th>Veidogo/Veria Road</th>
<th>Hawell Road</th>
<th>Raiwaqa Flats</th>
<th>Flag-staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fijian</td>
<td>32.0</td>
<td>44.8</td>
<td>63.2</td>
<td>31.9</td>
<td>44.3</td>
<td>24.2</td>
<td>43.8</td>
<td>37.7</td>
</tr>
<tr>
<td>Indo-Fijian</td>
<td>33.1</td>
<td>39.7</td>
<td>22.8</td>
<td>10.6</td>
<td>47.2</td>
<td>23.0</td>
<td>-</td>
<td>31.0</td>
</tr>
<tr>
<td>Total</td>
<td>34.7</td>
<td>41.4</td>
<td>29.4</td>
<td>35.7</td>
<td>45.5</td>
<td>21.8</td>
<td>43.8</td>
<td>33.9</td>
</tr>
</tbody>
</table>

Table 3: Proportion of households without a asset in selected squatter settlements in Suva City by ethnic group

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>Jitu Estate</th>
<th>Wailea</th>
<th>Nanu-ku Road</th>
<th>Veidogo Road</th>
<th>Hawell Road</th>
<th>Raiwaqa Flats</th>
<th>Flag-staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fijian</td>
<td>29.0</td>
<td>21.0</td>
<td>86.0</td>
<td>80.6</td>
<td>90.0</td>
<td>25.0</td>
<td>42.9</td>
<td>47.4</td>
</tr>
<tr>
<td>Indo-Fijian</td>
<td>16.7</td>
<td>23.1</td>
<td>53.8</td>
<td>46.7</td>
<td>53.3</td>
<td>-</td>
<td>-</td>
<td>34.7</td>
</tr>
<tr>
<td>Total</td>
<td>22.0</td>
<td>21.9</td>
<td>58.7</td>
<td>69.6</td>
<td>69.2</td>
<td>19.2</td>
<td>42.9</td>
<td>40.3</td>
</tr>
</tbody>
</table>
inferior dwellings. Overcrowding is another characteristic of
the settlements. On an average, there are more than 450 people
per settlement, the highest density is in Central Division (724
persons per settlement). In some squatter settlements such as
Jittu Estate in Suva City the population exceeds 6,000.

The study also found that seven per cent of squatter
households in Suva City had monthly incomes of more than
FJ$1,000. People with formal employment and with higher
standards of living also live in squatter settlements either to escape
from house rent in the non-squatter area in the city or to acquire
a piece of land. The Ministry report (Lingam 2005:6) also
confirms that '10 per cent of squatters take advantage of free
land and services to avoid payment of lease or rent'. According to
the survey, the proportion of relatively higher income families in
Suva squatters was marginally greater among Fijian households
(seven per cent) than Indo-Fijians (five per cent).

The study of assets in squatter households in Suva City shows
that about 79 per cent of households had a radio, 63 per cent a
TV, 43 per cent a fridge, 33 per cent a telephone, 34 per cent
LPG gas, 21 per cent a washing machine and five per cent a car
(Mohanty 2003).

**Occupation and employment status**

An analysis of employment status of household heads in squatter
settlements in Suva City reveals that about 48 per cent were causal
labourers, 25 per cent salary earners, 16 per cent self-employed
and three per cent unemployed. Another three per cent were on
social welfare assistance or were pensioners (Table 4).

<table>
<thead>
<tr>
<th>Employment status</th>
<th>Fijian (%)</th>
<th>Indo-Fijian (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary earner</td>
<td>32.8</td>
<td>17.0</td>
<td>24.8</td>
</tr>
<tr>
<td>Casual labourer</td>
<td>48.9</td>
<td>57.8</td>
<td>48.3</td>
</tr>
<tr>
<td>Self-employed</td>
<td>11.7</td>
<td>19.7</td>
<td>15.5</td>
</tr>
<tr>
<td>Unemployed</td>
<td>2.9</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Other*</td>
<td>3.6</td>
<td>2.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Social welfare assistance holders/pensioners.

While one-third of Fijian household heads were salary
earners, nearly one-fifth of Indo-Fijian household heads were
self-employed (Table 4). A majority of urban squatter households
(55 per cent) had single livelihood earner and another 39 per
cent had two or more bread earners (Mohanty 2003).

**Informal sector activities as survival strategies**

The urban informal sector provides livelihoods for the poor.
The sector plays not only a supplementary role in providing
employment and generating income but also a complementary
role in providing goods and services.

The informal sector consists of '… all small-scale activities
that are normally semi-organised and un-regulated, and use
simple labour-intensive technology … undertaken by artisans,
traders and operators in work-sites such as open yards, market
stalls, undeveloped plots, residential houses and street pavements

The informal sector absorbs the bulk of the poor, provides
them employment, helps them create capital assets and thus
play a role in alleviating poverty. There were substantial changes
in net income and value of assets of urban sector participants in
Fiji before and after informal sector activities, from 59 to 159
per cent respectively (Reddy, Naidu, Mohanty 2003).

The survey reveals that although the bulk of squatter
households (59 per cent) were engaged in the formal sector, a
number of them were in informal sector activities (37 per cent).
A wide variation exists between Indo-Fijian and Fijian squatter
households. Table 5 shows about 70 per cent of Fijian squatter
households were engaged in formal sector and another 28 per
cent in informal sector activities.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fijian (%)</th>
<th>Indo-Fijian (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>N=824</td>
<td>N=678</td>
<td>N=1,533</td>
</tr>
<tr>
<td>Informal</td>
<td>69.7</td>
<td>51.1</td>
<td>59.3</td>
</tr>
<tr>
<td>Unstated</td>
<td>28.2</td>
<td>43.4</td>
<td>36.7</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* Includes other ethnic groups

In contrast, 43 per cent of Indo-Fijian squatters were engaged in
informal activities including carpentry, taxi driving, hair dressing,
tailoring, baby sitting, boat building, selling of goods (including
grog, cloth, food and BBQ, fish, dalo, kite, fruit, crab, coconut
and peanut), vegetable vending. Others work as house girls,
hawkers, mechanics, electricians, fishermen and plumbers.

**Social capital and networking**

Social capital and networking help poor households to draw
resources and make a living. As Walsh's (1998:3) work shows,
'fourteen percent of households report significant contributions
from relatives, in Fiji and abroad'.

**Problems in urban squatter settlements**

Besides the problems of poverty and unemployment, squatters face
numerous problems such as familial disputes, poor health and crime.
Squatters lack basic urban infrastructure and services particularly
water supply, electricity, proper drainage, and waste disposal. They
are vulnerable to environmental and hazardous health conditions.
Government action
Two instruments, squatter upgrading and eviction, are used by the Government in tackling squatter problems.

Squatter upgrading/resettlement: Upgrading simply refers to improvements in terms of provision of a land title and security, and a package of urban basic amenities/services such as water supply, electricity and sewage disposal. In 1994, the Government introduced a policy towards squatter upgrading, development and resettlement and squatter upgrading has been continuing in the urban areas of Suva, Nasinu and Lautoka City at the sites of Jittu Estate, Narere and Lakena.

Eviction: Eviction is another instrument used by the Government in dealing with squatters. Presently, more than 3,300 squatter families are under eviction threat in Suva City in areas such as example, Jittu Estate, Veiadogo, and Muslim League Estate (Lingam 2005). This means nearly 20,000 people need to be rehabilitated immediately. There has been strong resistance from squatters who do not want to move from their present location.

Policies and programmes
The Ministry of Local Government, Housing, Squatter Settlement and Environment established a National Squatter Council with the prime objective of advising the Minister on squatter issues and policy. The Government's policy aims to acquire and develop land for squatters and provide amenities to squatter settlements, and provide alternative sites so that squatters can hold titles and own lands.

The Government has adopted short- and long-term measures aimed at resolving squatter issues. Short-term measures include strategies to discourage further growth of settlements, such as regular policing, issuing notices to new squatters, giving a low priority or not providing essential services to new squatters. Long-term measures aim to resolve squatter problems on a permanent basis and include land acquisition for squatter development, strategies to reduce rural-urban migration through regional development and other measures aimed at reducing urban-rural disparities.

Policies that promote informal activities are likely to be more effective in alleviating poverty. Productivity of the informal sector can be stimulated through provision of credit, education and skills training, access to urban services such as electricity and water supply, and creation of a supportive environment for micro-enterprises. Approval of the Small and Micro Enterprises Development Bill by Parliament, and establishment of a National Center for Small and Micro Enterprise Development as a coordinating mechanism, may help.

Emerging issues
Squatter settlements are growing faster than they have before. Upgrading and development requires a huge input of financial resources and are currently not keeping pace with the growth of settlements. The Government allocated FJ$1.5 million for 2003 and FJ$1 million for 2004 for squatter upgrading and resettlement programmes, but the Ministry estimates that an investment of at least FJ$5 million per year is needed for the next ten years to accommodate current growth levels.

The squatter question is a national dilemma. Settlements need upgrading and squatters need suitable land titles, however, upgrading greatly enhances the process of squatting and more people join squatters with the hope of getting a land title some day. Similarly, eviction as an instrument is being criticised by social activist groups as a violation of human rights and squatters are resisting eviction.

Conclusion
The squatter problem is a big socio-economic and developmental issue as it is deep-rooted in poverty, unemployment, inequalities, mal-development and land tenure insecurities. Therefore, strategies of eviction, or upgrading and rehabilitation programme alone may not bring the desired results. Poverty is the root cause of squatting. Therefore, effective programmes towards alleviation of poverty are called for. An integrated planning and development policy and action programme towards poverty alleviation, provision of low-cost and affordable housing for poor, resolution of land tenure problems and above all sustained economic growth and human development are the prerequisites for addressing the squatter question on a sustained basis.

References
Effects of regulatory measures in the informal sector in Port Moresby, Papua New Guinea

Saipo Sikipris and Pulapa Subba Rao, School of Business Administration, University of Papua New Guinea

Introduction
This paper provides background information on the informal economy in Papua New Guinea (PNG) and considers the impact of the Informal Sector Development and Control Act of 2004 in Port Moresby. In research conducted in Port Moresby in 2005, perceptions of vendors and inspectors regarding the knowledge and implementation of the Act’s rules, as well as its impact on product quality and the health of the informal sector, were assessed using questionnaires and interviews.

The informal sector is characterised by ease of entry and exit, reliance on indigenous resources and knowledge, family and individual ownership, small scale operations, labour intensive and adaptive technology, skills acquired outside of the formal sector, and unregulated and competitive markets (ILO, cited in GDRC 2005). This sector provides jobs and additional income to the most vulnerable group, that of people with a very low income. The informal sector covers a wide range of market activities of individuals and families conducted in response to economic conditions where earning opportunities are scarce.

The informal economy is a significant growth sector because it accounts for a major share of output and employment in developing countries. It accounts for more than half of non-agricultural employment in Latin America, nearly half in East Asia and as much as 80 per cent in other parts of Asia and Africa. It makes up nearly 75 per cent of manufacturing in Southeast Asia. Furthermore, it is responsible for 93 per cent of new jobs in Africa, 83 per cent in Latin America, and 60 per cent worldwide (UN 1998; GDRC 2005).

The urban informal sector in developing countries
The urban informal sector, dubbed the ‘urban unorganised’ or ‘urban subsistence’ sector includes all economic activities which are not officially regulated and operate outside the incentive system offered by the state and its institutions. The visibility of various sectors of the informal economy varies — less visible are those involved in small shops and workshops. The informal sector plays a vital role in economic development of urban centres. It is used as an adaptation strategy or survival activity. Its activities in urban areas include casual jobs, repair services, tailoring, small-scale manufacture and retail of clothing, ornaments and other items, and domestic and laundry services (ILO, cited in GDRC 2005). The activities of the rural informal sector include subsistence agriculture, blacksmithing, and the manufacture and retail of herbal medicines, firewood, coals, and handicrafts.

Urban informal sector in PNG
The formal sector includes the mining and manufacturing industries, the public service and other service industries. The informal sector comprises over 100,000 enterprises in a wide range of activities, encompassing those in developing countries. In the face of low employment rates enterprising people find avenues, legitimate or otherwise, to get what they and their families need to survive. People with low educational qualifications and very low-level investment capacity look to informal sector economic activity for gainful employment and income. It is here that the informal sector is very important, as it provides employment, encourages entrepreneurial activity, channels a country's resources into a process of value-adding, and provides a congenial social and peaceful environment (Trade Watch, cited in GDRC 2005).

Regulatory measures
The informal sector usually provides a peaceful environment that may be disturbed when regulatory measures are imposed, resulting in an uncoordinated and under-utilised labour pool. It is difficult to quantify accurately the economic value of the activities carried out in this sector. Rapid social, economic and cultural changes have led some to regard the informal sector as a nuisance, and its activities an eyesore and a cause of traffic problems. Others state that the sale of drugs, inferior and unsafe products and other toxic brews can flourish under the protection and banner of the informal sector. That is, legislation and policies that aim to promote and protect this sector serve to increase the level of undesirable activities.

The Government of PNG has recently attempted to address the rising rate of unemployment and to regulate informal sector activity through the Informal Sector Development and Control Act of 2004.
Informal Sector Development and Control Act 2004

This Act was designed by parliament to encourage and regulate the development of the informal sector, and to protect public health and safety by controlling where operators can conduct business, along with product quality and safety. The Act makes it legal to start and operate many informal businesses. Provisions in this legislation also aim to create awareness among vendors of the rules of their operations, control product and service quality, set a time-frame for the vendors if they commit mistakes, establish penalties for non-compliance, and measures to ensure vendors are dealt with fairly. The National Capital District Commission has been entrusted with the task of implementing the rules in Port Moresby, and it has appointed inspectors to implement the rules (PNG Consultative Implementation and Monitoring Council 2004).

This legislation is a significant step towards the government's goal of removing obstacles to the development and coordination of the informal sector. Articulating minimum standards for the informal sector will protect it from exploitation by authorities that seek to impose unrealistic and counterproductive formal sector standards on the operations of its various micro-enterprises (Department of National Planning 2005).

Need for the study

Despite its contribution to economic activity and employment levels, many people have negative perceptions of the informal sector. The Government enacted legislation to foster an environment conducive to the growth of the informal sector while regulating its unhealthy aspects, but there is criticism that the regulatory mechanisms create hurdles for the growth of informal sector while trying to regulate unhealthy acts. It was felt that there was a need for a study on the effects of the 2004 Act to establish the extent to which it is achieving its stated goals.

A review of existing literature indicates that there are a few studies in other countries, but very little on PNG (Subba Rao 1994). The present study is expected to contribute to the debate on informal sector regulation.

Methodology and sampling

Questionnaires were developed for vendors and inspectors. Literate respondents completed and returned the questionnaires. Illiterate respondents were delivered the questionnaire verbally; an informal interview often ensued, with additional questions being asked. The questionnaire elicited perceptions of vendors and inspectors regarding approved business locations, knowledge of the Act's rules and penalties, education on the rules before the implementation of penalties, the impact of the rules on product quality and safety, interactions between inspectors and vendors, and whether the rules have encouraged the growth of the informal sector. Responses were quantified using a simple weighted average method, using the following weights: -2.00 for 'completely disagree', -1.00 for 'partly disagree', 0.00 for 'neither agree nor disagree', +1.00 for 'partly agree' and +2.00 for 'completely agree'.

The study was conducted in a variety of local markets in Port Moresby. Questionnaires were given to a random sample of 50 vendors and 30 inspectors, who returned them upon completion. The response rates were 74 per cent for vendors (37 responses) and 87 per cent for inspectors (26 responses).

The study had several limitations. Many respondents had little knowledge of the Act, and had difficulty understanding questions regarding its provisions. The results are likely to be skewed due to the high illiteracy rate among vendors, which required them to complete the questionnaire verbally. In addition, some inspectors prevented vendors from completing the questionnaire. Many vendors were highly suspicious of the research team due to previous negative experiences. This is likely to have influenced their responses.

Data analysis

People opted for informal sector business activity due to various push and pull factors. Twenty-two of the respondent vendors migrated to urban centres because of limited or no economic opportunities in rural areas. Nine others migrated from the highlands due to tribal conflicts and social tension. Eleven vendors stated they were involved in informal sector business because it is a very good way to earn a living in the city, while 12 others felt they did not have any alternative source of income, 13 people chose it as they could not get a job, and the remaining respondents chose vending it as it provided them an opportunity for entrepreneurial activity.

The amount of start-up capital required depended on the type of informal activity. Twenty-two respondents initially started with less than PGK100 (AUD45; street vending of betel nuts and cigarettes), six people started with an investment of PGK100-200 and nine had an investment of over PGK400. The reported average daily income was less than PGK50 per day for 14 vendors, PGK50-75 for 17 vendors, and more than PGK75 for six vendors.

Results

Vendors and inspectors were asked questions about the Act, awareness of its rules and penalties, and implementation. Table 1 presents the weighted average responses of both vendors and inspectors with regard to the implementation of the rules associated with the Act. The weighted averages indicate the degree of agreement with the measured factor, with -2 indicating a strong level of disagreement and +2 a strong level of agreement.
Table 1: Weighted average responses of vendors and inspectors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Weighted average responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vendors</td>
</tr>
<tr>
<td>1. Vendors are allowed to locate their business operations close to the customers</td>
<td>0.21</td>
</tr>
<tr>
<td>2. Vendors are well informed of the rules</td>
<td>0.34</td>
</tr>
<tr>
<td>3. Inspectors are well informed of the rules</td>
<td>0.43</td>
</tr>
<tr>
<td>4. Vendors know the consequences of not following the rules</td>
<td>0.16</td>
</tr>
<tr>
<td>5. Inspectors know the consequences of not following the rules</td>
<td>0.56</td>
</tr>
<tr>
<td>6. Vendors are counselled appropriately regarding following rules before enforcement well in advance</td>
<td>0.26</td>
</tr>
<tr>
<td>7. Vendors are given sufficient time to vacate the exiting location and relocate at the place suggested by the inspectors based on the rules</td>
<td>0.22</td>
</tr>
<tr>
<td>8. Vendors consider quality and safety of the products/services based on the rules</td>
<td>0.36</td>
</tr>
<tr>
<td>9. Vendors consider quality and safety of the products/services based on customer responses</td>
<td>1.92</td>
</tr>
<tr>
<td>10. Penalties for not following the rules are fairly determined</td>
<td>0.14</td>
</tr>
<tr>
<td>11. Inspectors deal with the vendors fairly</td>
<td>0.13</td>
</tr>
<tr>
<td>12. Inspectors deal with the vendors respectfully</td>
<td>0.08</td>
</tr>
<tr>
<td>13. The rules are encouraging the growth of the informal sector in Port Moresby</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Location of the business unit: Table 1 shows the majority of vendors interviewed felt that areas designated by the authorities were too remote for their customers and that their customers rarely came to these places. The weighted average response of the vendors was only 0.21, while in the case of inspectors more than half thought the areas were satisfactory (1.17). Some of the inspectors felt they could do nothing, although they knew the location was inappropriate. Vendors said they defied the authorities and did business where the customers were likely to be.

Awareness of rules: Some vendors reported some awareness of the rules of conduct (0.34). The score for the vendors' assessment of the inspectors' knowledge of the rules was 0.78. When asked to assess their own understanding of the rules, inspectors were found to have some understanding (1.26), while their average assessment of vendors' knowledge was 0.43.

Knowledge of the consequences of breaking the rules, including levels of fines, was lower. Vendors' responses had a weighted average of 0.16 for their knowledge, and 0.68 for what they considered the inspectors' knowledge. It is noteworthy that inspectors reported a higher level of awareness regarding rules (1.26) than of penalties (0.87). Some inspectors admitted to relying on co-workers and supervisors for knowledge of rules and penalties. Inspectors were taught the rules before commencing their duties.

Counselling: Vendors should have received counselling on the rules before they were enforced. Almost all vendors complained they had not received counselling, an assertion supported by the low reported awareness of penalties (0.16). Vendors stated they only heard a public announcement less than two minutes long. In contrast, the majority of inspectors indicated they had counselled the vendors before enforcing rules (1.22).

Enforcement and time frame for correction: Inspectors also should have given vendors sufficient time to move their businesses to approved locations. Many vendors claimed they had insufficient time to vacate their original stalls and relocate (0.22), whereas the majority of inspectors thought the time given was adequate (1.24).

Quality and safety considerations: Most vendors strongly agreed that customer response was the primary determinant of product standards (1.92), compared to the rules (0.36). Levels of quality and safety were maintained only to the point where customers were retained, and vendors considered the market demand to be unaffected by non-compliance with regulations. Disregard of quality and safety issues by vendors and customers resulted in the inspectors' not giving much emphasis to them either.

Fairness of imposition of penalties: Inspectors were accused of favouritism by 15 vendors, and of bribery, fraud and...
corruption by 19 vendors. Vendors disagreed that penalties were determined fairly (0.14), but the majority of inspectors agreed with the statement (1.48).

Respectable dealing with vendors: Almost all of the vendors (0.08) and the majority of inspectors (0.86) stated that due respect was not given.

Encouraging the informal sector: Both vendors (0.08) and inspectors (0.41) thought growth of the informal sector in Port Moresby had not been encouraged by the rules. The majority of inspectors reported that, like other developing country governments, the Government of PNG should encourage this sector.

Conclusion
The study suggests the informal sector in Port Moresby has been discouraged by the 2004 Act, although it deserves encouragement due to its vital role. The Government and its machinery, including the National District Commission and its inspectors, should realise that the informal sector complements the state's role in providing employment and generating economic activity. It is recommended that the Government devise regulations to encourage the growth of the sector. They should link the Act to the PNG's medium-term development strategy. Further, it is recommended that the Government formulate and implement policies and programmes — such as credit and infrastructure facilities — to encourage the informal sector in Port Moresby and in other urban centres.

This study made some preliminary findings relating to informal sector regulations in Port Moresby, but further studies, with a larger sample covering areas not included in this study, are required. Particular attention needs to be given to the cultural and other factors contributing to the underdevelopment of the informal sector in the entire country.

References
The informal household economy: Case studies from the National Capital District, Papua New Guinea

Albert Ayius, National Research Institute, Papua New Guinea

Papua New Guinea (PNG) is a rich nation in terms of agricultural land, mineral deposits, extensive forests, fisheries resources, and hydroelectricity potential; it also has a convenient physical location as it straddles the Asia and Pacific regions. But at the same time, PNG has a limited number of qualified nationals with as many as 87 per cent of the population unable to read and write effectively (National Statistical Office 2001). The prospect of wealth has lured the unemployed and self-employed into the major centres of the country in search of better opportunities. However, this urban migration pattern has resulted in a lack of services available outside the major centres and has also resulted in insufficient employment opportunities in the major centres. This has prompted the more innovative Papua New Guineans to venture into different types of informal business activities; the household informal sector is one of these areas.

This paper examines the informal employment sector in PNG, with particular emphasis on home-based enterprises. Through two case studies in the National Capital District, the ABC Literacy School and Tegz second hand clothing, this paper aims to demonstrate that informal household enterprises can be an important source of employment, income generation and entrepreneurial skills development that can feed into the formal business sector in PNG. It also calls for further research into the sector to fully explore its potential, and to consider areas where it may need additional policy support.

The growth of the informal sector

Australia granted full independence to PNG on 16 September 1975. Following this, the territory established a national Constitution, an Eight Point Plan (EPP), and a National Development Strategy (NDS) focusing on promoting a PNG style of governance, along with women's equality, economic localisation, equality and decentralisation, and a national fiscal self-reliance policy framework to improve and sustain living standards. The aims outlined in the EPP and the NDS differ somewhat to the pre-independence development strategy which focused on economic growth, and lacked any plan to facilitate the knowledge and skills development the Papua New Guineans required for self-management.

Following independence, a number of criticisms and problems emerged in light of PNG's post-independence development agenda. Many viewed the NDS and EPP as 'mere rhetoric' and inappropriate to PNG's development (Ayius 1997); others, such as Maev (1985), thought PNG's development was being hampered by insufficient training for appropriate human personnel, who could better utilise available resources to enhance and sustain peoples' living standards. Yet others, including Fitzpatrick (1985) along with King, Lee and Warakai (1985), identified the country's development approach, as determined by the EPP, as foreign because it was influenced by the Faber Report, a World Bank-initiated report on development strategies for PNG.1 The report's recommendations laid the foundation for the EPP; the report also played a leading role in influencing national cabinet members to greenlight the plan. In essence, the Faber Report did not depict a results-driven strategy, but a foreign-driven strategy, enforced by what Chambers (1983) calls outsiders who influenced the development agenda so that it reflected the type of development they thought best for PNG at that time.

This period also marked the beginning of a flow of rural migrants to the core urban centres of PNG in search of employment opportunities. The increased migration resulted in increased formal unemployment, as well as increased informal employment in various areas of the informal sector where business was carried out in the streets, at bus stops or within family homes (Ayius 2005).

The evolution of burgeoning informal sector activities could be viewed as the result of inappropriate research and public planning. Some observers note it has led to increased law and order problems, the sale of low-quality products and illegal goods, the misappropriation of public funds, easy tax avoidance, and so on. For example, there are instances where stolen goods are sold to the public or network of associates for a low cost, for quick money. The same principle applies also to those who sell counterfeit products, who in one way another, are trying to avoid paying tax, and make easy money for quick returns. This points to some serious underlying problems that require further research in order to ascertain how appropriate policy could be directed towards the sustainability and improvement of living standards of those involved in the informal sector.

Applications of the informal sector

There are three different sectors of economic activity: formal, informal and household (Pahl and Gershuny 1980). The informal and household sectors are often interconnected in terms
of their day-to-day activities. Those who operate in the informal and household sectors buy, make deals and sell in the streets, markets and bus stops. The formal sector is different in that it is fully recognised by the government, in policies such as the Industry Small and Medium Enterprise Policy, as comprised of people who sell their skills for wages and salaries.

The bulk of urban and rural population, both women and men, are involved in the informal sector, and are either unemployed or self-employed but do not declare it to the state. For example, men and women in this situation often perform day-to-day household routines such as cooking, cleaning and caring, while simultaneously selling goods and products (for example, selling betel nuts or losing money) within or outside their households to generate sufficient cash flow to sustain and improve their family needs (Sharma 1992). Likewise, a person might do a job for a neighbour or relative, which would be repaid in kind (Jary and Jary 1991).

As one of the major employers for the bulk of the population, accounting for a burgeoning workforce, this sector is clearly staffed by people with entrepreneurial skills and the motivation to succeed. It also means the most successful businesses in this sector have tremendous potential for generating sufficient start-up capital to kick-start more formal business ventures (Seibil 1989). As Sharma (1992) has pointed out, at the heart and centre of every family household is a driving motivation for survival, which could be better tapped for expanding entrepreneurial ventures in PNG.

**Case studies**

The two case studies that follow are from the National Capital District in Port Moresby. They are both positive examples of burgeoning informal businesses, and shed light on the relevance for further research to be carried out into the household informal sector. PNG, like many developing countries in the Asia Pacific region, must develop an understanding and appreciation of the household informal sector as an important initial catalyst of development of small-medium enterprise.

**ABC Literacy School**

The ABC Literacy School was started informally in 2000, as a home schooling venture to assist early learners within their respective elementary age groups to be able to read and write effectively. Market research (Ayius and Ayius 2000) found that most of the children attending elementary schools in the National Capital District are functionally illiterate as a consequence of: insufficient teaching materials; under-trained teachers, overcrowded classrooms; limited funds; inappropriate curricula; and, lack of properly trained literacy teachers. In 2000, my wife and I realised that our daughter could not functionally read or write although she was attending the public elementary school, so we established a home schooling venture in our private house. An invitation was extended to other parents whose children encountered similar problems to attend weekend classes on effective reading and writing.

The entrepreneurial experience gained in 2000 contributed significantly to the formal establishment of ABC Literacy School in 2001. My wife and I are co-founders and part owners of the establishment with other directors. It is now a formal business entity at the National Capital District in Port Moresby. The School has enrolled 50-60 children each year since 2001. It is now a registered school under the Investment Promotion Authority Companies Act, and it offers an alternate elementary programme for early childhood learners. Today, the school employs four teachers and two assistants. Feedback from parents shows pupils who complete the programme go on to perform extremely well in reading and writing. It now operates from a house in Port Moresby and the directors are planning to expand and build a classroom to cater specifically for pre-school to grade three.

The school's vision is to ensure that all its graduates are able to read and write after grade three, and its fees are PGK1,800 (A$830) per child per year. Its goal is to improve the literacy skills in PNG as per the Government's Medium Term Development Strategy 2005-2010 points on education, one of its top priority areas. The purpose is to deliver an appropriate literacy programme capable of improving literacy skills of young Papua New Guineans.

**Tegz Second-hand Clothing**

Tegz is an informal second-hand clothing operation run by married couple Mark and Mary Mitase; they have been operating the informal business from their Port Moresby home since 2004. The married couple are self-starters, inexperienced in the formal business world, and their distribution network now reaches across households in the suburbs of Port Moresby.

The couple's aim is to provide employment opportunities that will generate sufficient income to enhance and sustain household living standards. The couple say they have gained sufficient entrepreneurial skills, experience and financial know-how to learn how to mobilise sufficient savings to gradually venture into becoming a recognised and registered enterprise. The business has assisted a number of household family units by bringing cheap second-hand clothing close to their doorstep.

Business is progressing extremely well; it is anticipated to be registered as a formal business activity in the near future as long as reaches the target ceiling of PGK50,000 or above.

These case studies point to great potential in certain sections of the informal sector, given that each of these start-up ventures required the development and adoption of entrepreneurial abilities and skills to build savings required to switch over to a formal business.
Key policy issues

Urbanisation is one of the distinguishable characteristics of development, characterised by a number of forces pushing and pulling people towards major urban centres in search of better living standards. Understanding the connections between the flow of people and development in PNG's informal sector is an important aspect in planning for proper implementation of the Informal Sector Development and Control Act 2004.

Capitalist development dynamics also determine whether a household enterprise will venture forth to the centres of development activities, such as in Port Moresby. The impact capitalist development has on the informal sector includes all of the political, social, economic, legal and cultural forces in PNG. All these need to be thoroughly researched in order to plan for viable and realistic changes which can enable an environment conducive to the development of competitive informal enterprises.

The National Census (2001) confirms that the majority of indigenous Papua New Guineans are unemployed. Studies by the Institute of National Affairs (2001) and National Research Institute (2004) on both urban and rural informal sectors indicate that innovative indigenous people tend to look to the markets, bus stops, alongside households and villages, to buy, sell and deal for survival purposes. My research also confirms that there are a number of productive households benefiting from selling betel nut, second-hand clothes, home schooling and money lending. Many have gone on to register their informal activities as formal businesses.

Conclusion

Household informal enterprises are one of the most important avenues in the promotion of necessary incomes and employment opportunities. While 87 per cent of illiterate people are formally unemployed in Papua New Guinea, some of the more innovative unemployed living in urban centres have ventured into various home-based informal business activities, on a more or less permanent basis, to improve and sustain their day-to-day living standards. My findings further confirm that it is from this sector that different types of formal businesses can grow.

Thorough research into key policy areas must be carried out because the activities operated within the informal sector will continue to play an important role in PNG's development. Proper implementation of the Informal Sector Development and Control Act 2004 would determine how types of household activities could be best supported as alternative means of sustaining and improving people's quality of life. Further implementation in this area could:

• educate people about hygiene, through appropriate training and education awareness;
• provide access to financial credit schemes and other related personal savings schemes to assist small groups of families or individuals start home-based businesses;
• provide appropriate training to enhance marketing and managerial ability to venture into formal small-medium enterprises;
• provide appropriate regulatory framework to maintain proper control; and
• reactivate a cooperative societies policy framework and see whether it can support informal household businesses to venture into a cooperative body to compete in an open market.

Note

1. The World Bank was given the task to prepare the 'Faber Report on Development Strategies for Papua New Guinea', on behalf of the United Nations Development Programme and the Australian Government.

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Remittance payments and their effect: Perspective of the Samoan economy

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Introduction
Today, many labourers migrate from their Pacific homes to rich countries where they are offered better living conditions and higher wages. In nearly all these cases, the migrant leaves behind a spouse, children, or other family members. When individuals leave their home country for higher-paying jobs abroad, it is common for them to send part of their earnings back as remittances to help support their families. These payments are often a major source of income for families, with billions of dollars of payments being made each year from migrant workers to their families in the Third World (Solimano 2003).

The most commonly held belief among both economists and Third World citizens is that remittances have a more positive than negative economic impact on the receiving country. To understand the role of remittances within developing nations, one needs to be conscious of a few pertinent statistics. They are currently the second most important source of external finance to these countries, after foreign direct investment. In 2002, US$80 billion in remittances were paid to Third World countries. In most countries, remittances constitute over ten per cent of total GDP. The World Bank estimates that they are above 37 per cent in the tiny South Pacific island nation of Tonga (Solimano 2003), and these figures may be underestimated given the widespread use of informal means of sending remittances. While an influx of money into an economy as an option where it would otherwise be unaffordable, it is this that can lead to the growth of these small economies. Many recipients invest their payments in housing or in starting their own small businesses. As noted by Woodruff and Zenteno (2001), an individual’s willingness to invest increases with access to capital. Remittance payments clearly bring more capital to those who previously had little or none, and introduce investment as an option where it would otherwise be unaffordable. Consequently, many migrant associations in the US, known as Hometown Associations, function to organise work and other social, cultural and religious activities to improve their communities back in their respective countries of origin such as Mexico (Bada 2003). They donate money for public infrastructure, education, and other causes that will help increase well-being in their homelands (Bada 2003). Mexican immigrants in the US send back US$9.3 billion per year. The size of this amount is due in large part to the generosity of migrant associations. When large donations are made specifically to improve the well-being of the community as opposed to that of an individual, the quality of life rises for everyone involved. Further, sending remittances diversifies the risks between the two countries. The payment in effect serves as a ‘co-insurance’ policy for the sender and receiver (Solimano 2003).

The Samoan situation
Remittances play a significant role in the lives of most Samoans, yet there is much debate about the challenges posed by globalisation regarding the vulnerability and sustainability of those benefits to the livelihoods of its citizens and the economy. This paper evaluates the sustainability and desirability of remittances from the perspective of Third World nations with reference to the Samoan economy, one of the regular recipients of these payments.

The Samoan economy: Balance of payments
Trade openness (the average of exports and imports as a percentage of GDP) averaged around 56 per cent over the three years 1999-2001. Imports exceeded exports by a ratio of about 8:1 in 2000 and 2001. Revenues from tourism, remittances and foreign aid flows are important sources of foreign exchange supporting the overall balance of payments. Overall exports grew strongly over 2001 and 2003 with a slight decrease in 2004; however, the balance of payments recorded deficits in 2001 and 2002 reflecting a surge in imports, and a slight decline in tourism earnings. The balance of payments for 2005 is expected to reflect the continuing depressed earnings from the fishing industry and the impacts of Cyclone Heta. The re-opening of a coconut oil mill and an upsurge in nonu juice production will cushion the decline in export earnings from fish exports. Over the last three years the foreign reserves import cover has been maintained at around six per cent.

The balance of payments continues to be dominated by private and official transfers which make up for the small export
earnings of the Samoan economy (see Figure 1). Private investment inflows are negligible. The current account has been in surplus since 1994 due to earnings from tourist receipts, private remittances and official grants. For the past two decades, remittances have been the major source of external income and a key factor behind Samoa's steady economic growth and the record high in excess of Tala200 million in 2004. Aid has also been very important, averaging over ten per cent of GDP for the past two decades. Tourism receipts have grown from five per cent of GDP in the early 1980s to around ten to 15 per cent in recent years and recorded close to Tala200 million in 2004. By comparison, fishing is no longer as important a source of revenue as in the past given the recent downturn in fish production and fish exports resulting from the substantial decline in merchandise from the early 1980s to the mid-1990s.

In terms of exporting sectors, fisheries become the leading export industry, earning US$60,000 (Tala150,000) in 1993, and about US$11 million (Tala36 million) in 2001 and 2002. The rapid expansion of the offshore long-line fishery accounts for this significant growth. However, since mid-2002 the industry has experienced a significant slump leading to loss of revenue and rapid closure of small-scale operations. To ensure longer-term sustainability and to support the contribution of the fisheries sector to the social and economic development of Samoa, Government agencies are reviewing their support and regulatory functions to assist the industry to deal with resources management and policy issues that may be constraining growth. They will also ensure that the required infrastructure is in place to support future development of the industry. The priority for Government now is to provide specific policy interventions that facilitate the granting of time-bound tax relief, extended review of import taxes and tariff on fishing boat and specialised fishing equipment and other indirect fiscal incentives.

Extended benefits and challenges
The argument for the benefits of remittance payments is strengthened by the assumption that much of the emigrating population comprises unskilled labour (Suro et al. 2003). Samoa has a surplus of unskilled labour and at home there will unquestionably be another worker who is willing and able to replace the migrant. When the worker migrates he or she will almost certainly make a higher wage than in Samoa and money sent back home will in some way contribute to the economy. If these migrants had been highly-skilled workers, the effects would have been considerably different. The scenario would then be a prime example of 'brain drain' and would have serious
consequences. Even though the skilled worker may be paid a higher wage in the developed world, they are critical to any developing economy. Assuming that a large portion of migrant labour is unskilled, the outcome is likely to boost Samoa's economy.

**Detrimental impacts**

While these arguments present a number of good points, there is a substantial group of people who believe that, in the long run, remittance payments have a detrimental effect on developing economies. They too make arguments that are quite economically sound. When discussing possible negative effects of remittances, the concept of asymmetric information (Chami et al. 2003) needs to be mentioned. This refers to the fact that the sender of the remittance payment knows little or nothing about what happens to the money once it leaves his or her hands. Due to the great distance and lack of technology, there is no way to find out exactly what the money is used for or whom it benefits. Recipients are quite aware of their senders’ lack of information, and this asymmetry can often lead to the problem of moral hazard. Those who receive funds from abroad may squander them, make risky investments, or work less than (or not as hard as) they would have without the payment (Chami et al. 2003). In each of these cases, the recipient is often only slightly better off than they were before, or not better off at all. Had an enforcement mechanism been in place to assure that the money was spent on necessary goods or invested safely, the utility of these workers would increase, and the aggregate well-being in the developing nation could rise significantly. However, given the current asymmetry of information and no feasible way to correct it, the remittance payments often do not benefit those intended. Instead, they may have the unintended effect of lowering labour productivity as recipients take advantage of their hard working loved ones abroad.

According to a group of International Monetary Fund economists, even governments can give in to moral hazard in some cases (Chami et al. 2003), and foreign governments may be able to ignore imbalances in the domestic economy and avoid taking politically costly steps to address them. At worst, governments could intentionally pursue politically beneficial but economically unwise policies in the expectation that remittance flows will continue to insulate the domestic economy from any negative consequences. This would clearly be detrimental to the country's economy at large and could lead to increased migration and deeper poverty for those who stay. While the moral hazard problem of individual recipients poses more microeconomic problems (and macro problems only indirectly), this issue of government behaviour poses a macroeconomic threat that could affect a great number of the population.

While the moral hazard problem is a common topic in remittance discussions, there are other valid arguments for the negative effect of remittance payments. One has to do with where the extra income is spent, and is easiest to discuss in the context of the basic GDP equation where $Y = C + I + G + NX$. While most economists agree that a large portion of remittance payments is spent on consumption, this may not drive up GDP as much as it first appears. In many poor nations, it is common for households to live a semi-subsistence lifestyle, relying mainly on their own land for food and even housing. When these families receive money from relatives abroad, they will often purchase more expensive canned foods or other packaged items at stores or markets. What sometimes goes unnoticed is that a significant portion of items available for sale in these countries is imported from richer nations. The more spent on imports, the more negative the trade balance (NX) becomes, leading to a decrease in GDP (all other variables equal). If the recipients are consuming mostly (or all) imported goods, there will be little or no net change to GDP. While the circumstances discussed may be exaggerated and GDP may in fact rise, the actual effect may be a far cry from what was originally anticipated.

A final point that can be made against the use of remittance payments to spur development is the issue of sustainability. It is logical that there would be a negative correlation between the amount of time that has passed since a person emigrated and the strength of his or her connection with the family back home. In other words, a person will feel most connected with, and send the most money to his or her country of origin, during the first few years. This becomes even more apparent when future generations are examined. It is unlikely that children who have never met their extended families and never been to their 'home' country will have a strong connection to those back in the Third World. Even if the relationship is still strong at present, it will almost assuredly fade as more time and generations pass.

In some small countries, the rate of emigration exceeds that of immigration, which may eventually prove problematic for the sustainability of remittances. The obvious answer would be to provide a new supply of first-year emigrants each year. However, with tight restrictions being imposed on who can leave many of these developing nations, the flow of emigrants has slowed significantly in recent years. Conversely, if all those who wanted to leave these countries were permitted to do so, the outcome may not be any better. Who wouldn't want to leave the poverty in which most people live? If all the citizens of these already scarcely-populated countries were permitted to leave, these economies would crumble and deeper poverty would result.

To accurately assess the effect and sustainability of remittance payments in the long run would be an impossible task, since too many important variables are unknown. In order to run a regression on remittances, one would need to include such variables as amount of money sent, frequency of payment, cost...
of transaction, and how the money was spent (maybe a dummy variable for consumption in one regression and for investment in another). Due to the informality of many payments and asymmetry of information, however, such a regression cannot be accurately developed. The arguments against the effectiveness of remittances to spur the economies of developing countries are significant, but do not provide enough concrete evidence that these theoretical effects will occur in practice. The aggregate amount of money coming into these developing nations cannot be overlooked, and enough is being spent on consumption and investment to overshadow opposing views such as the moral hazard argument. Even if the positive effects of the payments are not quite up to potential, they still place their recipients and the economies of Third World nations in a better position than before.

This, of course, does not mean that the remittance systems in place are flawless. One major problem that exists for remittances across the globe is that of extremely high costs. The vast majority of remitters send their payments via money transfer operators such as Western Union, which charge extremely high rates (Solimano 2003). The market for international remittances is fairly controlled, and the firms that dominate often charge upwards of ten per cent on the average transfer. Senders, however, are 'brand loyal' and rarely make a change of provider for these services due to a number of reasons including their (sometimes) illegal immigrant status or ignorance of the banking system.

Conclusion
Remittances can be an extremely effective component of development, but the system by which they are sent must be improved. The market needs greater competition and more participation from commercial banks. An increasing number of countries are becoming interested in lowering the costs associated with sending remittances. In January 2004, a group of developed countries at the Special Summit for Americas called for the costs of remittances to be cut in half by 2008 (Orozco 2004). This can be achieved through education of immigrants on banking principles and policies, as well as better methods of identification, and has in fact already begun. In doing this, along with encouraging hometown associations and other forms of investment, governments of both sending and receiving countries can ensure that remittances have a much greater positive impact. Instead of helping only individuals who directly receive payments from abroad, remittances have the potential to greatly benefit entire societies and ensure rapid development in third world countries.

In the case of Samoa, it is statistically evident that remittances have been one of the significant economic variables. The pressure on the economy to withstand adverse social and economic implications rests on the sustainability of the inward flow of remittances as well as significantly increased contributions of other sectors such as tourism and exports.

Notes
1. Many of these offerings are a result of personal analysis and observation, as well as through discussions with various friends and educators in Samoa, a small South Pacific island nation heavily reliant on remittance payments.
2. Samoa has an agreement with New Zealand that a certain number or quota (1,100) can legally emigrate to New Zealand each year. The number of people who want to move far exceeds the number that is permitted.

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Communal land tenure and agricultural development in Fiji

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Introduction

Communally-owned land is often regarded as a constraint to agricultural development. This issue is examined within the context of Fiji where land is registered in groups and rights of access and use are allocated via lease or customary arrangements. Of particular interest is the recent promotion of ‘group’ or ‘communal’ farming structures by the Fijian State among the mataqali landowning groups within rural indigenous Fijian sugarcane communities. Recent research shows that these structures can, under specific conditions, improve the technical efficiency of indigenous growers that have historically not performed well, that is, inexperienced growers who live in villages. Economic theory goes some way to explaining this improvement. A major factor, however, has more to do with the cultural legitimacy of these structures to bridge the divide between individual and group benefits of a communal resource.

Context

Agrarian reform has been an important feature of successive Fijian State administrations for a number of decades. The 1960s heralded an era of industrialisation of Fiji’s agricultural sector that was influenced by the Spate (1959) and the Burns Commission (Burns et al. 1960) reports. Many of the initiatives that followed were underpinned by efforts to modernise the agricultural landscape and change the culture of the indigenous Fijian population from one that emphasised community and subsistence economic activity, to an ethos that embraced individual pursuit and market exchange. Policies included greater government investment in land-based projects and an emphasis on creating independent Fijian farmers free from what Spate described as ‘the burden of obligations’ that constrained economic development (Spate 1959:9).

Critics of Fiji’s agricultural development policies made three observations. First, the majority of the large-scale, state-led development projects had fallen short of their objectives of developing sustainable centres of economic growth. Second, physical separation from village activities had not created communities of individual, commercially orientated farmers; at least not on the scale envisaged by Spate and Burns. Finally, customary practices still persist. Forty-five years later, farmers (Fijian and Indo-Fijian), the sugar industry, and the Government continue to refer to culture as a critical deterrent to the economic prosperity of Fiji’s indigenous population (Lal et al. 2001).

Against this historical background, the recent emergence of ‘cooperative’ or ‘group’ farming structures among Fiji’s indigenous sugarcane farmers and their promotion by various State agencies and the sugar industry has created immense interest. Rural Fijian sugarcane communities are enthusiastic about adopting these structures given their widespread publicity and promotion as the ‘way forward’ for Fijian farming. A key concept underpinning these structures is the incorporation of traditional values such as solesolevaki where tribal members work cooperatively by pooling resources and sharing benefits. One might justifiably ask whether this initiative is another questionable attempt by the Fijian Government at reforming its agrarian sector given the similarities between these cooperative farming groups and the failed cooperative movement of the 1940s.

Others view the structures with more suspicion. Requirements for land owners to form into a single administrative unit or change the lease arrangement from Class J to Class A have raised concerns among Fijian farming communities of the high costs and the potential loss of land out of mataqali control and into the administration of Native Land Trust Board (NLTB).

Of interest however, is the question of the effectiveness of these structures. That is, do they improve farmer performance? Recent research showed those sugarcane growers who belonged to cooperative or group farming structures performed, on average, at a higher level of technical efficiency (see Kingi and Kompas 2005 for a detailed description of the econometric model). Additionally, the research showed that inexperienced farmers who lived in villages performed, under specific conditions, as effectively as experienced farmers who lived on their farms (galala). Inexperienced farmers who reside in villages have historically been the group at the highest risk of performing poorly — a serious consideration for the sugar industry that is attempting to maintain the supply of high quality cane to the mills.

This result shows that structural organisation of farms can overcome deficiencies of individual farmers. The remainder of this paper extends this argument by proposing the following: improvements in farm productivity in the short run are likely when the organisational and farm management practices of these structures follow sound economic principles; however, sustainable, long-run development is dependent on the cultural
integrity and cultural 'fit' of these organisations within the wider sociocultural context of the tribal structures.

Communal land and Fijian sugarcane farmers

Indigenous Fijian sugarcane growers have historically been minority producers in Fiji's sugar industry. In recent years however, the number of indigenous growers has been increasing and they currently comprise around a third of producers. As leases expire, an increasing number of Fijian landowners are choosing to allocate the leases to members of their own landowning mataqali unit, adding to the immense strain that Fiji's sugar industry is under as industry and political leaders attempt to formulate restructuring strategies to improve the efficiency of its 21,000 small-farm sugar suppliers and its ageing processing mills and transport system. Given the uncertainty about the future of the industry, credit criteria of financial institutions have become more stringent; these include the requirement for agricultural leases to be registered under the Agricultural and Landlord Tenants Act or Native Lands Trust Act, which are administered by the NLTB, and loan preferences to indigenous farmers who are members of formal management groups.

Land retention within the mataqali

A common feature that transcends the different land tenure arrangements and traditional systems in South Pacific nations is the growing inequity among landowners. Land rights, whether formally registered in an individual or group, or under customary systems, has seen an increasing concentration of agricultural land (see Ward 1965). As mataqali populations increase and the land available for agricultural production remains tied to a relatively small number of farming mataqali members, the pressure is likely to increase on the non-farming mataqali members to find land suitable for cash cropping.

Although land shortage is more common than land surplus within mataqali land-owning units, there are mataqali with a shortage of suitable members to take over expired leases. For the majority, however, land shortage is a concern for the future of the mataqali and therefore selection of individual families to take over leases is a serious decision.

Group farming and the centralised management system

Much of the rationale behind the advantages of group farming structures echoes the recommendations made by Ward (1984) where he suggested that the application of plantation management systems (as opposed to the expansion of plantation farming systems) had several advantages over small-holder farming systems, under specific conditions. Although not all farming systems are amenable to a plantation system of coordination and control, sugarcane, a robust and relatively pest-free plant, is ideally suited. The plantation system is characterised by centralised management decision-making and coordination of labour and resource use. In spite of the criticisms that Ward’s recommendations drew, many from observers who mistakenly believed that Ward was promoting a return to plantation production, the centralised management system continues to be relevant in semi-subsistence, traditional agrarian societies like Fiji. The following benefits of group membership apply mainly to formal groups that have centralised management decision making.

First, membership of a group enables the amalgamation of assets through the pooling of resources while retaining the lease agreement with the landowning tenant and maintaining the integrity of the land title with the mataqali. Membership of the group is voluntary, although inducements to join can be placed on prospective tenants by the mataqali as a condition for receiving the right to lease the land. Inducements are also presented by financial institutions (Fiji Development Bank) and the trustee of native land (NLTB) as a precondition for lending or for financial assistance such as grants under the Farm Assistance Scheme. Group membership reduces the financial risk associated with borrowing funds to purchase expensive capital items. Their financial contribution to the group purchase of capital item(s) along with coordinated planning ensures that critical farm functions are carried out. The relinquishing of the opportunity of outright, individual ownership is outweighed by a lower financial investment, with the security of a scheduled programme of use.

Second, the accumulation and aggregation of assets under a single structure enables the centralisation of management decision making. A key advantage of centralised management is the formation of a mechanism that coordinates labour and ensures the efficient use of expensive capital items. For example, the total number of labour hours dedicated to ground preparation and crop renovation (from raton to plant) per farm is lowered, thereby increasing the time available for crop maintenance such as weeding and dressing prior to harvest. For many new farmers, the responsibility of farm planning is shifted to an experienced individual or group of kin farmers who have been appointed to 'take charge' of coordinating and planning. Membership of a group lowers the production risk for the individual. In return they are expected to contribute their labour when group activities are scheduled and to maintain a financial contribution to the running of the group’s administration function.

Third, capital accumulation in the form of tractors and other machinery is facilitated by the ownership of assets being shifted from the farmer to the group. The accumulation of assets by an individual is often undermined by kerekere (requests from kin).
Acquiescence to requests is common even with the knowledge that future production could be severely affected, as in the case of lending out machinery like a tractor, or in the extreme case of having to sell the tractor to contribute to cultural obligations. Sharing of farm implements is common among Fijian farmers. In spite of past experiences of mistreated machinery that had been lent out, many farmers are reluctant to declare a request from kin. When ownership no longer lies with the individual, the responsibility for the item shifts to the group. The risks associated with refusal are thereby significantly reduced.

Group membership overcomes the deficiencies and problems that an individual farmer may face and enables key farm management activities to be carried out on each of the farms with minimal input from the individual leaseholder. However, specific conditions must be in place for this to occur. First, the amalgamation of leases into a contiguous single production unit increases the scale efficiencies, and enables the pooling of resources to purchase expensive capital items such as tractors. A single organisation also improves access to debt finance and lowers transaction and administrative costs. Second, formal groups also have several advantages over informal arrangements. Most informal cooperatives have been formed primarily to pool resources to purchase a tractor or another capital item that would be too expensive for an individual. Land leases are kept separate, membership is voluntary and there is no centralised management system. While effective as a mechanism to raise capital, they are subject to the problem of common ownership: that is, assets are open to abuse. Third, skill and capability of the group leadership in being able to coordinate resources and schedule management programmes is essential. Fourth, location is important both in terms of industry and government infrastructure and services and proximity to alternative markets.

Cooperative or communal farming?

Cooperative labour has become a significant motivating incentive for Fijians to increase their effort and the productivity of sugarcane. Solesolevaki draws on traditional practices of cooperation and reciprocity that are built on the maintenance and respect of kinship ties. Payment for services is usually with magiti (food gifts), matakarawa (presentation of yaqona or valuables to return a kindness or gift), or eco (feast prepared by a household to feed relatives who help with labour).

The concept of solesolevaki has widespread appeal to Fijian farmers and landowners and the terms cooperative and communal farming are used interchangeably. The distinction is important however, as the concept did not exist in pre-capitalist Fiji society. In spite of the confusion that often surrounds the term most farmers seem to be clear about how it translates into the practicality of growing crops. Farmers understand clearly that the land is owned by the mataqali, the individual has a lease or vukasanua arrangement and a portion of the proceeds of the crop are paid to the i tauki ni qele, in cash or in kind, along with magiti. When the time comes for communal assistance for planting, fertilising, harvesting or any other activity that requires labour far in excess of the nuclear family, it is the mataqali that is called on for assistance. The maintenance of kinship ties through cooperative farming has other important practical applications—risk reduction as documented by Rutz (1978). The risks associated with investment in an ailing sugar industry are high particularly for growers in isolated regions, such as Ellington II sector, where climatic conditions are marginal and industry and Government support services are lacking. In these cases maintaining social networks through kinship ritualistic practices is a valid risk-reducing strategy.

Farmers in developing countries are often faced with the conflicts of balancing cultural obligations to the wider landowning group with the time consuming demands of commercial farming. While contributions of time and resources are necessary to maintain social cohesion, the trade-off often results in farmers producing at lower than optimal levels. Even though land rights are codified (in the clan) and mechanisms are in place for the allocation of individual rights for commercial use (usually allocated via long-term leases), the question of farmer motivation persists. Farmers are governed by the legislative rules of an introduced land tenure institution while also subject to the traditional requirements of the village institution.

Shifting the focus from the individual to the group provides a more acceptable cultural context from which Fijian farmers are able to carry out dual roles. The first is as a member of a clan, complete with all of the responsibilities and obligations that accompany tribal membership. The second is as an individual entrepreneur, with his or her goals, objectives and ambitions to succeed both as a businessperson and as the head of the household.

These roles do not sit easily side by side in societies that are still coming to terms with the sociocultural changes associated with the transition from a subsistence existence to full participation in the market economy. Cultural integration with economic activity (expressed in values such as vukasanua and solesolevaki) are key to understanding the interaction between cultural legitimacy, group membership and establishing conditions that motivate farmer behaviour.

Conclusions

Membership of a group farming structure can be an effective mechanism to not only improve the technical efficiency of the farmers but also mitigate the negative influences of customary obligations, such as the depletion of resources. A more significant point however is the cultural legitimacy that these organisations
provide in allowing individual farmers to accumulate wealth and therefore invest in the productive capacity of the farm while providing a structure that distributes benefits to the wider landowning community. These structural advantages are also applicable in their capacity to facilitate customary practices such as *solesolevaki* and *kerere*. This is achieved by moving the control of economic activity based on communal land from the individual to the group. There are a variety of reasons as to why an indigenous Fijian tenant would choose to be a part of a formal or informal structure. Formalising the tenurial arrangement which facilitates access to financial assistance and credit is common but so too is the desire to work within a culturally acceptable framework.

Widespread promotion of these organisational structures as the panacea to the economic development problems facing Fiji's rural indigenous population should, however, be avoided. Centralised management systems are likely to be more applicable to specific farming systems and the quality of leadership is a crucial factor to avoid agency problems. One of the key issues facing the formal management group is the potential for corruption and agency problems to emerge if stringent controls are not put in place. Ward (1984) promoted the amalgamation of land under the central control of a single management unit as a mechanism to improve agricultural productivity but also as a mechanism that outside the influences of any traditional right holder or tribal hierarchy. In the absence of a system that promotes transparency of information and holds the organisational leadership accountable to its main stakeholders — the farmers — serious problems are likely to occur.

Moreover, these organisations have shown the capacity to improve the technical efficiency of farmers and provide a mechanism for capital accumulation in the sugar industry. Their application outside of the sugar industry is not known. The sugarcane farming system lends itself favourably toward a centralised management system. Crops with greater husbandry requirements (that is, higher technical skills) are less likely to respond to a mechanised farming approach.

**Notes**

1. The terms 'farmer' and 'grower' are used interchangeably in this paper and refer to a sugarcane producer.
2. Fiji Development Bank (FDB, 2003:17-18) and the Native Land Trust Board (NLTB, 2003:5) profiled the Naleiwavuwavu Cane Development Scheme recently formed by the *yavusa* Naleiwavuwavu of Betoraurau, Saboto.
3. A Class J lease refers to a lease on 'reserve' land or land set aside for commercial or subsistence use by the mataqali, *yavusa* and members of the *vanua* or others who have a traditional or customary right to the land. Class A are agricultural leases on non-reserve land with few restrictions on who the land can be leased to.
4. Since the expiry of the ALTA leases in 1997 all land transactions are now administered by the NLTB under NLTA.

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Land tenure in Pacific island countries

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Introduction

Most Pacific island countries (PICs) have retained traditional systems of land tenure. Although these systems can greatly impede reforms, for example those concerning gender and generational equity, development, human rights and the environment, there has been little comparative analysis of these systems or of options for reform.

For gender equity, for example, only ten per cent of the population of the Pacific traditionally follow a matrilineal transmission of land rights (Crocombe 1994:9). For generational equity, a major issue is the need to adapt tenure systems to populations up to ten times and more what they were at the time of first contact with European cultures’ (Crocombe 1994:16). For whatever reason, migration or high birth rates, unearned incremental land values accrue to those who were there first, not only increasing inequality but distorting economic development decisions. An example of these distortions occurred in Tonga, where both rural and town land was redistributed to every male of 16 years of age. But with rising population, by 1984 only 40 per cent of eligible males had town allotments, only 35 per cent of agricultural land was being cultivated, the number of absentee landlords was increasing as was the number of landless persons (Fukofuka 1994:147). Unsurprisingly, there have been very poor responses from the Government to any calls for land reform.

All PICs, with the exception of Fiji, rely heavily on aid to finance their development efforts (Luteru 1994:22). Ironically, however, long-term GDP per capita growth rates have not responded to aid; in the Philippines, for example, averaging only 0.1 per cent over 25 years. But where policy favours schemes for aid over land reform then that policy 'contains seeds for the gross distortion of equity, as dominant classes manipulate subordinate and state officials in the scheme implementation' while 'a class of landless people emerges who find only low-paid work or remain unemployed' (Lakau 1994:72).

For human rights measurement, proxies include the UN Human Development Indicators on the status of six major international human rights instruments, and the Gini index of inequality. Against both measures, the two largest PICs, Philippines and Papua New Guinea (PNG), perform badly, even by developing country standards.

For sustainable development, the World Bank measures this by a proxy called genuine domestic savings: the difference between net domestic savings and the sum of energy, mineral and forest depletion and carbon dioxide damage. For the Philippines, depletion and damage are very low, but in PNG depletion and damage actually exceeds net domestic savings: sustainability is therefore negative. For PICs rich in natural resources the adverse social effects of resource plunder are well known, reported for example in Nauru (Keke 1994:229-234) and in Bougainville (Quodling undated).

Context

For reform, the wider context offers little encouragement. For example, the UN Human Rights Commissioner has claimed that economic development and human rights have been massive and expensive failures (Robertson 1999:16). In developing countries as a whole, poverty, inequality, high birth rates and low economic growth rates are usually associated with three indicators: the absence of land reform, or the presence of oil or mineral riches, or dependency on aid, or some combination of these. For the land reform indicator, we can regroup World Bank data on developing countries into two sets — those that have experienced successful land reform, and the rest. The land reform set, with a population one quarter of the whole, appears to be far more efficient (per capita GNP growth of eight per cent against one), more equitable, and less prone to conflict. In the land reform set, poverty is decreasing, in the other set, increasing. For the natural resources indicator, long-term per capita GNP growth has been virtually zero in the countries rich in natural resources. For aid dependency, Boone (1994:i) found that development aid is only effective in unusual cases where it represents more than 15 per cent of recipient GDP. For all other cases he reported: 'I find no significant correlation between aid and growth. I conclude that virtually all aid goes to consumption'.

Land tenure reform options

Land redistribution: Highly successful programmes, in Taiwan, South Korea and China, have required coercive, dictatorial reallocations of property rights, difficult to replicate anywhere else in the world today. Negative outcomes include fragmentation, and the inability to further redistribute land as populations and land values change. Since redistribution applies to rural land only, it does not solve equity and unemployment problems arising from urban land speculation and appropriation, and the massive worldwide urban migration.
Land value taxation: Unlike land redistribution it is not confined to rural land, nor does it lead to the fragmentation which discourages economies of scale. In monopolistic or speculative adventures in land (by no means confined to PICs) land taxation may be the only form of taxation that encourages production since it draws unused and under-used land into use. Land taxation is also associated with strong arguments for distributive justice and, as a source of revenue, a means to offset what many see as unaffordable costs of human rights and environmental treaties and legislation.

Land value taxation is apolitical. For example, item one of the Communist Manifesto advocated '[t]he collection of all land rent for public purposes' while some right wing communitarians consider all other forms of taxation as theft. In the middle, politically speaking, land rent is routinely collected for kerbs and gutters by local government rates.

Resource taxation: Natural resources throughout history have attracted rent seekers like flies: explorers, colonisers, empires, neo-colonials, transnational corporations, and now neo-imperialists. If countries rich in natural resources have very low economic growth rates, and nearly all do (Economist 1995), then the economic rent of these resources is being domestically privatised or exported to foreign governments or corporations. These leakages can be stemmed, and their impact on the environment reduced, by appropriate taxation on our uses of the planet. However, though these principles of taxation are well understood by environmental and natural resource economists, this understanding is not widely shared.

Land tenure reform in Pacific island countries

In a very real sense it may not matter who has tenure in land: individuals, groups, communities, companies, governments or transnational corporations, provided they pay to the government the unimproved annual value of the surface space they occupy and the economic rent of any natural resources extracted from beneath this surface. This community charge will be large at city centres and at mine sites, falling asymptotically to zero at the margin of cultivation. But land taxation requires land valuation which, in turn requires the establishment of title.

Land title: Unclear or non-existent title to land has already been advanced elsewhere as a major reason for low rates of economic development, since there is no clear collateral against microfinance and other small loans. But, whatever the reason for establishing titles, and it is the first step for land tax programmes, '[i]n many countries, the land records are inadequate to tax land even if it was wanted, and it would take years to compile the necessary cadastres' (Crocombe 1994:16). This has certainly been the case in those massive attempts to reconcile European with customary systems of law, as in Australian Native Title.

But, if land titling was seen as a step towards land valuation and then tax liability, conflict over title might be much simplified and greatly shortened in time. Uncertain or disputed title, combined with the expectation of large, untaxed gain, is a sure recipe for aggressive rent seeking. As the basis for land valuation and land value taxation, the Torrens system of titling (cited as Australia's most successful export) has endured for 100 years.

Land valuation: Again, Australia has been successfully valuing unimproved land for 100 years. Sophisticated computer models are increasingly reducing the costs of valuation and the incentives for objections.

Land value taxation: 'Policies relating to land are amongst the most difficult to implement. This is often exacerbated by the land interests of politicians ... Most landowners in most countries are absentee landlords ... Land is such a politically sensitive issue throughout the Pacific [and the world?] that Governments are reluctant to tax landowners' (Crocombe 1994:2,7,16). No wonder, since most in government own land, and many are in a position to gain from the reallocation of rents, for example through influencing zoning laws and tax breaks. However, while landowners fear the coercive reallocation of property rights inherent in land redistribution, land value taxation leaves property rights undisturbed, and creates opportunities for compensating reductions in less efficient taxes on the production of goods and services. Here again, we find that unimproved land values have been taxed successfully for 100 years in Australia, achieving goals of efficiency, equity and simplicity and, even at low rates, providing local government with half its revenue.

Educational implications

'PICs are small. The role of education in their development cannot [should not!] be under-estimated. The curriculum in PIC schools should reflect ... agricultural economics ... rural development ... land policy ... environmental sustainability' (Luteru 1994:29). But if, as we have argued, reform of land tenure is fundamental to far more than just rural development, touching on social equity and economic efficiency, human rights, sustainable development, and incentives for civil strife and secession, then the educational implications are far more far reaching, beyond the PICs, and right to the roots of the social sciences that advise all reformers. These implications, and a way of navigating through the social sciences to explore solutions, is developed in Smiley (2006).1

Note

1. A summary of this laboratory may be seen at www.radical.com.au/smilex_labs.html. The lab can be supplied free on CD-R to genuine researchers by contacting smileyd@bigpond.com.au
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Good corporate governance of landowner entities for a sustainable economy

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Introduction
This paper examines issues related to the corporate governance of landowner entities in Papua New Guinea (PNG). Landowner entities are corporate bodies that are collectively controlled by traditional owners. Accordingly, ownership of the entities is based on clan membership rights, and their control exercised along traditional governance systems.

In PNG, almost 97 per cent of the land and its resources is under customary ownership. Communal ownership requires the collective participation by the landowners in any modern business enterprises involving the exploitation of these resources. Under resource development legislation, participation by landowners through landowner entities in such enterprises is mandatory. The modern joint stock corporate form, or its equivalent, is probably the most appropriate vehicle for ensuring collective participation. However, the pattern of ownership and control of the landowner entities corporate forms has caused problems for landowners as they emerge from a traditional egalitarian and classless society into the new capitalist economy.

For the landowners, landowner entities serve as investment vehicles for utilising land rentals (for example, royalties, compensation, rent and dividends) from the projects, and as authorities for providing social services. However, corporate governance problems threaten the sustainability of these entities, especially beyond the operations of associated development projects that have limited lifespan (for instance, mining). Examples of landowner entities with corporate governance problems, provided by the Investment Promotion Authority (IPA), indicate that it is a nationwide concern.

Corporate governance: Definition and problems
There are many definitions of corporate governance; those preferred for this paper describe it as 'the system by which companies are directed and controlled' (Committee on the Financial Aspects of Corporate Governance 1992), and the 'system that is concerned with maintaining an appropriate accountability system' (Lyn 1996:16). In the context of these definitions, this paper highlights the fact that most landowner entities are not directed and controlled in accordance with contemporary corporate practice and that there are accountability problems on the part of those entrusted with the responsibilities of attaining the landowner entities' corporate goals.

The issue of corporate governance has received worldwide attention from researchers, policy makers and businesses alike. Such attention has been heightened in recent years due to factors such as spectacular corporate collapses, mass privatisation in the former socialist states, and the failure of the banking systems in East Asia, Russia and Brazil in the late 1990s. Examination of World Bank country assessments indicates that the corporate governance systems in the developed countries have fewer problems than those in the transitional or underdeveloped economies due to effective regulatory systems (Fremond and Capaul 2002). The author is not aware of any major research conducted in PNG specifically on the topic; however, landowner entity issues are mentioned in much of the published work on related areas, such as the controversial customary land tenure system (see, for instance, Sullivans 2004).

Corporate governance problems experienced by landowner entities can be grouped into two areas of concern: ordinary members/shareholders of such entities being denied their rights; and self-interested directors and management not being accountable to the members. In theory, these issues should be adequately provided for within the regulatory framework under which the entities exist.

Since corporate governance systems are determined by legal and financial systems, the following discussions begin by looking at the legal framework under which Landowner entities are incorporated and controlled.

Legal framework in Papua New Guinea
In the 1960s there were calls from people within both PNG and Australia that the Australian legal framework in use at the time was not suitable for use in PNG and required reforming so as to reflect cultural values and ensure more indigenous group participation in commercial activities. A lot has changed since then in favour of those views, both prior to and after independence in 1975.

With the establishment of various government institutions and the enactment of alternative and simplified corporate legislations — in addition to the complex companies code — landowners can now use various forms of modern corporations incorporated under an array of legislation available (see Table 1).
Table 1: Legal framework for landowner entities

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Type of entity</th>
<th>Regulator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Group Incorporation Act 1987 (Amendment to 1974 Act)</td>
<td>Incorporated business group</td>
<td>Investment Promotion Authority</td>
</tr>
<tr>
<td>Lands Group Incorporation Act 1974</td>
<td>Incorporated land group</td>
<td>Lands Department</td>
</tr>
<tr>
<td>Associations Incorporation Act 1968 (Amendment to 1966 Act)</td>
<td>Incorporated association</td>
<td>Investment Promotion Authority</td>
</tr>
<tr>
<td>Cooperative Societies Act 1985 (Amendment to 1982 Act)</td>
<td>Cooperative society</td>
<td>Investment Promotion Authority</td>
</tr>
<tr>
<td>Companies Act 1997 (Replacing 1963 Act)</td>
<td>Company</td>
<td>Investment Promotion Authority</td>
</tr>
</tbody>
</table>

The corporate forms described in Table 1 can be divided into the company on the one hand, and the simplified business modules on the other.

In the mid-1990s, the corporate regulatory environment was entirely reformed, with the enactment of the Companies Act 1997 (based on the US/New Zealand model), the Securities Act 1997, and the Accountants Act 1996. The latter legislation paved the way for the establishment of the Port Moresby Stock Exchange, and PNG's Professional Accounting body, CPA PNG. This legislation, its related financial reporting and audit regimes, and its enforcement institutions now ensure proper corporate governance of companies, both listed and unlisted. Other legislation, such as the Superannuation Act 2000, specifically assure proper corporate governance in that particular industry which was once the hotbed of governance problems. Unfortunately, these reforms did not extend to the simplified business modules and these entities still experience numerous corporate governance problems.

Companies are governed in accordance with the provisions of the Companies Act. In contrast, simplified business modules are self-regulating and are controlled pursuant to the constitutions of individual entities. Therefore, enforcement institutions have limited powers to scrutinise them. Landowners prefer to use the simplified business modules due to their simplicity and their inherent flexibility with regard to incorporating traditional values and practices into the constitutions. However, all of the corporate entities, despite differences in substance, are similar in form and are (or are meant to be) consistent with modern corporate governance systems.

Modern corporate structure and governance systems

Although corporate structure and governance systems vary in detail between countries, Kraakman and Hansmann (2003) note that the systems are standardised in modern economies. They summarise five features of the modern corporate form in every major commercial jurisdiction: full legal personality; limited powers for owners; shared ownership by investors of capital; delegated management under a broad structure; and transferable structures. These basic characteristics of the corporate organisation are embedded in modern corporate legislations, including those in PNG.

With landowner entities, there is a disparity between legislation and actual practice due to the cultural influence and structural differences between such entities and modern companies. Table 2 summarises some structural differences between a representative modern company and a landowner entity; these contribute to corporate governance problems for landowner entities.

Corporate control: Shareholders vs governing board

The corporate governance system in PNG is based on the Anglo-Saxon two-tier control system in which power to control a company is shared between the shareholders and the governing board. The shareholders’ powers are limited to voting rights in the general meeting. In exercising these voting rights they appoint a governing board that is delegated wide and

Table 2: Structural difference between modern company and landowner entity

<table>
<thead>
<tr>
<th>1) Legal personality</th>
<th>Modern company</th>
<th>Landowner entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distinction between owners and the entity is well defined</td>
<td>Distinction between owner/clan members and entity/clan blurred</td>
<td></td>
</tr>
<tr>
<td>2) Shareholder powers</td>
<td>Limited</td>
<td>Full/egalitarian</td>
</tr>
<tr>
<td>3) Ownership of assets</td>
<td>Shared in proportion to units of capital held</td>
<td>Communal ownership, individual property rights not clear</td>
</tr>
<tr>
<td>4) Management</td>
<td>Delegation</td>
<td>Management assumed by clan leaders but subject to continuous challenge</td>
</tr>
<tr>
<td>5) Capital structures</td>
<td>Transferable</td>
<td>Non existent/non transferable</td>
</tr>
</tbody>
</table>
discretionary powers to formulate strategies and implement them to achieve corporate objectives with the assistance of contracted professional managers and employees. The board/management report back to the shareholders on how they have managed the affairs of the corporations through financial reporting. The independent audit process completes the oversight function.

Control by shareholders/owners in landowner entities

The Investment Promotion Authority (IPA) reports a general failure by landowner entities in conducting members/shareholders meetings. This results in denying members their basic rights, including electing a governing board, receiving financial reports, electing auditors and voting on major transactions. Out of frustration, members often attempt to usurp control of the entities from the board or to form splinter entities. In other cases, members continuously interfere in the responsibilities of the board/management. Members justify their actions by referring to their exclusion from the decision-making process, in contrast to the participatory nature of traditional decision-making systems.

Delegated responsibility of the governing board in landowner entities

Best practice in modern corporate governance requires board members to have the proper skills and knowledge required for their fiduciary duties. In landowner entities, the governing boards are usually composed of traditional clan elders, and in fact represent the council of elders of a clan. Accordingly, board members are often illiterate and lack basic business management skills. This makes the boards vulnerable to manipulation by a few educated elites or dubious foreign multinational corporations.

Board membership is a status symbol and with the additional perks and privileges, most elders are unwilling to part with their position. It is therefore understandable why board members are reluctant to convene annual general meetings of shareholders in which they might lose their seats on the board.

The absence of an election process means that board members are not subject to scrutiny by the shareholders and that there is no incentive for them to perform. The failure of this internal control mechanism, external ones such as the IPA’s limited powers and the ineffectiveness of financial reporting and audit regimes can lead to corruption on the board. Board members of landowner entities are well known for their excesses and for taking up permanent residency in Port Moresby (Kupo 2005). The gap in ownership of wealth and power between the board members and ordinary shareholders is a source of resentment and conflict between the two parties.

The IPA confirmed that the above assertions were present in all cases in which they have been asked to mediate between conflicting parties. Various authors make similar observations (see, for instance, Ketan 2004). In mediation, the governing board is often the guilty party, as board members are irresponsible, incompetent, self-interested and are not accountable to the shareholders.

Legal personality and ownership of assets

The concept of separate legal personality between owners and the corporation is difficult to apply to a landowner entity, which members view as a modern extension of their clan. Problems arise when attempting to identify ownership rights to entity assets and the exact individual claim on them. This problem is often a consequence of the complex customary land ownership system.

The lack of capital structures (see below) in simplified business modules adds to this problem. Capital structures (such as shares in companies) represent an individual member’s entitlement to ownership of the entity. Consequential complications include working out issues such as return on capital (dividends) and voting rights attached to each share/capital unit. Compounding these issues is the general lack of property right laws in PNG, and the ineffectiveness in enforcing the few modern ones that do exist.

Capital structures

The simplified corporate forms have no capital structures. These corporate forms merely have registers to record the members of their entities. With Incorporated Land Groups, this registration process is slow and painstaking, taking into account the history and genealogical factors that need to be considered for membership. Working out the ultimate ownership is a nightmare given that clan membership is dynamic and changing constantly with each death, birth, marriage or immigration.

Even with company forms used by landowners, there are no ultimate capital structures if nominees hold the shares on behalf of clan members. Ownership structures therefore usually involve interposition of various entities, a structure evident in most large resource development projects.

Landowner entities: Purpose for incorporation

The reason landowners incorporate could also be an interesting contributing factor to corporate governance problems of landowner entities. In most examples from resource rich areas, landowners hastily form entities to be used merely as conduits through which rentals from resource projects can be received. Landowner entities with such objectives will lack any commitment to their sustainable existence. Members fight over their share of the rentals and issues such as reinvestment of the rentals will not be on the corporate agenda. The entities are unlikely to raise capital from their members or creditors and may not undertake any business activities. Hence, the board
and/or management are not subject to monitoring by market based external parties such as creditors or employees.

Landowners may also incorporate for the purpose of investment, either using rentals from resource developers or capital raised by clan members. These entities are likely to have good corporate governance practices in place, and the sustainable growth of the entities is obviously the overriding corporate objective. In addition, the need to raise capital from external financial markets will encourage such landowner entities to conform to market based incentives for good governance. The successful Komkui group in the Western Highlands is a good example.

This analysis is observed by Lea (2005) who distinguishes between wealth creating and wealth distribution entities, stating that the former are more likely to be responsible. Lea gives the example of the corruption of landowner entities in the forestry sector in PNG, which attempt to increase their cut of the rentals that they have to share with others such as the government and government officials.

Implications for the future

In view of the apparent ineffectiveness of the current corporate governance system for landowner entities, the two obvious questions arise: whether the current system should be accepted as it is, but with strengthening of the existing regulatory enforcement mechanisms; or whether the current legal system should be reformed to adopt alternative systems. Following are some options that can be explored.

Recommendations

Corporate governance of landowner entities can be improved by strengthening the existing regulatory enforcement mechanisms. This includes empowering the corporate legislation enforcers and adopting good practice based on examples such as the OECD Principles of Corporate Governance Practice (OECD 2004). Resource development legislation should also require landowner entities to retain certain amounts of land rentals for investment (as opposed to distribution to individual members for expenditure on consumable goods) and to have outside representation on the governing boards. The developers should also take responsibility for educating ordinary members of their rights, and governing board members of their responsibilities.

Another alternative would be to have compound boards based on continental European corporate governance systems. Compound boards would be suitable for PNG indigenous societies that have participatory decision-making processes, an approach suggested by Turnbull (2000). This corporate structure would ensure input into and ownership of decision making by everyone. The apparent disadvantage of this system is that it is time consuming.

An extreme alternative would be to completely revamped the corporate legislations with respect to the landowner entities. This could involve doing away with the simplified business module concept, but retaining the companies code.

Further research

More exploratory research, such as case studies, is required to confirm the existence of landowner entity corporate governance problems, and determine their causes and their effects on the entities themselves and their stakeholders.

The research question that has intrigued the author the most is whether PNG can learn from other countries with similar values and traditions. It is acknowledged that the corporate governance systems of developed countries are effective; however, these countries are culturally different from PNG. There are enclaves of communities within developed countries that have similar cultural values to PNG and may have business enterprises whose ownership and control are akin to landowner entities. Such communities include the Native American Indian and Maori reservations in the US and New Zealand respectively. A parallel examination of business enterprises in these communities and PNG landowner entities can provide useful insights into how the PNG system can work.

Conclusion

This paper highlights corporate governance issues prevalent in entities collectively owned and controlled by indigenous people. Many of the problems relate to usurpation of powers vested in a collective board by certain self-interested individuals. The ensuing denial of members' rights, lack of transparency, and gap in social and economic status results in dispassion and chaos as members fight for their rights for equal participation in decision making and economic returns. Such conflicts have detrimental effects on the economic and social development of the country. The obvious solutions to these problems include improvement in corporate governance practices of the landowner entities.

Notes

1. I am grateful for the assistance from Mr. Teup Goledu, the Registrar of the Companies, Investment Promotion Authority.
2. All information provided by the IPA is based on their files and on extensive interviews carried out with the Register of Companies, Mr Teup Goledu, who is also the chairman of the Port Moresby Stock Exchange.

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Custom and court: Fulfilling the courts' duty to develop underlying law

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Introduction
The Melanesian way of law and justice served the people of Papua New Guinea (PNG) for thousands of years. The colonial powers did not recognise custom as a valid process of justice and replaced it with the Westminster legal system. In 1973 the PNG House of Assembly was anxious to return to customary law but the country had more than 800 language groups and each had its own customs; Australian jurists could see no way of developing uniform customary law. They were unaware that customary law was a process for interpreting all customs just as court was used to interpret many laws. At independence the Colonial law and courts were accepted almost unchanged but as a saver for future action, the founding fathers wrote into the Constitution a duty on the courts to develop custom as a part of what they called 'the underlying law and custom'. This paper examines a possible way to develop custom as a process alongside the formal court system.

Custom and court
Schedule 2.3 and 2.4 of the PNG Constitution obliges the National and Supreme Courts to develop underlying law. In the early 1970s, as PNG approached independence, customary law was a burning issue among well-informed Melanesians. The goals of the constitutional commission show how strongly local intellectuals felt about the damage done by Western courts and law and the need to return to customary law:

The price of the impact of Western colonisation has been the 'sapping of the initiative of our people'. In this goal (No 106), we seek to promote our traditional ways, such as participation, consultation and consensus. Our way of life was to come to decisions by long process of consultation and consensus. This process is a central element of true democracy and government. This is a process which is most conducive to social harmony co-operation and common good (Brunton 1985:21).

The Somare Government's Pangu Party espoused the cause of customary law and rapidly set about introducing it into the official legal system, beginning with the village courts.

Opposition to customary law
Most of the jurists in Australia believed that there was no such thing as customary law and were aghast at the thought of writing it into the constitution. Typical of these attitudes was that expressed by J R Matres (1969:36), then principal of the Australian School of Pacific Administration:

I know of no indigenous system that is just. Queen's justice is paramount. Justice must be impartial. It is important also that the native should be impressed with the fact that the foundation of justice is somewhat above the government; it is the Queen's justice administered by the Queen's courts.

Three major arguments were produced to denigrate custom:
• Melanesian custom is repugnant to the general principles of humanity;
• most customary laws are based on payback and vengeance; and
• customary law is merely the customs of 1,000 tribes but it is not law.

Melanesian customary law
The small independent communities living in pre-colonised New Guinea lived by a social contract which forbade murder, rape, adultery, stealing and lying and required sharing, respect for elders, the acceptance of social obligations and the maintenance of community relationships. Although they lacked an outward form of government they did not live in a state of anarchy. Life was bounded by the seasonal productive cycle. This routine was reinforced by a system of beliefs and ritual designed to ensure prosperity (Oram 1972). Their acceptance of the social contract was not so much a matter of virtue and morality as it was a matter of survival. When offenders broke the social contract the offence caused dissent within the community. Factions formed, feuds developed and the village community was open to attack from external enemies. Survival was threatened.

Payback and vengeance were indeed practiced, as they are in any society, but that was not the normal process of custom law:

Within the community blood revenge was unusual, sometimes even impossible because blood revenge was mutually destructive and potentially could cause more problems than they resolved. Often the murderer was an essential member of the community and his loss would endanger the continuance of the community (Weitkamp 1999:76).

In most cases the criminal was shamed, given a ritual punishment, and required to pay restitution in native wealth. In addition, in most communities village elders could call on relatives of a criminal to remove a person whose feral behaviour regularly threatened the survival of the village.
Custom, a way of life and custom, a process

Customs are the set of rules and laws that people live by. In PNG each different clan or language group had its own traditions and customs to preserve its way of life. Just as the court in Western countries is a process for applying the thousands of laws passed by parliament, so custom in Melanesia is the process used to bring justice to the community, in line with community customs, values and attitudes.

The matter of multiple customs of many tribes and custom as a justice process has been the cause of constant confusion to both Melanesians and others. Jurists coming from a Western model wanted uniformity in the treatment of crime in its various forms. Melanesians looked for uniformity in the process that preserves the security of the community.

The custom processes

Custom begins with the notion that the first duty of justice is to preserve the quality of life or mend broken community relationships damaged by wrongdoing, rather than discover and punish the wrongdoer. In the past in Melanesia, survival was the ultimate determinant of all decisions so for this reason favoured treatment was given to those who protected the community externally against enemies and internally against sorcery and magic. Women and children were often disadvantaged.

Melanesians have four main processes to maintain social contracts:

Consensus is the proactive process in which all village matters are discussed at length often for weeks or months to obtain solutions which satisfy the needs of the community. Time is not an issue and decisions are open ended. Traditionally, community needs were more important than those of the individual.

Reconciliation is the normal process for ending tribal fighting between rivals tribes or enemies. It is normally brokered by a third party and depending on the importance of the occasion it involves thousands of people, huge quantities of native wealth and in some communities the reconciliation is renewed at regular intervals for many years as a way of renewing the original agreement (Howley 2002:105).

Mediation deals with civil conflicts. It aims at preserving the quality of life in line with the customary values of the community. Melanesians are uncomfortable with a win-lose process and strive to produce a solution which all can agree to.

Restorative justice was developed specifically to deal with crime in the community. Often justice is delayed because of the intransigence of an offender strong enough to defy community disapproval. This is especially so if an offender holds chiefly status. Eventually the security needs of a community prevail and the offender submits to justice or is exiled or executed by relatives.

The basic essentials are:

• the offender suffers shame when faced with the damage done to the victim and the community;
• the offender offers an apology and restitution in native wealth;
• the apology and restitution are accepted;
• reconciliation takes place; and
• the offender is restored to the community (Howley 2002).

There are many different versions of this generic process which varied according to the culture and internal workings of the community. In some the process came only after violence, in others physical punishment was a part of the process and in some the community expelled the offender for a time or forever (Trompf 1994:187).

The extended family is always a major component of the action. Advantages of the process include that the victim is able to scale down the trauma by confronting the offender with the hurt suffered; the offender is able to purge his/her guilt by confession; and is able to begin reform by paying restitution and receiving forgiveness. Above all, the community draws clear lines on what is acceptable behaviour.

Acceptance of colonial law

With no formalised model to follow, after independence PNG eventually accepted by default, and almost without change, the laws and the courts imposed by the Australian Government. Village courts were already performing, so to keep the door open to custom the Supreme and National Courts were directed to develop underlying law.

Village courts

In 1973 village courts were set up to return to the villages the custom process which the colonial government had disallowed and had replaced with courts and controls administered by white magistrates, kiap (patrol officers), tulsul (village constables), and other government officials.

The villagers appointed their own magistrates who were given training to carry out their duties. The new appointees had knowledge of customs but much of the custom process had been lost. Those responsible for the training had even less knowledge. Magistrates were instructed to use mediation but their training was directed to using a court process (PNG Justice Advisory Group 2004:2).

Over the years, only a few courts fell to the worst expectations of the Australian jurists and similarly only a few have achieved the hopes of the Members of the House which put them in place in 1973. Magistrates are subject to bribery, wantok decisions, favouritism, prejudice against women and when they are not paid, as is frequently the case, they use the court fines to pay themselves.
Success has been achieved in spite of government neglect and lack of training and supervision. Their greatest strength is that they are seen and respected as the dispensers of justice for the common people. The things that make them popular are that they are adaptable; they are by the people for the people; decisions are immediate; they are cheap to run; they are open to the community; customary law has precedence; language is clear and jargon free; and lawyers are not allowed and so they are non-adversarial.

Around 12,000 officials currently serve the courts and deal with over 500,000 cases annually (Department of Justice and Attorney General 2001:5). They cost less than K10 million per year for the whole country and handle about 80 per cent of all criminal cases (Injia 2003). Originally their work was about peace and good order in the villages (Jessup 1991:66) but now they handle murder, rape, arson, grievous bodily harm and all other cases brought to them because the Western style courts cannot cope with these. Without the village courts the law and justice situation in PNG would have descended into anarchy (Howley 2005:51).

The courts
The courts inherited from Australia, in terms of their ability to administer the law, are on a level with those of the parent country. They have suffered, however, from the essential failings of a developing country. They are too expensive and too cumbersome to provide justice appropriately; and they cannot keep up with the log of cases. They handle only 15 per cent of criminal cases in PNG. The jails are full of remandees, many of whom have been waiting for more than three years (Sikani 2005) and for civil cases the waiting time is often more than six years. Justice denied is not justice.

At a judicial conference held in Madang, PNG, in 2003 Justice Salamo Injia said:

The higher courts have moved themselves from the understanding of the common man. They are less accessible to the majority of the people because of their more formal and technical procedures and the more complicated law (The National 2003:6).

At the same conference Justice Kandekase spoke of the scandal that so many criminals go free because a clever lawyer discovers a technicality which allows them to pass through court without justice being done. Finally there is the cultural failure that ignores the essentials of Melanesian justice — shame, apology, forgiveness, restitution and reconciliation.

Integrating the formal and custom systems
There is an urgent need to provide a process to deal swiftly and justly with civil and criminal cases and to provide a more workable system for the lower courts; the legal basis for developing customary law procedures is laid out in Section 172 of the PNG Constitution.

The formal court system deals only with the law not the individual victim or offender. All over the world countries have begun to use mediation and restorative justice to provide a more human face for criminal procedures. These two processes are part of the Melanesian tradition. It would not be difficult to integrate these processes into the lower courts. They are required by the Constitution; they have proved their worth in the village courts; they meet the justice needs of the man-in-the-street better than the Western courts and they would go a long way to breaking the present log jam in the courts.

Reform proposals
- That legislation be passed to require all civil cases to go first to mediation before appearing in court, and that all parties in lower grade criminal cases be offered restorative justice processes to settle their case.
- If the mediation is successful, then the case can be ratified by the court, and if it fails then the matter can go to the regular court. As a failsafe against injustice in the mediation and restorative justice process, it is essential that both victim and offender be aware that they can always go back to the court at any stage in the process.
- It is essential that trained mediators be recognised by the courts in the same way lawyers are recognised.
- Custom in Melanesia grew up with special care for the victim, offender and the community. Restorative justice processes developed elsewhere are less appropriate to PNG. Training for the lower courts should reflect Melanesian customs.
- Mediation is a process different from court and this should be respected. It should take place outside the court in a pleasing and informal setting.
- It is necessary for the system to be supervised and monitored by a Supreme Court judge to provide quality and suitable status.
- Payment of mediators should be made by the litigants not directly but through the court.

The formal courts and Melanesian culture
At present, people found guilty of crimes are usually jailed; there is no process allowing offenders to purge his/her crime or restore the victim. This is a failure in the eyes of Melanesian culture, and the underlying law. When a jail sentence is passed,
there should be an opportunity for the extended family of the victim and the extended family of the offender to meet in the presence of the criminal and the victim for a process of restorative justice. This would require the use of a trained mediator practitioner.

This action would allow the victim and family to deal with their trauma by confronting the offender with his/her crime and speaking of psychological, financial and other damage that they have experienced in the sight of the community as a result of his/her crime. The offender and family would be offered the opportunity to apologise and be forgiven, and to offer restitution. He/she may even be given the opportunity of reconciliation within the community. This provides the criminal a way to internally purge the crime and begin a process of reform which is not available under the present system.

**Conclusion**

Melanesians have difficulties in understanding the convoluted processes of Westminster justice but they know and understand customary law. Both the court and custom have a place in the justice system of PNG. Over the past half century there has been growing dissatisfaction with the strict court process and across the Western world people are looking towards mediation and restorative justice as justice with a more human face.

PNG has a history of mediation and restorative justice reaching back thousands of years; but it has been so slow to reclaim its heritage.

**Note**

1. I use the term Melanesian in the general sense to refer to all native people of PNG.

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Reflections on the women and development agenda in Papua New Guinea

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Introduction

The attainment of sovereignty in Papua New Guinea (PNG) in 1975 coincided with the re-emergence of the global women's movement, and this augured well for the nation's female citizens. A gender equality provision in the constitution meant that women in PNG did not have to mount a campaign to have equality provisions included. The challenge in PNG has been to actualise a women and development agenda to implement the provisions of the constitution; this has been a struggle.

Many observers have expressed satisfaction in seeing women hold a number of public positions. The most progress made to date has been in the area of education. Literacy levels for the female population have improved by ten per cent, from 36 per cent in 1990 to just over 46 per cent in the 2000 census (NSO 2003). This is evident in the number of women who are now in the police force, or are working as pilots, engineers, merchant marines, bankers, lawyers, judges and magistrates, scientists, academics and doctors. Women dominate the 'traditional' area of nursing and teaching and, since the 1990s, journalism. This has been achieved mainly through the individual efforts of women.

The women and development agenda has gone through three phases in PNG: welfare; women in development (WID); and gender and development (GAD). This paper critiques the conceptual basis under which this agenda has been mounted, as a way of comprehending the obstacles and challenges that women face in PNG.

Setting the agenda

The welfare approach began prior to independence and continued into the early 1970s. The welfare approach stressed the role of women in reproduction, and developed projects to assist women in homemaking, caring and nurturing. The WID approach, which became trendy in the early 1970s, called for wider recognition of women's productive roles in the community. As Overholt et al. (cited in Moser 1994:2) explain, this approach led to 'recognition that women were key actors in the economic system and their neglect in development plans [up to then had] left an important untapped resource'. This change in approach prompted the first coordinated PNG Government strategy, the National Women's Development Programme, which was in place between 1982 and 1987. The programme emphasised women's educational projects, network building and family health, as well as income-generating activities.

The paradigmatic shift to GAD in the early 1990s has continued into the new millennia. The GAD approach broadens scope beyond women to include gender, emphasising the social relations between the sexes (Moser 1994). 'The WID approach was based on a politics of access, while GAD recognises the importance of redistributing power in social relations' (Goetz 1997:5). These approaches are part of liberal feminism, proposing changes through the state apparatus to bring about greater equality among people. The new emphasis on gender was ushered in shortly after the launch of the first women's policy in 1992. As the consultation process in the formulation of the women's policy had taken almost ten years to complete, the shift to GAD unfortunately made the women's policy redundant almost immediately. This policy mismatch has yet to be realigned.

The most active period of policy making and resource allocation towards the women and development agenda occurred in the first decade after independence. But as PNG began to face economic and financial difficulties in the early 1990s, the women's agenda began to slide off the radar. Pressure to keep women and gender on the agenda has mostly come from a number of development organisations, in particular the UN agencies. This includes agreements from the various UN sponsored world conferences on women, including the Beijing Conference in 1995 and the Millennium Goals. There has also been a push through the Commonwealth Secretariat to implement initiatives such as their gender mainstreaming approach. PNG's Parliament ratified the Convention on the Elimination of Discrimination against Women (CEDAW) without reservation, thus providing the overarching legal framework to support the various issue-specific agreements. But it has been slow in implementing the initiatives demonstrating the need for strengthening the capacity and processes within existing gender units.

Beijing Plus Ten

Most commentators describe PNG as a developing liberal democracy (see, for example, Gelu 2000; Sepoe 2004; Dickson-Waiko 2001). In the early 1970s and 1980s the
country travelled down the modernisation path. Most development policies and programmes were part of the UN's efforts towards a women and development agenda set at conferences in Mexico (1974), Copenhagen (1980), Nairobi (1985), Beijing (1995) and New York (2000). In PNG, the Women's Division and other Government departments organised meetings and workshops in the time leading up to various UN conferences on women, but very little after, suggesting that women's participation in public activities has not been sustained in the intervening years.

The history and composition of the lead organisation for women in PNG, the National Council of Women, has often caused difficulties for women and the Government. The organisation is mostly made up of women's groups from the provinces, churches and NGOs. It was established by urban women in 1975 and was formally registered as an NGO by an Act of Parliament in 1979, but soon became entangled in a political tug-of-war with the Government's Office of Women. The Council was supposed to link the women's office with grassroots communities, but unfortunately this arrangement often led to a lack of clarity regarding the council's political and administrative autonomy as an NGO.

The women and development agenda continues to be spearheaded by the Government, which uses an approach favoured by, and favourable to, liberal democracies and most donor and development organisations. Various reports by the UN Commission on the Status of Women, prior to the 1995 World Conference on Women, and lessons from Nairobi and Beijing (Beijing Platform for Action, Beijing Plus Five, ESCAP Asia-Pacific Report) all point to continuing obstacles and challenges faced by governments in their efforts to implement the UN's women's agenda. This is especially the case with initiatives from the 1995 Beijing conference.

Beijing and the state
PNG's efforts at implementing the Beijing Platform for Action have been poor, although this criticism does not reflect the sterling efforts put in by civil society organisations since the 1995 Beijing conference. Women's NGOs and churches have taken up the Beijing challenge single-handedly. Of particular note are efforts by the Catholic Mothers Union, United Church Women's Fellowship, Lutheran Wokmeri, and a number of provincial councils of women in East New Britain, Eastern Highlands, Western Highlands and Manus.

PNG faces a number of problems in implementing its gender-related commitments, not least of all being that operationalising the WID and GAD approaches are conditional on the existence of a strong state. PNG is anything but a strong state (Dinnen 1998; May 1998); descriptions of the PNG state range from 'failed', 'failing', 'vulnerable', and even 'critically injured with a broken back' (Patience 2005; Ketan 2004). In view of this, should women in PNG continue to rely on the state to address gender inequalities? Is there an alternative? Or is the state part of the problem? These are some of the questions policy makers should be asking about the approach to women's development in PNG, because the women and development agenda seems to have run aground on a reef in Waigani.

The Beijing document assumes that states have already created machinery able to implement the various strategies for women. But for most countries in the South Pacific, such bureaucratic structures and machinery for the women's agenda have yet to be created (Williams 2004). For instance, the Beijing document suggests strengthening state mechanisms that support women; currently in PNG, however, structures such as an office on the status of women, have yet to be created. Since there are three tiers of government in the country, public bodies for women in provinces and districts should also be considered. A small, under-resourced gender unit has existed in the marginalised Department of Community Development since 1969, when women were viewed as a welfare problem.

Further, a liberal feminist approach calls for equal rights, greater access and full citizenship (Connell 1990). This suggests that the Beijing Platform for Action was created with a liberal democratic state in mind. The question we have to ask in PNG is whether the PNG state is liberal enough? Gelu (2000) has argued that the PNG state is developing a non-liberal political culture. The state institutions appear to function normally but, as the last two national elections have shown, a number of our institutions especially those related to the conduct of elections behave abnormally (Ketan 2002). Election watching is important because this is the time when a wider range of citizens get involved in the political process. Elections are political theatre and, as Ketan showed in his study of the Hagen megacycle (2004), many of the plots being played out may not actually have much to do with state processes. If a non-liberal political culture is emerging, then is the liberal feminist approach the most logical direction to take?

The issues raised in the Beijing document require an outlay of financial resources, which developing countries can barely afford. They are placed low on their government's priorities. Nevertheless, the Beijing document sets out the direction and a benchmark towards which PNG can aspire. The Beijing initiatives, at least as the UN processes envisioned them, follow the liberal notion of equal citizenship. In PNG, however, female citizens are generally viewed as simply family members, mothers and sisters (Dickson-Waik 2003).

For instance, Prime Minister Somare re-emphasised women's reproductive roles when he addressed a protest march about sexual violence, organised by women in 2004. Receiving the
petition outside Parliament House, Somare instructed protestors to 'Raise good children, discipline them, include corporal punishment in schools so that children grow up to be responsible adults who respect women and exercise restraint on violent behaviour' (Gerawa 2004:10). By delegating the protesting female citizens to the familial sphere, and elevating them as reproducers of the nation, Somare underscored the positioning of female citizens within the PNG state.

The state approach

There is another more serious consideration when using a state approach to achieve gender equality. I preface this by saying that I am in no way advocating that the state approach be abandoned, rather that it should not be the only approach used in PNG. Stronger civil society activity must accompany and complement this heavy reliance on state institutions to bring about gender equality. Recent studies on gender and the state point to the state to be a contested terrain; thus a women's agenda carried via this route should be approached with some caution. Recent literature on gendering the state, whether using a Marxist, liberal feminist or radical feminist theoretical approach has concluded that the nature of the state is gendered, but they differ on how that conclusion has been reached (Connell 1990; Rai 1996; Waylen 1996).

Following their line of argument, the PNG state is undoubtedly male dominated; male state workers outnumber female officers, especially in the upper echelons of state institutions, and therefore the policies and programmes are bound to be heavily male oriented. Connell (1990:519) provides the most constructive analysis on gender and the state:

> The state is constituted within gender relations as the central institutionalization of gendered power. Conversely, gender dynamics are a major force constructing the state, both in the historical creation of state structures and in contemporary politics.

The bureaucratic marginalisation of women's machineries/offices/units is indicative of their weak organisational power compared to, say, treasury or economic policy making units dominated by men. This emphasises the point that patriarchy is embedded in procedure and in the way state functions.

The PNG state has been built on societies steeped in patriarchal structures, customs and cultures. Yet the historic creation of the state in PNG, at least under the Australian colony in Papua, was not only gendered (Bulbeck 1991) but racialised (Inglis 1974; Wolfers 1975) and experienced in gendered terms (Dickson-Waiko n.d.). The question is it the state represents the institutionalisation of gendered power, is it any wonder that PNG women face enormous problems in using the state approach to bring about equality?

The way forward

The poststructuralist argument is that the state is not a homogenous entity; it is composed of many parts. This therefore means that there are spaces within the state through which women can make inroads. DAWN, the feminist organisation from the South, suggests in the film The Marketisation of Governance: 'there are cracks in the edifice'. The challenge for those who are charged with the responsibility of moving the women's agenda in PNG is to find these cracks and spaces within the state. It also means negotiating for spaces. The Gender Unit within the Department of Community Development can be considered one of those women's spaces within the state, though with constant restructuring it appears more like a shrinking women's space. Gender desks in other departments such as planning and rural development, agriculture and livestock, police, mines, and education are all spaces that have been negotiated by female state workers within the bureaucracy. I suggest that those charged with pushing the women's agenda and their advisers need political skills in order to find and negotiate spaces and to maintain the spaces so that the spaces they have gained do not get rolled back or axed due to financial cuts. I understand that there are current negotiations to establish a women's office but, like most promises to women in PNG, it remains to be seen if it is kept.

Finally, women in PNG, that is, those organised within civil society groups as well as those within government, will have to seriously re-examine their relationship with the state. Women need to strategise how they wish to 'engage' with the state. Women's groups have been advocating for women's issues outside the sub-structures of the state, and within civil society. But there are an increasing number of educated women now employed within various, sometimes quite strategically located places within state institutions. Most are still gender blind. They need to be brought into the struggle that civil society organisations have been waging. We all need to work together, to apply pressure from within and without the state. The women and development agenda cannot continue to be ad hoc, half-hearted and lacking in direction. The agenda needs to be more focused, strategic and organised, in order to navigate through the many uncharted reefs within the state apparatus.

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Women and governance in Papua New Guinea

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Introduction

Women in Papua New Guinea (PNG) have made inroads into both the bureaucracy and judiciary over the past decades, but their involvement in the executive and legislative arms of Government still reflects the peripheral roles accorded to them by PNG's patriarchal society which views politics as a male domain. Cultural perceptions of women's roles have been further reinforced by the establishment of colonial administrative institutions, which downplayed the involvement of women in the political arena (Dickson-Waiko 2001).

The recent PNG Platform for Action 1995-2005 was to lament:

Equal participation of women in decision-making in public life is far from reality. Over the years only a handful of women were able to enter into the national and provincial political arena. The periods of the late eighties and the nineties have seen a decline in the involvement of women actively participating in the decision-making process (cited in Brouwer et al. 1998:7).

Since 1964, only eight women have been elected to Parliament (see Table 1). One of them, Dame Josephine Abaijah, was elected twice — in the 1970s and again during the 1997 election. This is despite an increasing number of women candidates at each election: four in 1972, 17 in 1982, 55 in 1997, and 74 in 2002. For two parliamentary terms, in 1987 and 1992, there was no representation of women at national level, leaving political decision making over a decade an entirely male affair.

Table 1: Female candidates in PNG national elections

<table>
<thead>
<tr>
<th>General elections</th>
<th>No. of women candidates</th>
<th>No. of women elected</th>
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<tbody>
<tr>
<td>1964 and 1968</td>
<td>4</td>
<td>1</td>
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<tr>
<td>1972</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>1977</td>
<td>17</td>
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<td>1982</td>
<td>18</td>
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<tr>
<td>1987</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>1992</td>
<td>55</td>
<td>2</td>
</tr>
<tr>
<td>1997</td>
<td>74</td>
<td>1</td>
</tr>
</tbody>
</table>


Gender issues

Gender issues require immediate attention and redress in PNG. PNG's population currently stands at about 5.1 million people. Roughly half are women, though some estimates suggest males outnumber females. Although policy makers have in the past neglected the area, gender issues have recently gained a higher profile. There has long been official recognition of women's rightful place and her potential. The first goal of the Constitution states:

Everyone to be involved in our endeavours to achieve integral human development of the whole person and to seek fulfilment through his or her contribution to the common good.

The second goal states:

We declare our second goal to be for all citizens to have an equal opportunity to participate in and benefit from the development of our country.

The second goal goes on to call for 'Equal participation by women citizens in all political, economic, social, religious activities' (ISPNG 1975).

The constitutional provision for gender balance in national development prompted undertakings that sought not only to promote national awareness of equal participation of women, but also to link the country with international efforts. Efforts at national Government level, and complemented by NGOs, are encouraging (see Dickson-Waiko, this issue).

Political participation of women

A major countering factor against the election of women to political positions relates to the erroneous assumption that women are a homogeneous group. Women as a group, just as men, are divided by varying factors such as ethnicity, geography and religion.

Assessment of the political influence of women, however, should not be confined to their formal representation. Sepoe (2000) calls for the recognition of community politics, or 'movement politics,' to be accepted as an alternative model of political representation that best captures the reality of the disadvantaged, including women's livelihoods in particular. Included in this broader category would be women's lobby.
groups which have rapidly grown in number and confidence. Emphasis on such movements may result in the increased political involvement of women at the local and informal levels and, thereby, effectively lead to the mainstreaming of women's position in society. Strategically, such recognition may be more paramount to 'getting a foot in the door' since the inability of women to enter formal political decision making stems from broader societal mindsets.

Explanations of political participation gap
The gap in political participation by women in formal politics can be better elucidated by reference to a key assumption in gender analysis of politics, which holds that politics has a 'differential impact' on men and women (Sepoe 2002:1). The basis for this lies at the heart of key social and human indicators that starkly reveal marked differences between men and women in PNG.

Culture is perhaps the most influential variable to determine gender relations in PNG. Culture permeates the traditional and modern sides of PNG. The freedoms and constraints that it espouses determine social relationships in society. Thus, gender issues are seen as part of the backdrop of the dominant cultural influence of particular localities. The traditional bases of culture in PNG are innumerable and it is difficult to arbitrarily assume generalisations that touch on the particularities of each cultural affinity. That notwithstanding, broad generalisations can be made. One can point to an awkward incompatibility between traditional PNG society and the modern state. What may be considered normal under traditional practices may be anomalous by modern value judgment. Thus, it suffices to say that the very existence of the modern state and the value system it has ushered in may have introduced 'gendered instrumentalities that do not promote the rights of women' (Dickson-Waiko 2001:66).

The demarcation of gender roles in PNG might continue for some time. PNG needs to work through such barriers to maintain the momentum gained so far in addressing gender bias in political participation and general governance. The point to remember is that while culture can be regarded as a hindrance to gender equality, it can also serve as the facilitator of pro-women change when it is used the right way and it is directed to the right audience.

The need to change gender asymmetries can come on very powerfully through awareness. Modern education, in that respect, is the link to awareness as it offers an alternative to the perception packages offered by the underlying cultural traits. But modern education is one critical area where women falter in PNG. There is a significant gender disparity.

The rate of illiteracy among adult women is around 60 per cent. Primary school enrolments for girls in 1994 were 67 per cent relative to boys at 80 per cent (the rates in 1980 were 51 per cent and 66 per cent respectively). In 1994, the enrolment rate for girls of secondary school age was 17.4 per cent relative to boys at 21.3 per cent. At tertiary level, women constitute 30 per cent of tertiary students and are concentrated in fields related to their reproductive roles such as nursing and teacher training (Brouwer et al. 1998:31). Naturally, one could assume that higher educational levels for women should potentially improve the participation rates of women in institutional politics. That is yet to be realised.

How women's roles are perceived and how they are addressed to acquire more societal gender balances certainly differs between different individuals and communities. Men can feel threatened and fear for their jobs by the emancipation of women in the workplace. Or, a woman can feel jealous when an important responsibility is given to another woman in an organisation. These are examples of perceptions where the right intentions in line with gender balance are interpreted in more narrower and personal ways.

Women themselves sometimes view female candidates in elections with deep suspicion and tend to vote along family and clan affiliations. Women, therefore, cannot be detached from the social intricacies of the wider society. For women who have sought to use their fundamental democratic rights, such as freedom of religion or the right to choose a candidate, consequences have been severe. In most of these cases, democratic rights have to be overridden by the consent of spouses or other male counterparts (Dickson-Waiko 2001:60).

It is in that light that positive affirmative actions that favour women can also be seen. For instance, even though the Organic Law on Provincial and Local-level Governments (1995) does recognise the need to cater for the needs of women in formal politics by providing for the appointment of women to rural local-level governments (LLGs) (two women) and urban LLGs (one woman), as well as in Provincial Assemblies (one woman), implementation has been haphazard and problematic. In most cases, women are yet to be appointed to LLGs and Provincial Assemblies. Where women have been appointed, there is a tendency for male counterparts to question the legitimacy of their status as appointed leaders (Sepoe 2002). This is partly a colonial legacy where the Australian Administration inculcated the virtues of elections at the council level as opposed to mere appointment of people to political decision-making arenas.

Another piece of legislation that has sought to redress the absence of women in formal politics is the Organic Law on Integrity of Political Parties and Candidates 2001. Section 41 of this law requires a representative of the National Council of Women to serve on the Central Fund Board of Management.
Table 2: Candidates in PNG national elections

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of electoral system</th>
<th>No. of candidates</th>
<th>No. of elective seats in legislature</th>
<th>Avg no. of candidates per electorate</th>
<th>% increase in avg. no. of candidates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>OPV*</td>
<td>298</td>
<td>54</td>
<td>5.5</td>
<td>—</td>
</tr>
<tr>
<td>1968</td>
<td>OPV</td>
<td>484</td>
<td>84</td>
<td>5.8</td>
<td>5.5</td>
</tr>
<tr>
<td>1972</td>
<td>OPV</td>
<td>611</td>
<td>100</td>
<td>6.1</td>
<td>5.2</td>
</tr>
<tr>
<td>1977</td>
<td>FPTP</td>
<td>879</td>
<td>109</td>
<td>8.1</td>
<td>32.8</td>
</tr>
<tr>
<td>1982</td>
<td>FPTP</td>
<td>1125</td>
<td>109</td>
<td>10.3</td>
<td>27.2</td>
</tr>
<tr>
<td>1987</td>
<td>FPTP</td>
<td>1513</td>
<td>109</td>
<td>13.9</td>
<td>35.0</td>
</tr>
<tr>
<td>1992</td>
<td>FPTP</td>
<td>1655</td>
<td>109</td>
<td>15.2</td>
<td>9.4</td>
</tr>
<tr>
<td>1997</td>
<td>FPTP</td>
<td>2371</td>
<td>109</td>
<td>21.8</td>
<td>43.4</td>
</tr>
</tbody>
</table>

Source: Okole 2001
* The optional preferential voting (OPV) required voters to indicate as many candidates as they wanted, which could range from one choice to the entire field (see Reilly 1997).

(CFBM), a requirement that has been fulfilled. Section 62 of the same law provides an incentive for political parties to endorse women candidates. The CFBM is required to refund 75 per cent of expenses incurred on election campaigning on behalf of a women candidate provided she secures at least ten per cent of the vote.

How such constitutional provisions are perceived and reasoned out are in the eye of the beholder. Perception is a very powerful obstacle to women's full participation in politics. With little formal education to allow more appreciation of endeavours to assist women, traditional norms and virtues are very likely to influence people.

Organic Law on Integrity of Political Parties and Candidates

Orovu Sepoe, CFBM's woman representative, has raised doubts about the potential benefits for women from the legislation. She is particularly doubtful about the effectiveness of Section 62, because parties tend to only endorse candidates with a high potential to win. Thus, an oft-quoted maxim of PNG politics is: 'Candidates do not win because they are endorsed by parties; rather parties endorse candidates who are going to win' (cited here in Oliver 1989:7). Particularly under the current first-past-the-post (FPTP) voting system, women are highly unlikely to attract ten per cent or more of the vote.

The reality is that competition in the field is extremely tight. The whole electoral process has markedly evolved into an exercise characterised by trends that do not correspond with expectations from the literature. Apart from the ever-increasing number of candidates, as displayed in Table 2, the number of political parties has grown with time, independent candidacy has become more popular, and other tactical moves (such as the fielding of dummy or bogey candidates) has been prevalent. Elections have also become increasingly violent.

From 1977 to 1997, the number of seats with winning margins of two per cent or less almost doubled, from 23 to 44 out of a total of 109 seats. The same is true for winning margins of four per cent or less and those equal to or less than six per cent. In 1997, 80 out of 109 MPs (73.4 per cent) won their offices by six per cent or less.

As Tables 2 and 3 illustrate, political parties are forced to compete among themselves. The question is: would the majority of parties pause for one moment to consider the endorsement of female candidates to satisfy gender balance?
and for the sake of earning reimbursements after the dust settles? Indeed, political parties can, and have, endorsed women candidates, but only those with credible chances of winning. The goal for political parties is not gender equality and/or gender education in the political arena, or potential financial gain from female candidates. Rather, the prize is a parliamentary seat, the realisation of which renders gender identity immaterial.

Of the 18 women candidates who participated in the 1987 election, parties endorsed seven of them. During the 1992 election, all 16 women candidates stood as independents. And in the 1997 election, parties endorsed only 12 of the 55 female candidates. Only two of the 18 female candidates endorsed by parties in 1987 recorded more than ten per cent of the vote. Likewise, only one of the 16 female candidates in 1992 met the ten per cent mark, and only three of the 55 female candidates did so in the 1997 election. Thus, until the voting system is changed, the current cut-throat competitive rates will forestall any meaningful progress towards mainstreaming women into the political arena.

While the applicable provisions in the Organic Law on Integrity of Political Parties and Candidates are encouraging for women, it needs to be complemented by other legislation. For example, political parties can be required by law to endorse at least one female candidate per election. Hope for more women’s participation in politics can also be placed against the expected re-introduction of the preferential voting system in 2007. The electoral formula for this system is such that less popular candidates in the race can win if the favourite candidate fails to collect more than 50 per cent of the vote in the first count. Thus, a woman who may have collected heavily in the second ranking can easily pull off a victory.

Prospects for change

The inherent political culture, in which electoral behaviour and party politics is intertwined with the power and resources of the elite, has certainly evolved over time. What was once a big-man culture that displayed merit acumen in some PNG traditional societies (see Finney 1973:15) has been reinvented to shore up political careers in the formal governing structure where power and authority were used for personal gain (Hegarty 1983:1-3). It is in such a context that the peculiar characteristics of the PNG political culture are to be understood.

To change this political culture requires the redefinition of roles of the key players. By extension, the only time women would be allowed to participate meaningfully in leadership positions is when the status quo is changed. That may be easier said than done. Dinnen (1998) has argued that PNG national polity has evolved through a complex process of change. Consequently, the composition of the present state may be difficult to unravel with ease. Whatever way Dinnen’s thesis is weighed out, the fact remains that the present state of governance in PNG is interwoven in multi-layers of interest where, for instance, politics go hand-in-hand with business in an intricate (and perhaps intimate) manner (Kavanamura 2001). Political elites basically use the state institutional mechanism to further their interests. Parliament is not beyond reach of the dubious practices of self-serving politicians, and political parties have no connection to the masses, but are used by politicians to rally votes and as bargaining tools during coalition formation in Parliament (Okole 2001).

What is required is a realisation that a change to the dominant political culture is long overdue. The current atmosphere, which is saturated by public backlashes against the performances of recent political regimes, may well signal the era of self-valuation by the whole nation. When people start breathing the air of change, women may become more serious contenders for power. After all, women may generally be more trustworthy, honest and hardworking than men. And men, generally, have failed the country thus far.

Notes

1. A recent report by the World Bank suggests a gender imbalance of 111 males:100 females. Explanations for this figure range from a relatively high male birthrate, to gender-preferential mortality, as well as the possibility of poor census records (Brouwer, Harris and Tanaka 1998:6).

2. An example of an unusual trend in PNG is that the number of political parties is increasing. The literature stipulates that the opposite is supposed to happen for countries that use the FPTP voting system and single-member electorates (for an explanation, see Taagepera and Shugart 1989:50-51).

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Issues that win elections: Papua New Guinea's experience

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Introduction
The aim of this paper is two-fold: to contribute to the development of a strategy to help strengthen the political party system in Papua New Guinea (PNG); and to advocate for change in the style of campaigning by political parties. The passing of the Organic Law on Integrity of Political Parties and Candidates in 2001 was the beginning of a turnaround of the party system, and it is envisaged that the proposals of this paper will be the second turnaround.

The conduct of elections is integral to maintaining democracy and allows stakeholders, most importantly the political parties, to market themselves to voters. Political parties have to take on board and master the trade of honest, as opposed to manipulative or dishonest, salesmanship and marketing. Elections bring together candidates, political parties and voters. The state, through its agencies such as the electoral commission and the police, ideally ensure a friendly environment that allows voters to cast their preferences.

Voter preferences depend heavily on the ability of candidates and political parties to sell their platforms. This paper uses the terms marketing, salesmanship and others to indicate that the process which allows voters to make their preferences rests on the salesmanship of candidates and political parties to influence voter thinking. In democracies such as the United States, Australia, England and New Zealand, political parties behave more like businesses. The act of campaigning and voting has an economic character where political parties sell their products, in the form of issues, and the reward for such marketing is the support they get in the form of votes.

Party campaigning
With the emergence of political parties in 1967, the few parties that emerged had specific issues that they based their campaigns on. Despite the fact that the people had little information on what the parties stood for, the two parties pursued different agenda. This made it easier for the voters to choose, because there were only two alternatives. Pangu party campaigned for faster localisation in the public service and independence, while the United Party campaigned to maintain the status quo (Woolford 1976; Moore and Kooyman 1996).

From the 1977 elections onwards, political parties became less important to the voters (May 2002; Gelu 2005) and as party platforms were not important to determining the outcome of electoral support, candidates had to devise ways to win votes. Candidates created 'block votes', which has led to a style of 'pork barrel politics' where government spending is intended to benefit constituents of a politician in return for their political support, either in the form of campaign contributions or votes. Block voting targets areas that the candidates identify with, such as clan, ethnicity or other cultural affiliations. Candidates also resorted to bribery providing goods and money to the voters or, more seriously, to violence, intimidation and foul play, which have all come to define the conduct of PNG elections. Candidates resorted to whatever means possible to get elected or re-elected to office.

As far as issues went, candidates preferred campaigning on locally focused issues rather than those at provincial or national level. Political parties from 1977 to 2002 remained detached from voters and voters, for their part, did not expect much of political parties. Candidates realised the insignificance of parties and campaigned for themselves as to affiliate themselves with a party left them in danger of losing due to that affiliation. This was quite obvious in the 1997 elections.

Parties in PNG are, even today, highly personalised towards the leaders or a region. For example, from 1967 to 1997, Somare (the person) was Pangu (the region), and Pangu was Somare. The same could be said for the Peoples Progress Party (PPP) and Julius Chan, who had the famous slogan Pangu Iave Long Rot (Pangu knows the way) and Chan Papa bilong kina na toea (Chan is the father of the [national currencies the] kina and the toea). Of course, both political parties are now struggling after Somare's departure to form the National Alliance, and Chan's exit from national politics.

Generally, the nature of the party system has contributed to its dismal performance during the PNG elections. It has been well documented that political parties are fragmented and, in the words of Hegarty (1983), merely exist as parliamentary factions. They are created on the floor of Parliament and die a natural death on the floor of Parliament.

It is generally acknowledged that it is difficult to distinguish different parties on the basis of their platforms because they all talk about the same issues and have generalised plans on how to pursue issues once they are in power. For example, in the 1997 and 2002 national elections the People's Democratic Movement made attempts to push for free education. They failed to give the specifics on how they would implement the issue, however, and didn't win the election.
Issues that win elections

Voters are usually persuaded by a number of factors when voting for a political party:

- track record of the parties while in government;
- performance of political parties while in opposition;
- types of issues that the parties see as important;
- how issues are presented to the voters;
- leadership of the parties; and
- whether the parties have delivered what they promised in the last election.

During elections in PNG only some of these factors play a part. Voter behaviour is determined mostly by local and cultural factors that have been entrenched in the system. The end result is that political parties govern without an agenda or set of agendas in place that have support from the voters. In other words, there are no development plans that have been mandated by the people.

For PNG what would be some issues that parties could use to attract voters? Parties need to undertake research to discover which issues are most important and which will have a direct impact on the lives of the people almost every day. These are known as bread and better issues. They include better and improved education, improved health services, lower taxes, promotion of economic activities especially in the agricultural sector, and lower fuel prices. These are issues that are faced by every individual everyday. There are other issues that are specific to local areas such as the call to improve city roads and transport systems.

Bread and butter issues

Political parties in PNG need to identify these bread and butter issues and tell voters what they would do with the issues once they are in government. Simply telling the people that an issue is important and that something will be done about it is not enough. Voters have to be convinced that the issue is important, and details should be given on how the issue will be pursued.

A massive media campaign as well as visits to every part of the country will be needed, in order for people to know, and decide, who the real contenders are.

Some of the bread and butter issues in PNG could include:

- lower taxes for workers;
- improved and subsidised education;
- improved health services;
- lower prices for specific goods such as rice, tinned fish/meat, tea, sugar, kerosene and petrol, and so on;
- promotion and development for agriculture/fisheries activities; and
- addressing law and order problems.

Tax is one issue that is completely ignored by parties in PNG during elections. All workers in the public and private sector have had to face increasing taxes. Since 1975, income tax has increased by more than 80 per cent, yet no one has shown any interest in this issue even though it affects the ability of individuals to sustain themselves and their families.

Improved and subsidised education and improved health services are two important bread and butter issues. The country is behind in these two issues compared to other countries in the region. Since 1975, nearly all the parties have campaigned on these issues but none has really had a specific plan in place to improve education and health. As such, whatever changes or reforms that are taking place in relation to education and health is not a result of party policies but that of governments and other stakeholders such as foreign donors and civil society. PNG's political parties need to develop specific programmes on how to improve these two issues.

Lower prices for specific goods such as rice, tinned fish/meat, tea, sugar, kerosene, and petrol is another issue that has not been taken on board by political parties. The 80 per cent of Papua New Guineans who live in rural areas face the problem of higher prices everyday. They work hard to sell their garden produce in markets but sometimes what is earned is not enough to purchase basic goods. As reported in the PNG Post-Courier on 4 October 2005, people are beginning to question the role of the Consumer Affairs Bureau which is in charge of determining the prices of goods in PNG.

There are number of options that parties may take in addressing these issues. Firstly, for those in urban areas and those who are employed, parties could push for a wage increase, or adjustment could be made to the Consumer Price Index to level the prices of goods to the income level. For those in rural areas, road networks could be improved, and an improved agricultural extension programme could be started, to assist the rural people to produce and sell more, which would in turn assist them to afford basic goods.

The fifth issue is promotion of agriculture and fisheries. Since 1975 no government has taken a serious step towards their development. Governments continually say that agriculture is the backbone of the country's economy but have done little to promote the sector. The same can be said of fisheries. The construction of fish canneries contributes little to the lifestyle of the people. What is needed is to get the people to participate in schemes. This would require a vision to identify the best possible ways in which people can contribute and also benefit directly from the ventures.

Small holder production could be supported in rural areas through the small holder scheme. If proper guidelines are put in place through extension programmes, then the small holder scheme can become productive, and directly benefit those involved. It has been successful in areas such as oil palm, coffee, cocoa and coconut.
The final bread and butter issue in PNG is law and order. This problem has impacted on the lives of the people. Parties need to have specific plans to deal with the issue. One way the parties can do this is by increasing the number of policemen in the country, and at the same time increasing the budgetary support to the police force to fight crime. The current report on the police force in the country can be used as a blueprint for parties to devise ways to combat crime. The parties have to identify the basic causes of the problems, and devise strategies to combat them. This may start from little areas such policing bus stops and public transport in Port Moresby, which have become a haven for petty thieves. Commuters in Port Moresby are becoming reluctant to travel between Boroko and Port Moresby because passengers along the route have become victims to thieves who usually prey on women and young girls.

Institutional strengthening, such as improvements to the village court system and other agencies responsible for fighting crime, may be other areas that parties can address. Beside these bread and butter issues, there are other issues that are specific to different areas in the country. For example, in Port Moresby city, which is represented by four seats in Parliament, issues important to voters might include:

- upgrading and maintenance of the road system;
- improved street lighting;
- improved transport system;
- improved water and drainage systems;
- beautification and cleanliness;
- identification of proper market outlets;
- improved public toilet system;
- transparency and accountability in the City Hall;
- identification of benefits for Motu-Koitabus;
- limitation of the growth of squatter settlements;
- law and order; and
- lower income tax for workers.

Parties campaigning for the four seats in Parliament for Port Moresby need to provide specific plans on how to deal with those specific issues. Voters on the other hand should be reasonable when casting their votes. They need to make rational choices about which candidates and parties might represent what they are looking for. They should not take for granted some grandiose and generalised plan that will never eventuate and will have little benefit for the people living in the city. As it stands, most of the incumbent members of parliament would lose their seats because of the failure to deal with these issues.

**Issues and campaign marketing**

Why are the bread and butter issues important? Because marketing the issues to voters during a campaign would mean that a party already had a plan in place and the plan would have been mandated by the people and not be something that the government devised after coming to power. Governments often find themselves lost in the first 100 days in office because they are still searching for programmes that they can pursue. This is not a practice that is acceptable to any modern system of government.

Having issues in place would enable parties to court other parties that share similar views on the specific issues. This would then put in place an ideological axis which parties can be easily identified, such as the left-right spectrum.

Most of the programmes implemented by the governments in the last ten to 15 years were drawn by governments while in office and they were not part of any political party's electoral platform. For example, the current programmes such as the gun summit, institutional strengthening in the law and justice sector, public service reform and electoral reforms, the Enhancement Co-operation Programme, the fight against HIV AIDS, the Green Revolution and the formation of anti-corruption bodies did not originate from any political parties but were formulated after the current government came into office. They were not issues that the political parties campaigned on during the 2002 elections.

The result is that the government is acting on an ad hoc basis, waiting to be confronted by a crisis and then putting in place a programme to target the problem. At the same time, most of the programmes that the government is pursuing were identified and financed by foreign organisations and not by the government. Other major reform programmes such as the passing of the Organic Law on Integrity of Political Parties and Candidates and the introduction of the limited preferential voting system were also not part of any party's agenda.

The Somare government has in place the Medium Term Development Strategy 2005-2010. Most of what is contained in the strategy is not what the parties such as the National Alliance campaigned on during the 2002 elections. Who knows what the party's positions on HIV/AIDS, poverty alleviation, and so on were before the 2002 elections.

Thirdly, having parties campaign on issues would make it easier for the voters to hold the parties accountable. Voters must be allowed to make their own judgments on parties and whether they have kept their promises on the issues that they campaigned on. Elections in a country such as PNG are the only way in which political leaders and political parties can be held accountable.

**Issues campaigning and the voting system**

This paper is proposing that political parties must campaign on issues that would generate electoral support from the voters. This proposal would be greatly boosted by the use of the limited preferential voting system, which will be used in the 2007 national election. This is a new voting system for PNG that would require all voters to give three preferences next to three
most preferred candidates and replaces the old first-past-the-post system that requires a simple majority. The objective of the limited preferential voting system is to increase the winning margins of elected leaders because of the low winning margins under the old system.

The limited preferential system can sustain and further enhance this new way of campaigning on issues in the following ways; firstly, political parties in 2007 are out to collect the three preferences. Campaigning on issues would be the sole factor that would make the voters decide on allocating their preferences. Other factors that have been used in the past would become secondary. The 'reasoning voter' could become more possible and practical under such circumstances.

Parties and candidates are required to travel and campaign in all the parts of the electorate in order to collect the three preferences. Campaigning on generalised ideas or trying to capture only the first preferences in a candidates or party's stronghold would provide very little benefit to parties and candidates. By travelling the entire electorate the voters could then decide on preferences based on the issues that the parties have presented to them. Through this, candidates and parties would be held accountable, based on the issues that they present to the voters. In this situation, the marketing of issues is important.

Campaigning in all parts of the electorate would make sense of the 'reasoning voter' concept, because electoral behaviour would definitely change on the part of voters. Voters would move away from personalised voting to considering the economic aspects of the issues as stated by Downs (1957). Of course, this would again depend on the ability of parties to provide the necessary means of getting information to the people.

Conclusion

The strategies outlined in this paper could transform the party system and the current style of campaigning in PNG. Voting on issues is a revolutionary idea for PNG that could change voting behaviour. It could allow governments to have clear plans in place and voters would become more rational when making their preferences during the voting.

This paper appreciates the fact that what has been proposed may be branded unattainable in PNG, a country whose political culture is evolving all the time, and whose people have the intrinsic ability to manipulate the processes to serve their own interest. An idea such as campaigning and voting based on issues would in that case be impossible to attain. However, the ideas proposed here would be beneficial for voters and political parties alike.

By basing a campaign on specific issues, political parties in PNG would make themselves more identifiable to the people. That is the norm for other democracies. Political parties in PNG must emulate this, because it can be of great benefit to the political system.

References


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Democracy and development through the electoral system in Solomon Islands: Social and economic impacts

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The proper functioning of elections in any democratic country is influenced by the structure of the constituencies, type of ballot, electoral formula and candidate's nomination system; as well as the prevailing social, cultural and economic influences. This paper argues that flaws in the electoral system have a profound impact on the relationship between democracy and development in Solomon Islands, and that the electoral system needs an overhaul.

Solomon Islands' Parliament: In profile

Parliament is one of the most important democratic institutions within the Westminster form of governance. Democracy in Solomon Islands, and the performance of the government to influence development outcomes, is a reflection of the existing electoral system which impacts on national leadership, party systems, geographical representation and proportionality as well as representation of woman and minorities (Reynolds, Reilly and Ellis 2005). These issues in turn affect development outcomes.

Most of Solomon Islands' elected leaders over the years have not constructively addressed the country's socio-economic challenges. Since 1978 Solomon Islands has been independent but the pace of change in every constituency has been either gradual or stagnant. This seems to indicate that leadership is inadequate.

In Solomon Islands leaders are chosen not because of competence and character but because of tribal connections, blood links, nepotism, bribery and personal favours.

One explanation for this is the mix between traditional and modern systems of leadership. Those who aspire to become leaders in the modern context, which is governed by the principles of democracy, capitalise on certain traditional means for choosing leaders — the most common are being persuasive orators and distributors of wealth.

Generally, distribution of wealth is the path by which most potential leaders emerge. While distribution of wealth through competitive reciprocity is part of custom, in the modern context it is associated with vote buying, bribery and corruption. Most elected leaders are caught in a dilemma in determining whose interest they represent because within their own electorate they are closely tied to their wantoks, relatives and friends.

While the electorate represents the public sphere, in most cases it comprises a cobweb of extended family networks to which an elected leader subscribes. Consequently, there is a lack of balance between how private and public interests should be distinguished. An underlying factor is not the size of an electorate but the existing strong extended family networks.

Many candidates campaign as independents but when elected they join coalitions based on patronage, that is, an offer to pick up the tab for election expenses or a ministerial post. As a result, the idea of party loyalty based on common policies and ideas is ignored. Such an approach undermines the reason why people elect independent candidates.

The needs of the people are not always put before a leader's own needs and few elected leaders demonstrate the democratic principle 'for the people, by the people'. Most elected leaders do not make regular contact with their electorate after being elected and most decisions are made without representation. Leaders frequently cross the floor and engage in scam deals. As a result, governance in Solomon Islands is characterised by political instability because political alliance is built around individuals rather than political parties. Instability makes it difficult for governments to implement plans and policies. As Jeffrey Steeves (1996:133) explains:

In a political arena where instability and strife are endemic, medium- and long-term policy and program planning become early victims to calculations of political advantage.

The problems with governance in Solomon Islands do not just lie with individual elected leaders, however. Flaws in the electoral system contribute to the nation's fragile political situation and, as such, are worth examining in some detail.

Pre-independence electoral system

The first step towards Solomon Islanders' direct participation in the administration of their nation was taken when the 1960 Constitution provided for the establishment of Legislative and Executive Councils. The 1960 Constitution did not, however, provide for election of members to the Legislative Council; they were appointed by the British High Commissioner.
The first election, of eight of the ten unofficial Legislative Council members (so-called because they were local residents brought in to represent local opinion, but not official members per se) was held in April 1965 in accordance with Section 22(1) of the British Solomon Islands Order 1964. In this election, the member for Honiara was elected by general ballot, while in the other seven districts members were selected by electoral colleges comprising local council delegates.

Legislative amendments in 1967 allowed for an increase of elected members to 14 (Saemala 1983); two additional members could be nominated by the High Commissioner: but were not granted voting rights. Between April and June 1967, elections were held in 13 constituencies and only one member, from the Eastern Outer Islands, was selected via an electoral college.

In 1970 the Governing Council was established under Section 7(1) of the British Solomon Islands Order 1970 and the first general election was held in 13 constituencies. This was the first time the composition of the Government was entirely Solomon Islanders, as elected by Solomon Islanders.

Post-independence electoral system

After Solomon Islands attained independence in 1978 Solomon Islander leaders were elected to legislate and provide policy for the enhancement of development strategies. A legal framework was established outlining the operation of the electoral system and the elements that comprise it.

Legal framework

Constitution: The Constitution of Solomon Islands provides for the legislature to comprise elected members. In order for a person to become a member, he or she must be a citizen and be 21 years or older. In circumstances where an election of a member is questioned the High Court has jurisdiction to hear the matter.

There are also constitutional provisions entitling a person to vote in the constituency where he/she is registered. A person aged over 18 years of age may register to vote in one constituency of petitions in relation to such elections. When the Act came into force in 1980 there were 38 constituencies; on 1 March 1996 it increased to 47; and a later increase resulted in the current 50 constituencies.

Under the Act, registered electors who wish to record their vote must present themselves to an assistant at the polling station where they are entitled to vote to receive their ballot paper. After receiving the ballot paper the electors record their vote by placing the ballot paper in the ballot box of their choice. The ballot boxes are clearly marked with the candidate's name, symbol and colour.

It is an offence if a candidate or his/her agent engages in corrupt or illegal practice to obtain votes. This includes bribery, treating or undue influence. The penalty is a fine of SI$200 or a term not exceeding six months or both. Where on an election petition it is shown that corruption did take place, resulting in the candidate winning, then he or she shall be disqualified.

Elements of the electoral system

The electoral system in Solomon Islands is a first past the post system (FPTP). It plays a vital role in the formation of Parliament. The four elements of Solomon Islands' electoral system are outlined and analysed below.

1. Constituency structure

The first element is the constituency structure. In Solomon Islands there are currently 50 constituencies. The population of each constituency varies from approximately 2,000 to 20,000. How constituencies are structured has a profound effect on election outcomes. In Solomon Islands many people do not vote on party policy or manifesto, but on who they know. Therefore, how a constituency is structured predetermines the number of votes that can be obtained. For example, in a constituency where a candidate has many wantoks, relatives or blood links the chances of these people voting for him or her is high.

2. Ballot structure

The Electoral Act provides for the use of multiple ballot boxes for candidates. On the ballot boxes are the names of the candidates, their symbol and colour. The use of multiple boxes is expensive and unnecessary.

What is more, the present voting system is easily duped. Some registered electors pretend to place their paper in a ballot box, which are located behind screens, but later walk out with it. They can then sell their ballot papers to interested campaign managers.

Another form of vote buying occurs in the form of gifts such as giving of tobacco, clothes, wheel barrows, and soccer uniforms. Usually candidates who attempt to buy votes work through male household heads, who then influence their family
members. In some circumstances vote buying occurs through patronage relationships with local electors, especially men who would influence the opinion of other electors (Teakeni and Scales 2004).

Another complication with the ballot is the voting age. Under the Constitution any person who is a citizen and is 18 years or older has the right to vote. In the rural parts of Solomon Islands, however, it is quite difficult to ascertain the age of a person due to lack of proper birth registration.

3. Electoral formula
The electoral formula is an important element of the electoral system because it provides the basis by which party seats are determined. The method of electing parliament is based on a FPTP system, but this system's flaws are revealed when numerous candidates vie for one seat in a small constituency as is often the case in Solomon Islands. Some candidates are elected by a very slim margin. Indeed, the majority of leaders elected in 1984, 1989, 1993, 1997 and 2001 won after capturing less than 40 per cent of the vote (see Table 1). As the majority rejected many of the members of Parliament, the FPTP system is flawed in this context.

<table>
<thead>
<tr>
<th>% of votes</th>
<th>% of MPs by election</th>
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<tbody>
<tr>
<td>50% or above</td>
<td>9 (24)</td>
</tr>
<tr>
<td>Below 50%</td>
<td>29 (76)</td>
</tr>
<tr>
<td>Below 30%</td>
<td>9 (24)</td>
</tr>
<tr>
<td>Below 25%</td>
<td>5 (13)</td>
</tr>
</tbody>
</table>

% MPs failing to be re-elected: 45% 42% 19% 51% 64% 44%

Members failing to be re-elected: 38 38 47 50 50

Source: Link Magazine, cited by Roughan 2004

4. Nomination of candidates
Under the Constitution and the Electoral Act anyone can be nominated as a candidate as long as that person is a citizen and is 21 years or older. There is no gender discrimination, however, since independence Solomon Islands has one of the world's lowest occurrences of women being elected to Parliament. Only one woman, Hilda Kari, served a term in Parliament, from 1997-2001.

While the Constitution and Electoral Act provide a legal basis for women and men to have equal rights to vote and stand for Parliament, in practice this does not happen. One of the reasons for this is the nomination rules. Even though they are regulated by Parliament, political parties have the discretion to nominate and endorse who they want as their candidate for a particular constituency. In most cases, men are nominated and endorsed. This demonstrates a lack of party support for women candidates.

In conclusion: Reform
The elections of 1984, 1989, 1993, 1997 and 2001 used the FPTP system. It is a simple system that involves a single round of voting with the person receiving the most votes declared the winner. Government has recognised, however, that the FPTP system needs to be changed and recently passed a Bill to amend section 39(1) of the Electoral Act; the amendment has now been gazetted. This amendment provides for the use of only one ballot box at a polling station, and that ballot box would be placed in an area where it can be viewed by electoral officers. This change will hopefully impede vote buying.

While the amendment would help solve some of the voting problems it is not enough by itself. The issue of how candidates are elected, by whom, and whether they are elected on party ideologies is not resolved. There is need for further reform so that the electoral system better suits the specific political, social, economic, historical and cultural circumstances of Solomon Islands. Any reform should also take into account the inter-relationship between modern and traditional institutions of governance in Solomon Islands. Only then can development of this nation positively improve.

Note
1. Wantok is pidgin for people from the same area, region, or language group.

References
Local-level government performance in Papua New Guinea: A case study of Wampar Local-level Government in Morobe Province

Bernard Esonu, School of Business Administration, University of Papua New Guinea

Introduction
This paper looks at the degree of stakeholder participation in local-level government in Papua New Guinea (PNG) and the way in which the level of participation influences opportunities for social and economic development and the delivery of basic services to communities at ward level. Local-level government is one of the instruments of development established by the National Government to help deliver basic services and current reforms to the Organic Law on Provincial and Local-level Government aim to empower stakeholders to participate more actively in community affairs. Our thesis is that minimal stakeholder participation leads to poor delivery of basic services by local-level governments within PNG. Research into stakeholder views on participation was undertaken in seven wards in the Wampar Local-level Government in Morobe Province. These were Markham Bridge, Busanim, Yalu, Munum, Nasuapum, Gabsongkeg, and Chivasing wards.

Context
Concepts of decentralisation: The World Bank's (1995:3) definition of decentralisation is:

... the transfer of authority and responsibility for public functions from the central government to intermediate and local governments. That is transfer of powers and functions (political and administrative) to provincial and local-level governments where lower levels of government are given some autonomy to determine their own affairs.

In PNG, the concept of decentralisation is based on allowing people greater involvement in the process of development and change. Structures must be in place to allow the highest proportion of people possible to participate at different levels of decision making and decision implementation. The development of these structures and powers enables people outside central government to make decisions that are recognised as legitimate. Decentralisation requires change in people's attitude towards themselves and their fellow citizens. Popular participation in policy making at local level tends to create more trust in government, which in turn can lead to more social harmony within civil society and enhanced stability in the country. Political equality derived from greater political participation will reduce the likelihood of concentration of power and can be a mechanism for meeting the needs of the poor.

Decentralisation in PNG: The 1977 Organic Law on Provincial Government formed the basis for decentralisation in PNG and for the creation of a three-tiered system comprising national, provincial and local-level government councils. However, local government councils existed on paper only. In July 1995, Parliament passed a bill on reform of the 1977 Organic Law. This provided the legal framework for a new system of government in PNG. The aim of the 1995 reform was to operationalise the handover of nominated powers from upper-level government to local government, with the aim of improving delivery of basic services. The national government abolished the provincial government system and was left with the national and local-level governments. The Local-level Government Administration Act of 1997 laid the foundation and structure for local-level governance today. It defines powers and responsibilities and is intended to implement the Organic Law.

Local-level government is the subordinate administrative arm of government, operating at grassroots level. It is responsible for some policy making, planning, management and resource raising and allocation, within some territories.

In 2004, PNG's administrative boundaries comprised four regions, 20 provincial units, and 89 districts. Implementation of the reforms saw the creation of 299 local-level governments — 26 in urban centres, and 273 in rural communities — along with 6,003 wards (Department of Provincial and Local Government Affairs 2004). This division of administrative borders makes decentralisation more real on paper than it is in practice.

Methodology
This research included seven case studies, and the methods of data collection were: an analysis of documents; in depth interviews with stakeholders in the community and local government personnel, observation and structured questionnaires. With-case and cross-case analysis were used to build up identifying patterns and to identify similarities and differences.

Surveys were conducted in communities in each of the seven
wards of Wampar in Morobe Province. Three main issues were raised in the interviews and questionnaires:

- stakeholder perceptions of the importance of their participation in local-level government;
- stakeholder perceptions of the progress of local government reform; and
- examples of stakeholder involvement in the local-level government processes.

A summary of overall responses indicated little variation between wards and shows a wide disparity between their expectations of stakeholder participation and their perceptions of current local government performance.

1. Stakeholder participation

Overall stakeholders thought:

- participation was vital in bringing about development;
- participation provided a feeling of ownership of projects;
- they knew key issues affecting them very well;
- participation was voluntary; and
- participation lowered costs of implementing community projects.

2. Perception of local-level government reform

Overall stakeholders thought:

- they did not know what the reforms mean to them;
- there were no noticeable improvements in basic service delivery;
- basic services were not provided in a timely manner in times of need;
- councillor failed to address their issues and did not have time for them;
- there were no improvements in living standards; and
- the rate of reform was unsatisfactory.

3. Stakeholder participation in Wampar Local-level Government

Overall stakeholders thought:

- Voluntary participation was evident and includes:
  - attending regular village meetings;
  - building classroom, aid posts, teacher accommodation, and so on;
  - contributing finances;
  - providing necessary resources such as local materials;
  - building water supply project; and
  - participating in land dispute hearings, law and order, and health and educational issues.

Analysis of findings

Stakeholders at the local government level acknowledge they have a role to play in helping out in various community projects undertaken by their local government. Stakeholders are currently contributing their skills, knowledge and material resources to assist local government implement development activities. For example, where there is a need for carpentry, skilled individuals are apparently stepping forward. Stakeholders are also donating land and sawn timber for community buildings, for example.

Most stakeholders do not, however, understand the importance of their role in participating at local government level and depend too much on their ward councillor to lead them in implementing community projects. For example, if the councillor tells them to build the classroom, they will either do it or they will say the national government will do for them. There is a big need for the technical staff at local government headquarters to raise awareness of the new system of government and explain to community members how they can more actively participate in their community development. Community members also rely on the government to unleash initiatives before they act and more focus on this aspect of bottom-up planning is required.

The current planning strategies are community needs analysis and bottom-up planning. The community needs analysis is the approach required by law to identify issues affecting the ward and ways to solve them. In each ward surveyed here, community needs analysis were conducted to identify where stakeholders can participate in the development process by contributing material resources or sharing skills. Bottom-up planning, on the other hand, relies on stakeholder initiatives including allocating various roles for individuals. Overall, these planning techniques have been fairly successful in localising participation. However, more emphasis may need to be placed on appropriate follow-through of the community needs analysis, because respondents claimed that council staff were not adequately attending to basic services provision.

My research confirms the importance of enhancing grassroots capacity for community development. Those surveyed voiced concern about the ability of public sector staff to deliver basic services such as health, education and water supply. Stakeholders also said they perceived a lack of coordination between the community and government staff at the provincial, district and local levels. Those local government staff interviewed highlighted two major problems impeding their delivery of basic services: lack of financial resources, and the lack of skilled personnel. Involving skilled community members in these tasks may translate to better service delivery.

The reality is that in PNG, not many skilled technical staff are willing to work at local government level. What is more, most trained technical staff gained their trade skills during the
colonial era and did not receive training in basic managerial skills. Hence, they cannot manage the current delivery system effectively and efficiently. For these reasons, stakeholders' participation in development activities at grassroots level is important. There must be more encouragement for stakeholders to participate in community development projects such as education, water supply and recreation centres.

Effective basic services delivery is the number one goal of local government management. My research suggests that grassroots participation in local government initiatives may have enhanced the delivery of basic services. Effective basic service delivery, however, requires effective coordination between the community and public sector staff.

Conclusion
My research underscores the two main constraints facing local-level government in their delivery of basic services: lack of funds and skilled human resources. While there is evidence to suggest that some of these gaps are being plugged by community members, a number of these individuals voiced concern about the level of support they receive from public sector staff.

Community members interviewed in this study voiced their commitment to participating in development initiatives voluntarily, by contributing finance and/or sharing their skills. Given the constraints of the public sector, the importance of grassroots participation in enhancing the basic service delivery cannot be over-emphasised.

In PNG, however, there has been no major empirical study conducted in the area of stakeholder participation in enhancing basic services delivery. This could be a major research opportunity for future researchers.

Reference
Background

HIV/AIDS in Papua New Guinea (PNG) is now rated as a generalised epidemic with a predominance of cases in the 15 to 45 age group. The peak age among infected women is between 20 and 34 and between 25 and 34 for men. This is the age of both reproduction and peak economic production. The epidemic is spreading rapidly, most particularly in the National Capital District (NCD) where around 47 per cent of cases reported in the last quarter of 2004 were located (National Department of Health 2004).

As a substantial percentage of the cases reported were the result of heterosexual transmission, the greatest impact of HIV/AIDS is likely to be on families with young children. A growing number of children will be orphaned and because of high mortality among those of working age, children will be orphaned without financial support. The social and economic implications of the epidemic need to be understood and necessary policies and services put in place. This paper reports the results of a survey into children affected by HIV/AIDS, their vulnerability, the available facilities for these children, and the implications of limited government and community support for these children.

Study methodology: Information was obtained from existing records of known HIV/AIDS cases in the NCD. Life histories and focus group discussions were held among vulnerable children. Information was collected by young people affiliated with a Special Youth Project (SYP) using structured guidelines. Their knowledge of the communities and the trust they developed were essential to the success of the study. The study was guided by international approaches on problems among children and families affected by HIV/AIDS (William 2000, in UNAIDS 2004).

Key issues

Vulnerability status of children

Nearly all children in NCD affected by HIV/AIDS are orphans. Their vulnerability was confirmed by their living conditions. Most children lived with foster parents or guardians who were either unemployed, struggling to make ends meet in the city, or were affected by other difficulties such as large families or lack of basic food and clothing. Often children are cared for by the elderly, usually from the settlements in the NCD. Such living conditions place these children under enormous pressure.

Social and economic conditions

Other social and economic conditions can make families and children vulnerable to and from HIV/AIDS. These include lack of education, illiteracy, lack of housing, violent behaviour at home, failure of the wantok system, lack of opportunities, law and order problems, and gender inequality. Struggling families find it difficult to adopt children or support those whom they have fostered. School fees are scarce, and many children often work to help their families survive by selling sex to pay for school fees. Young boys are forced into crime to survive. These issues were identified by service providers to the vulnerable children in NCD.

Vulnerable children are not giving enough care and attention, resulting in low self esteem. Many families and children live in anxiety, with a lack of support from others. Children are subject to outside peer pressure. In addition to this list are drunken fathers who gamble, use poker machines, bet on horse racing, and engage in commercial sex.

In many homes, a constant argument between parents often leads to the abuse of children, including incest, beating, and not feeding them. Because many families live in mixed settlements there are no kinship ties and many relationships are unstable because of social pressures. Lack of discipline and accountability among these children and mobile families mean that they cannot make a commitment to the community in which they live.

Responses in NCD

NCD provides very limited responses to children who are affected by HIV/AIDS and other vulnerable children. The few services available are provided by the churches and NGOs and are available on a needs basis. They are designed for groups like street children and sex workers. At least three entities provide services for those families and children affected by HIV/AIDS.

Community programmes

At the time of the study about 20 kinds of services were provided for boys and girls up to 18 years of age (see Table 2). Services on
HIV/AIDS awareness and counselling and group therapy are provided on daily basis. The most popular service provided is feeding programmes. Many children visit the drop in centres or day care to have a full meal of the week, an indication of financial hardship. Life skills education is available on a weekly basis and is offered to children who cannot afford school fees at the regular schools.

<table>
<thead>
<tr>
<th>Service</th>
<th>Boys Daily</th>
<th>Boys Weekly</th>
<th>Girls Daily</th>
<th>Girls Weekly</th>
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<td>2. HIV / AIDS awareness</td>
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<td>3. Group therapy</td>
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<td>7. Sewing</td>
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<td>8. Financial assistance</td>
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<td>9. Basket making</td>
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<tr>
<td>10. School sponsorship</td>
<td>✔ (yearly)</td>
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<td>✔ (yearly)</td>
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<td>11. Second hand clothes</td>
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**Challenges**

**Need for immediate action**

With an increasing understanding of the potential growth of HIV/AIDS and the existence of previously unrecognised risk groups in PNG, workable strategies are needed to determine the spread of the epidemic. PNG’s prevention strategy must be more comprehensive, have more organisations involved and a broader audience. AIDS is a leading cause of death and AIDS patients fill many hospital beds. However, there is a very high burden of care among families who have HIV-infected members as these people have a higher rate of other illnesses than non-infected individuals.

Currently, there are more children and adults infected than reported because of a lack of diagnostic services. Many children are already living in families that are affected by HIV/AIDS and are suffering the loss of rights and the trauma of that experience.

**Institutions**

Care and support for vulnerable children are almost non-existent in PNG. Cheshire Home in NCD provides assistance to disabled children, and in some areas, residential communities with high numbers of AIDS deaths and orphans develop care centres. The Lukautim Pikinini Act clearly states that family and community-based care is preferred, and that institutionalisation is to be the last resort for the children. As institutionalisation is costly, and the least preferred form of care because of its negative impact on children, the centres that are now forming should be closely monitored and regulated to make sure that they do not grow too rapidly.

The National Strategic Plan for HIV/AIDS, 2004-2008, has identified strategies for addressing care and support involving family members in caring for their infected members. This practice will need to be encouraged in order to reduce hospital beds occupied by HIV/AIDS patients.

**Government, NGO and community responses**

It is clear that NGOs, mainly church-based, are the key players in providing services to vulnerable families and children but the issue of best practice in caring for this special group of children needs to be addressed and to be guided by legislation. Although professionals in the field of child care, to some degree, can assist children who need help, standard policies need to be developed. Guiding principles can contribute to an understanding of good practice and their roles as carers.

In other countries, strategies have been trialled to help children who are affected by HIV/AIDS and other vulnerable children. Many have operated with scant assistance from government. Their efforts become less effective with increasing numbers coming for assistance.

Examples of other organisations that care for immediate HIV/AIDS affected families and children include the Go-Go Grannies who are part of a large project in South Africa that boasts a success story of endurance and persistence. This group of grandmothers encourages and helps each other as they raise their grandchildren (UNAIDS 2004). The 'grannies' are part of a large organisation known as the Alexandra AIDS Orphans Project which provides psychological, financial, and material support for some 30 grandmothers who continue to care for their own family members' children who have been orphaned by HIV/AIDS.

PNG communities are unprepared for HIV/AIDS, and unprepared to either combat the epidemic, to care for the sick and dying, or to care for those children who are left behind after the loss of their parents.
Go-Go Grannies could provide a lesson for PNG. The essence of the programme is that family members are taking care of children who have been orphaned by HIV/AIDS, and who are biologically related to them. The service providers are knowledgeable about the family formations and situations experienced by these groups in their communities. The service provider can be the source of psychological, financial, and material support for the care giver by providing information about the community care givers.

**Conclusion**

While it is very difficult to determine the number of vulnerable children who are affected by HIV/AIDS, the study revealed that they constitute a social concern for our society. Community involvement with these children is through such agencies as the churches, NGOs, and even individuals. The services that they provide are dependent on whatever resources are available and although limited, they play important roles in the lives of the vulnerable children. They provide the necessary anonymity for these children, and are avenues for sustenance and the education of a few. We now have some knowledge and can determine directions on how best we can provide for this special group of people. Their numbers are growing all the time, and coupled with the magnitude of adult mortality from HIV/AIDS, it is becoming a very serious social and economic problem for PNG.

Urgent government intervention is necessary in relation to the vulnerable children. Adequate and appropriate assistance must be given to help the small agencies of charity, as their experiences will inevitably form the basis of future policy responses. The Government and the community cannot ignore vulnerable children.

**References**

Institutions and development: At the nexus of global change

Global Development Network and the World Bank conference on development economics, St Petersburg, Russia, January 18-22, 2006

Pamela Thomas, Development Studies Network, The Australian National University

The two conferences held in St Petersburg in January 2006 — the Annual World Bank Conference on Development Economics (ABCDE) which focused on transitional economies, and the Global Development Network conference which focused on the role of institutions in development — provided valuable discussion on current economic theory relating to the need for economic reform and the institutional changes needed to support it. Particular focus was given to the institutional changes needed to address the impact of globalisation and the current situation in transitional economies. Both conferences provided detailed information on the paradox between rapid economic reform, market deregulation and marked differences in economic performance between countries as they were integrated into the global economy. A key issue for discussion was the way in which institutions resist change.

The papers highlighted the very slow and uncertain nature of institutional reform, the inability of current theories to account for these uncertainties, and the lack of practical reforms for combating entrenched corruption. While democratic systems and the high levels of support provided by large and wealthy democracies encourage democratic principles, this was proving to be a two-edged sword providing fewer economic benefits than anticipated. The economies of countries with authoritarian regimes have exhibited more rapid economic growth than democracies. Explanations for this were limited and inconsistent but it was thought to be the result of tax systems and a reduction in public spending.

The juxtaposition of the two conferences was useful as they provided different perspectives on the relationship between institutional change, economic growth and development. Both conferences provided detailed information on the paradox between rapid economic reform, market deregulation and the marked differences in economic performance between countries as they integrated into the global economy. While there were some underlying factors common to developing countries and to the transitional economies of the former communist states, the theories and models proposed for the former seemed generally inappropriate or impractical for many smaller and poorer developing countries.

One further paradox emerged from the ABCDE conference: economic reform in many of the newly emerging democracies was associated with privatisation, increased product quality, productivity, and profitability; however, it also resulted in increased inequalities, increased levels of unemployment, the need for legislative change and for structural reform in the education sector to provide a more relevant work force. Economic reform was shown to have resulted in a large underground economy.

Discussion highlighted the key institutional changes required for market reform. These included:
• privatisation of public entities/companies;
• provision of secure land rights;
• secure investment systems;
• appropriate legislation to encourage and protect investment;
• political security; and
• good governance and minimal corruption.

Education workshop, St Petersburg University, January 20, 2006

The education workshop at the University of St Petersburg provided an in-depth exploration of the need for changed curricula to address the work force requirements of a global economy. This includes more skilled workforces as the employment opportunities for those with limited education and limited skills decline. As companies requiring unskilled labour move production to countries with cheap and unorganised work forces, the levels of skill in both countries improves and the education needs of both countries changes. To date, the global economy has resulted in the growth of inequalities within and between countries; there is, therefore, a rapidly growing problem of finding livelihoods for the unskilled and poor who may have been employed in the past. As education becomes more expensive, access for the poor is declining.
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Putting the capability approach into practice for project development and evaluation

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Introduction
In previous studies (Schischka 2002, 2003, 2004, 2005), I have developed a participatory appraisal methodology based on the capability approach of Amartya Sen that allows for evaluation of a programme’s progress in terms of criteria that are especially relevant to project participants. Criteria such as these are often overlooked by major funding agencies which tend to concentrate more on traditional measures of income. Yet non-income criteria are highly relevant to the people involved. Sen (1999:87) argues that:

... in analysing social justice, there is a strong case for judging individual advantage in terms of the capabilities that a person has, that is, the substantive freedoms he or she enjoys to lead the kind of life he or she has reason to value.

Sen also suggests that:

... in this perspective, poverty must be seen as the deprivation of basic capabilities rather than merely as lowness of incomes, which is the standard criterion of identification of poverty.

There is a need to test the application of the focus group methodology in further research. As I have noted:

There is a case for applying this method of analysis to aid programmes in developing nations as well. NGOs working in developing nations such as the [Women in Business Foundation] WIBF could use focus groups interviews to discover what kind of functionings and capabilities that their participants have developed while on their programmes. Ideally, they could do them at the start of a new group to establish baseline data and to raise the consciousness of the new participants. They could also use their findings as objectives for their work and reappraise with focus groups on a regular basis (for example annually). In this way they can use their findings as a means to check how far the participants feel that they have developed their expected choices and opportunities by their involvement. They could also readily recognise new functionings that have arisen over time and new capabilities that have unexpectedly developed. The focus groups would also prove beneficial as a consciousness raising exercise on an ongoing basis (Schischka 2005:156).

This paper examines how focus group methodology could be used in longitudinal studies of development projects to assist development agencies in their refinement of programme design to better meet the needs of the participants.

Implications for development initiative appraisal
In appraising development projects, it is important the criteria used recognise that poverty involves deprivation of capabilities rather than just lack of income. Appraisal should be ongoing, and through all stages of the project cycle, meaning the focus group process forms an integral part of programme design. In this way the opportunities
for participants' participation can be maximised rather than being seen as a form of appraisal that occurs once during the project cycle. This places emphasis on the importance of active participation of the people taking part not only in the programmes but also in the analysis and development of them. Field workers and supervisors can facilitate the process but the participants must be active in the process if they are to be truly empowered. This has implications for the way that development initiatives are planned and appraised. The focus group analysis process does not need to be excessively long or complicated — in fact it should not be considering the limited resources of many development initiatives. For the participants to have ownership of the development process it is important that the form of the analysis be succinct and clear.

**Capacity approach in practise**

Volunteer Service Abroad (VSA) is a New Zealand based international development NGO which has sent more than 2,000 volunteers with business, educational, health, engineering and other skills, to more than 30 countries in the Pacific, Asia and Africa. VSA typically sends volunteers for two year periods and while they recognise that every individual assignment is valuable, they are interested in ways of appraising the cumulative effect of their collaborations with partner organisations (VSA 2004a:15). The organisation views the capability approach paradigm as one which has the potential to better appraise the lasting effects of their volunteers' work on the lives of project participants, and it also seeks to ensure that the programmes are effective. I have explored the potential for VSA operationalising the capability approach within its education projects in Vanuatu.

In the Pacific region, there has been scepticism regarding the progress that has been made in education. Pene, Taufu'ulungaklai and Benson (2002:1) note, for instance, that 'three decades of considerable investments in education has not made a significant impact on the educational developments of Pacific communities'. There have also been efforts by Pacific peoples to identify the causes of this failure, such as those reported from the regional colloquium on re-thinking education in the Pacific held in Suva in 2001:

First, in spite of decades of educational development, Pacific peoples have not owned the formal education process but have instead viewed it as alien and imposed from outside. Second, Pacific peoples have failed to develop clearly articulated visions for their educational and developmental pathways (Sanga and Niroa 2004:15).

Similar doubts have been voiced in Vanuatu, within a Ministry of Education (2001:58) report, for instance: 'despite the enormous efforts and costs, Vanuatu's education system is not producing the desired results'. Some have suggested the lack of progress in Vanuatu could be due to a history of reliance on foreign experts for formulating educational policies. Indeed, Vanuatu was the first Pacific Island country to take up the challenge of developing a more indigenous approach to education with a 2002 meeting of senior Vanuatu educators who underscored a need for the cultivation of a local agenda, Ni-Vanuatu interpretations and man ples (local) perspectives (Sanga and Niroa 2004:14).

Vanuatu's Government aimed to include pre-school education in its master plan with the establishment of a position for a pre-school coordinator at the Ministry of Education in 1997 (VSA 2004b). The pre-school curriculum, however, has never been used to its full extent as no training was provided on how to use it or how to put into practice the theory outlined within it. Children in Vanuatu begin their pre-school education between the ages of four and six, and can spend up to two years at pre-school before moving on to primary school (James 2004).

The national NGO, Pri Skul Asosiesen Blong Vanuatu (PSABV), was established in the 1980s with the aim of bringing together those concerned with the care, education, and health of pre-school children. Through networking, members seek ways to promote development of pre-school education. The PSABV has 52 branches throughout Vanuatu's six provinces and gains financial assistance from the Vanuatu Government. The Ministry of Education gave PSABV a grant of VUV21,000,000 (AU$250,000) to work towards cooperatively improving the quality of education in the country's rural pre-schools (VSA 2004b).

The kind of capacity-building exercise PSABV have to grapple with, especially given the constraints of available resources, means improving rural pre-school education will be a slow process and, while extensive progress has been made, it is apparent that external inputs are necessary in the short to medium term (James 2004). Consequently, in 2000, PSBVA started recruiting volunteers from external agencies with the first coming from New Zealand's VSA. Subsequent volunteers have come from the British Volunteer Service Overseas, the Canadian University Service Overseas and the Australian Volunteer Initiative. These volunteers work in teams of two and aim to strengthen the capacity of the coordinators and key teachers. The volunteer coordinator counterparts assist the provincial coordinator and key teachers in one province for a period of two months and help plan activities for the next four months. The volunteers then move on to another province and repeat the process there. The aim is that in the absence of the volunteers the local coordinators and key teachers will be able to use their newly-acquired skills and have an opportunity to identify strengths and weaknesses for the next visit.
Operationalisation of the capability approach

Development organisations such as VSA could look upon their work as trying to assist the participants in the programmes to uncover their capabilities. It is important that any methodology used appraises the extent to which the programmes advance the capabilities that the participants inherently have, as well as the substantive freedoms they wish to enjoy. Programmes should help participants to better lead the kind of life they have reason to value. This basic criteria provides a much more comprehensive analysis than just looking at increases in average income, and provides considerable motivational factors for participants' ongoing involvement and conscientisation since the criteria means something to them.

There has been a paucity of effective appraisal techniques available to NGOs such as VSA in evaluating development programmes, particularly those that have used positive outputs-oriented evaluations, that is, reporting on what participants will be able to do after they have been involved for a time. Rather than concentrating entirely on income levels or on deficiencies such as illiteracy rates, the capability approach offers the opportunity for development programme funding applications to concentrate on what can be done to expand participants' choices and opportunities. Consequently, development organisations applying to funding agencies should demonstrate how their funds can find or enhance existing capabilities and expand choices about things that are valued. It is important these organisations be helped to set up their own appraisal metrics before the project is approved so that they can judge their own performance in assisting the participants to enhance their capabilities, which the participants formulate on an ongoing basis. As Sen (1999:291) notes: 'in pursuing the view of development as freedom, we have to examine ... the extent to which people have the opportunity to achieve outcomes they value and have reason to value'.

It is also possible that groups such as PSABV can use focus groups in the initial phase of putting a proposal together. For example, PSABV could use the focus group methodology to elaborate on the functionings and capabilities they expect participants in their programmes to develop. These expectations could be drawn from past experience or they could be developed from focus groups conducted with prospective participants. By setting out these goals from the start, the development agency is explicitly placing the participants' development and their expanded capabilities at the forefront of any programme. Benchmarks are also being established by which the programmes can be appraised and this has the potential to make comparisons over time and between projects.

Hence, for donors, this is an important framework to consider when looking at different poverty alleviation proposals. Donors should examine how far the proposals go towards treating the participants as agents who have the ability to change their own lives. The capability approach, in seeing people as their own agents, provides donors with a way of developing a list of questions or topics they can ask organisations. They could, for example, ask how the programme they are seeking funding for will help the participants improve their basic capabilities in a way the participants themselves would value. This would mean that each programme operated by PSABV, for instance, could be different since each group of participants in each programme is different and may have varied needs.

Reports prepared in the course of this research could form the basis by which management and field workers of PSABV could report the extent of development or poverty alleviation being achieved. PSABV could use the outcomes of regular focus groups to report to their donors. The initial focus groups conducted in this research could form the baseline, and further focus groups could be conducted regularly to monitor progress on what further capabilities have been developed by the various groups.

In future regular monitoring of focus groups it will be important to take note of any new issues raised by participants and to incorporate these issues into the focus group activities. It is important to recognise that the functionings the participants identify are those they value and it is essential they are allowed the opportunity to articulate the freedoms in alternative lifestyles they are experiencing. Development, it is argued here, is about a journey of learning and discovery for each participant and the use of focus groups is an essential part of the process by which individuals can check their own progress in expanding their choices and opportunities.

The baseline provided by these initial focus groups could only be preliminary. They could change significantly in the first months of participation in the project. For example, in one study I found that participants at the start of a project expected it would help them acquire gardening skills. Over the course of the project, a number of participants came to realise, however, that they were gaining social skills because of new opportunities they had for interaction with a variety of people. Another new functioning they identified was the ability to cook vegetables (Schischka 2004). What is very interesting from the framework of the capabilities approach is that these newly acquired functionings (both expected and unexpected) can combine to produce increased capabilities. For the individuals involved, it is crucial that they have a way of regularly monitoring progress in their own development towards their freedom to achieve an alternative lifestyle they have reason to value — that is when their capabilities can truly expand.
Conclusion

There has been a paucity of effective appraisal techniques in evaluating development programmes, particularly those that have used positive evaluations in terms of what participants will be able to do after they have been involved for a time. Rather than concentrating entirely on income levels or on deficiencies such as illiteracy rates, the capability approach-based focus group methodology outlined in this paper offers the opportunity for all stakeholders in a development programmes to concentrate on the expansion of participants' choices and opportunities. Central to the research described in this paper is the application of this focus group methodology in a longitudinal study with a development agency allowing for the continual refinement of the programme design to better meet the needs of the participants.

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School consolidation in rural China

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Introduction
As in all developing nations, educational provision is a major issue in China. Teacher salaries and expenditures on school facilities top the budgets of many local governments. Where these costs are passed onto poor rural families, high drop-out rates often result (Xin San Pian 2003; Zeng 2003). One strategy the Chinese government has used to contain educational costs has been to consolidate schools. Since the rural population is often widely dispersed in scattered villages, this strategy involves turning junior and senior middle schools into boarding schools (so the students whose home villages are far from the school do not have to commute) and busing children to primary schools outside of their home villages. This paper examines the social costs and benefits of this strategy in one rural but rapidly developing county in Shandong Province.

Consolidating schools in Zouping County
In 2000, Zouping County had a population of roughly 690,000 — who lived in the county capital city (about 100,000) — 14 towns and over 850 villages distributed in 16 townships (Zouping 2004). At the end of the 1980s, the county administered over 700 primary schools and 70 junior middle schools. This amounted to almost a primary school in every village and a junior middle school for every ten primary schools. Only villages within easy walking distance of each other shared a primary school. By 1999, the number of schools had been reduced to 200 complete primaries, 150 partial primaries (schools for years one to three), and 30 junior middle schools. In part, the reduction of schools reflected a reduction in the student population brought on by China’s birth control policy. But most of the consolidation took place through encouraging wealthier villages to build larger primary schools, which then would school children from the surrounding area. School buses were introduced to carry children from villages that did not have their own primary schools. The fact that the county had by 1995 managed to construct a paved road to every village facilitated the transportation of students.

By 2005, the number of schools had been reduced to 80 primary schools (including partial primaries) and 21 junior middle schools. The junior middle schools were distributed so that each township had only one junior middle school with five others (including two private junior middle schools) being located in the county capital. These schools taught as many as 500 students per grade with a total of about 1,500 students for the three junior middle years.

The consolidation of primary schools had proceeded most quickly in the poorer, more rural townships. In those places, the county education bureau had the leverage to dictate school funding terms, and reduced school numbers to one or two large primary schools per township. These primaries were built from scratch and usually located in the central town of a given township. Such primary schools provide education for students from between 20 and 40 villages each. On average, such schools teach 1,500 students in six grades. Some of the more wealthy areas of the county retained six or seven primary schools per township, serving approximately five villages each, but only because these townships agreed to fund more of the costs of running the schools themselves.

Rationale and impact of consolidation
The county education bureau argues that consolidating schools allows them to provide a much higher standard of education. They give four reasons for this: first, the large schools are able to afford better equipment; second, the more centralised schools enable the recruitment of better teachers; third, the centralisation of schooling enables a more standardised approach to teaching; and finally, centralised schooling made it easier to manage the students. For four months in 2005, I interviewed teachers and observed classes in six primary schools and four junior middle schools. At least some evidence for each of these benefits was easily observed.

The high quality of school equipment was obvious and in some cases even surpassed the physical infrastructure of Australian primary schools. Even the main primary school of the poorest township of the county had a large computer lab, a track, basketball, ping-pong and volleyball courts, a language lab, a hall for showing movies, and a computer network that gave every teacher in the school access to a PC and the Zouping County education intranet.

While the quality of the teachers is more difficult to evaluate, many teachers said that they were able to teach more effectively than before. In the process of consolidating schools, the education bureau had retired teachers whose qualifications were lacking or outdated. More importantly, because they are at a larger school, the teachers are able to specialise more. Even in
primary schools teachers teach only one, or at most two, subjects to only one or two grade levels. This is quite a contrast to some of the smaller rural primary schools that existed in the past where a cohort of three to five teachers might have taught all major subjects (Chinese, maths, foreign language, art, music, PE, etc.) to students at six different grade levels. Finally, because of the county education computer intranet, teachers are able to share lesson plans both within a given school and across the entire school district. If a particular teacher has extremely good results with her subject (in terms of standardised test scores) then all of the teachers in the county will be encouraged to emulate her lesson plans.

One of the new buzzwords in the county education bureau was 'standardisation' (guifonhua). With many teachers working together in a single building, it was easier to prevent individual teachers with idiosyncratic or self-centered motivations from straying too far from county anointed lesson plans or procedures. This included requiring all teachers to speak standard Mandarin in the classroom although teachers usually used local dialect when out of the classroom.

Finally, the students were heavily supervised. At the rural junior middle schools, students were required to board. This enabled the school to schedule the activities of the students 24 hours a day, six to seven days a week (students were allowed to return home every other Sunday), thus ensuring that all spent enough time studying and at least a little bit of time in activities like physical education, art, and political study. Though not boarding schools, the new large primary schools were 'closed' schools (fengbi xuejiao). They had walls around them so that the students could not leave campus for the duration of the school day. Rather than returning home for lunch, as they did previously in their village schools, students ate lunch at the school. Given the time it took for the bus ride to and from schools, primary students would often be away from home from 7:00am to 5:30pm, five days a week.

Social costs of consolidation
There were a few easily observable social costs to school consolidation. First, class sizes were larger than before, with many junior middle school classes exceeding 60 students per class and many primary school classes exceeding 50. Such large classes necessarily reduce the amount of individual attention available to struggling students.

Secondly, some students found the large, closed, junior middle schools to be too claustrophobic and competitive. The Chinese education system is extremely competitive, and almost all rural students in Shandong hope to excel in the university entrance exam and attend university (Kipnis 2001; Kipnis forthcoming). At junior middle school this competition begins in earnest, and rural junior middle schools become pressure-cooker environments in which students can feel pressured to devote every waking moment (15 hours a day seven days a week) to studying. While junior middle school education is compulsory, and the county offers places at its junior middle school for fairly low (but not negligible) fees, there is still a problem with the drop-out rate. According to my interviews with teachers in some schools this rate exceeds ten per cent (it was impossible for me to determine an exact figure). In addition to teachers, I interviewed eight school leavers all of whom emphasised that, in this area of China anyway, it was not so much the school fees as the fact that they did not like the pressure-cooker environment that led to dropping-out. These students simply decided that school was not for them.

Family perceptions of consolidation
I conducted a survey of every household that had a student in a year six class of 58 students at one of the largest, poorest and most rural schools in the county. As that school constructed its classes to contain a relatively equal number of above average and below average students, this group of households could be considered a relatively representative sample of households in that township with children of that age. I visited 16 of the 25 villages that had students in this particular school. The school had opened in 2003, two years before the survey, so all of the students had spent their first years of schooling in a more local primary school, situated in their own or a neighboring village. I asked the student and the family members present to discuss which school they liked better and why. Of the 58 households, 40 had a clear preference for the new school, mostly because it had better facilities and teachers. Some parents also liked the fact that the new school was a closed campus. This made the parents feel that it was safe, provided childcare for nine plus hours a day so the parents could work longer hours, and gave the students a hot lunch. Some students liked to be in an environment with many children from different villages, so that they could make more friends. Ten of 58 households expressed a clear preference for the old more local primary, usually for reasons of convenience — because the children could walk to school and come home for lunch or because the children had had particularly good relationships with the teachers and students of that school. Eight of 58 households saw good points in both schools.

Conclusion
To a certain extent, the social costs and benefits of the school consolidation described here reflect the particular conditions of Zouping County. The level of development compared to many parts of rural China is relatively high and the existence of paved roads makes busing more convenient. The fact that most rural households can find off-farm employment locally causes parents
to favor school arrangements that reduce their child-care burdens. The fact that much of this employment is relatively dirty, insecure and low paying means that many parents want their children to attend university. This increases the competitiveness of the school system. Nonetheless, the particular dynamic currently emerging in Zouping is probably similar to that in many parts of rural China. It demonstrates the problems and benefits of a mass effort to provide a quality education at a relatively low cost by consolidating rural schools.

My overall impression of school consolidation in Zouping is positive. Though the hyper-competitive environment at the junior middle schools is troubling, the system is offering a decent education and a chance at social advancement to even the poorest of Zouping families. More worrying is the thought that a Zouping-like regime of school consolidation could be blindly copied in or imposed upon other parts of China. Without the roads to make busing convenient, the funds to build excellent schools, or the employment opportunities that make parents crave extended child-care, such a policy is likely to fail.

Note
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This volume of essays is the product of an international research project by the Global Development Network (GDN) on results of economic reform in the developing and transition world since the 1990s. The project supported case studies in 31 countries, including Papua New Guinea and Fiji, as well as the thematic essays in this volume. Understanding Market Reforms focuses on lessons from attempts to shift from socialism towards liberal market democracy, against the backdrop of the superior performance of countries which have embraced competition, openness and efficiency. It is an excellent textbook for anyone looking to understand current debates in development theory, especially the contribution to growth and poverty reduction of liberal policies such as privatisation of state owned enterprises, deregulation of labour markets, strengthening property rights, and so on. Extremely well written, it covers some key topics and has a superb bibliography reflecting the high level of academic and donor interest in these themes in recent times.

The book addresses some key themes of current debate on how to achieve economic growth, in similar fashion to the recent argument of Rodrik2 that technocratic solutions are being replaced by emphasis on the need for humility, for policy diversity, for selective and modest reforms, and for experimentation. Liberal economic policy, characterised as the Washington Consensus, focuses on building a market friendly environment to foster economic growth, presenting a canonical blueprint to reduce poverty. But liberalism has not always worked. For example, Estonia and Chile have achieved high quality growth through liberal policy, Russia and Argentina have done less well, while China has grown rapidly despite not adhering to liberal advice. The challenge is to find a theoretical framework to explain the factors causing such variable results.

Understanding Market Reforms argues that a reason for reform failure is lack of attention to the role of institutions in implementation. The authors suggest reformers have not adequately analysed institutional incentives or issues of distributive conflict. Governments are not always benevolent, and policy implementation is not automatic. A technocratic elite cannot expect policy reform to work when the broader community is not engaged, as flawed political assumptions in reform processes can create popular hostility to liberal policy. Weak implementation can entrench low rates of growth, social inequality and limited public scrutiny of governments, as in the unfair privatisations in Russia. Weak states often lack political will to reform, but blaming them begs the questions what can be done to improve the constituencies for reform, and what is the appropriate time frame and sequencing.

The Understanding Reform project shows that helping to build local demand for accountability, for example by partnering with university researchers and other leaders of civil society in poor countries, is a key strategy for creating legitimacy, local suitability and sustainability of economic reform. In this light, GDN’s objective of building capacity in poor countries to analyse policies against evidence is emerging as a key topic for aid strategy, especially in the context of weak...
growth in fragile states. The liberal vision requires the polity to accept a longer time-frame, a more complex conception of national interest, and a willingness to cooperate and sacrifice personal short term benefit for the greater good. Fostering such discussion requires deep cultural engagement, especially considering the thin popular demand for reform, with voters more focused on the 'clientelist' politics of patronage than economy-wide issues.

Understanding Market Reforms notes that managing social divisions resulting from reform is an important topic that has not been extensively analysed. Conservative parties who introduce reform sometimes fail to compensate the losers, resulting in deeper political conflict and social problems. As a result, the poor tend to reject liberal policies entirely, fearing they will face the brunt of transition costs such as job losses, low wages and social conflict. The political economy of reform therefore opens big questions about the moral dimension of poverty reduction.

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New Books

**Pacific Islands Regional Integration and Governance**


This book brings together experts from around the world to consider specific issues pertaining to regional integration and governance within small states. The authors collectively address the challenges posed to small states by the quickened pace of globalisation. The lessons learnt from the experiences of small states are used to draw policy lessons for the Pacific Island countries.

**A Pacific Journey**


It has been out a few years now, but this book is worth highlighting as it is particularly pertinent to the theme of this Development Bulletin. It provides valuable insights into the administrative and financial policies and practices of Pacific Island countries over a 40 year period. Known history is interspersed with insights based on personal experience. What is particularly useful is the author's ability to pinpoint past decisions and actions, or lack of them, and relate them to the situation today. The author is a Fijian citizen and lived in Fiji for 40 years before working in Papua New Guinea and then with the Australian National University in Canberra. He has undertaken missions in most Pacific Island countries. His knowledge of the Fijian language and the people provides a valuable record of Fijian administrative history. The book provides interesting information on development assistance to the region.

**The New Public Finance: Responding to Global Challenges**

Inge Kaul and Pedro Conceição (eds), 2006. ISBN: 0195179978, 688 pp, US$45. Oxford University Press, 198 Madison Avenue, New York, NY 10016, USA. Tel: +1 800 445 9714; Fax: +1 919 677 1303; Email: custserv.w@oup.com; Web: http://www.oup.com.

This book presents how, through using creative, incentive-based tools, governments could respond in a more affordable and sustainable way to international challenges such as avian flu, terrorism, and climate change. It contributes to our understanding of how international cooperation efforts actually work by presenting an integrated and cohesive theoretical framework and consolidated empirical and operational knowledge in the form of a comprehensive inventory of past, current and possible future (i.e. currently deliberated) financing mechanisms.

**Judicial Systems in Transition Economies: Assessing the Past, Looking to the Future**


This study reviews the experience of the countries of Central and Eastern Europe and the former Soviet Union in reforming their judicial systems to meet the needs of a market economy, drawing on a variety of data sources. The study shows, rather disturbingly, that in these countries less progress has been made in judicial reform than in most other areas of institutional reform.

**The Millennium Development Goals: Raising the Resources to Tackle World Poverty**

How can the Millennium Development Goals be made a reality by 2015? This is an up-to-date overview of the funding proposals and mechanisms now under discussion. Key resource flows examined include official development assistance, foreign direct investment, remittances by migrants, commodity export prices, and new ideas to secure sustainable debt relief, including debt cancellation, revaluation of IMF gold reserves, debt arbitration, and other proposals.

Institutions, Economic Performance and Sustainable Development: A Case Study of the Fiji Islands


A fresh look, through a gender lens, at Pacific fisheries issues; this volume of case studies has been researched and authored by Pacific Islanders in collaboration with Canadian academics. This book will be of particular interest to coastal communities, academics, politicians, government staff and NGO facilitators who are engaged in fisheries policy development, programme and project planning, and coastal community development.

Rule of Law, Legitimate Governance and Development in the Pacific


Using the rule of law as a mobilising theme, this book recasts Western theories of law, good governance and development in a Pacific perspective. While Lutisone Salevao works primarily within a legal analytical framework, he employs a multifaceted approach to address the challenge of making Western theories relevant to the concrete and normative contexts of the Pacific peoples, and to accommodate Pacific values, ideologies, structures and practices within the modern discourse on law.

This volume focuses on economic growth in the agricultural sectors of Indonesia, the Philippines and Thailand. Starting from similar positions, the agricultural sectors of these economies have diverged considerably over the last 40 years. The volume investigates the ways in which policy, institutions, investments, resource constraints and the reallocation of agricultural labour have driven this divergence. The volume documents the interplay of endowments, technology, the accumulation of productive factors, policy, and advocacy in the rural sectors of these three countries.

Pacific Regional Order


This timely book argues that Pacific countries, including Australia, need to embrace regional integration to realise the vision of the Pacific as a peaceful, prosperous region. The book sets out a comprehensive plan for realising a Pacific regional community dedicated to promoting sustainable development, security, human rights, the rule of law and democracy.

Reshaping the Asia Pacific Economic Order


The contributors to this volume explore the forces reshaping the Asia Pacific economic order in the current era of flux, and where these changes may lead. Focusing on the origins of the shift towards...
policy driven integration, the book examines what new structures may eventually emerge on both sides of the Pacific, the ways in which this shift will affect the progress of economic integration and how cross-Pacific relations will therefore be affected.

The Changing South Pacific: Identities and Transformations

A variety of social problems confronting the peoples of the contemporary South Pacific are examined under an anthropological lens. This collection of texts invites the reader to understand how the inhabitants of these societies seek to affirm both an individual identity and a sense of belonging to the contemporary world.

In Search of Excellence: Exemplary Forest Management in Asia and the Pacific
Patrick B Durst et al (eds), 2005. ISBN: 978946688, 404 pp. Free online. For hard copy contact: Patrick B Durst, Senior Forestry Officer, FAO Regional Office for Asia and the Pacific, 39 Phra Atit Road, Bangkok 10200, Thailand. Tel: +66 2 697 4000; Fax: +66 2 697 4445; Email: Patrick.Durst@fao.org; E-mail: RAP-publications@fao.org; Web: http://www.fao.org/documents/show_cdr.asp?url_file=docrep/007/ae542e/ae542e00.htm

This publication reflects the outcome of an ambitious initiative to identify instances of exemplary forest management in the region and examine the core components of high quality forest management in an effort to illustrate good forest management to a wide audience and encourage others to take up some of the most promising ideas, methods and approaches. The book recounts presents 28 case studies of successful and innovative forest management.

The Making of Global and Local Modernities in Melanesia: Humiliation, Transformation and the Nature of Cultural Change

This work examines the kinds of efforts that have been made to adopt Western modernity in Melanesia and explores the reasons for their varied outcomes. Professor Marshall Sahlins' theories of cultural change and the relationship between cultural intensification and globalising forces are taken as a starting point, and then refined and extended. Also presenting one of Sahlins' less widely available original essays for reference, this book is an exciting contribution to serious anthropological engagement with Papua New Guinea.

South Pacific Futures: Oceania Toward 2050
Anthony Van Fossen, 2005. AU$45. Foundation for Development Cooperation, PO Box 10445, Adelaide Street, Brisbane, QLD 4000, Australia. Email: info@fdc.org.au; Web: http://www.fdc.org.au/

Journals

Journal of the Asia Pacific Economy

Anis Chowdhury (ed.), ISSN: 1354-7860 (print), 1469-9648 (online), quarterly. Institutional: US$584; individual: US$127. Routledge, Taylor and Francis Australia, Level 2, 11 Queens Rd, Melbourne VIC 3004. Tel: +61 3 9866 2811; Fax: +61 3 9866 8822; Email: enquiries@tandf.com.au; Web: http://www.tandf.co.uk/journals/titles/13547860.asp.

The Journal of the Asia Pacific Economy aims to promote greater understanding of the complex economic, historical, political, social and cultural factors which have influenced and continue to shape the transformation of the diverse economies that make up the Asia Pacific region. It particularly welcomes papers from a multi-disciplinary perspective, and encourages contributors to explore the practical policy implications of their work for governments and business.

Development Bulletin

Pamela Thomas (ed.), ISSN: 10351132, quarterly. Institutional: AU$220; individual: AU$88 (domestic), AU$100 (international); student: AU$66 (domestic), AU$70 (international). Development Studies Network, Research School of Social Sciences, The Australian National University, Canberra ACT 0200. Tel: +61 2 6125 2466; Fax: +61 2 6125 9785 1893; Email: devnetnetwork@anu.edu.au; Web: http://devnet.anu.edu.au.

An international development journal with a special focus on Australia, New Zealand, Pacific Island countries, and Southeast Asia. Each journal examines a key development theme from a variety of disciplinary perspectives and features papers written by national experts, academics, development consultants, NGO workers and researchers. Thematic book reviews, lists of recent publications, organisations and websites are also published alongside non theme-related viewpoints.

Oceania

Neil Maclean (ed.), ISSN: 0029 8077, three times per year. Institution: AU$79.20 (domestic), AU$72 (international); individual: AU$66 (domestic), AU$60 (international); concession AU$52.80 (domestic), AU$48 (international). Oceania Publications, University of Sydney (H42), 116 Darlington Road, NSW 2006. Tel: +61 2 9351 2666; Fax: +61 2 9351 7488; Email: oceania@arts.usyd.edu.au.

Oceania publishes contributions in the field of social and cultural anthropology. Its primary regional orientation is to the peoples of Australia, Melanesia, Polynesia, Micronesia and Southeast Asia. The central concern of the journal lies with papers that are the product of sustained ethnographic research but review articles and papers that have a direct bearing on the central ethnographic concerns of the journal are also accepted.

South Pacific: Journal of Philosophy and Culture

Peter J Yearwood (ed.), ISSN: 1028 7833, annual. Institution: PGK20 (domestic), AU$30 (international); individual: PGK10 (domestic), AU$30 (international). University of Papua New Guinea, PO Box 320, University Post Office, National Capital District, Papua New Guinea; Fax: +675 326 7187; Email: leadr@upng.ac.pg.

Established in 1996, this journal of philosophy and culture is sponsored by the University of Papua New Guinea. The journal focuses on topics and themes in philosophy and culture of relevance to the South Pacific region. Papers included in the journal include those in the areas of philosophy, history, the social sciences, and culture.

Contemporary PNG Studies: DWU Research Journal

Viloni Hereniko (ed.), E-ISSN: 1527 9464, biannual. Institutions US$30 (Pacific Islands except Hawaii, Australia, New Zealand), US$50 (international); individual: US$23 (Pacific), US$35 (international); student: US$12 (Pacific), US$24 (international). DWU Press, Divine Word University, PO Box 483, Madang, Papua New Guinea. Email: dwupress@dwu.ac.pg.

The Contemporary PNG Studies: DWU Research Journal provides the means for DWU staff, students and associated academics to publish research findings, personal perspectives, reports of projects or developments and reviews of recent books on Papua New Guinea. The journal promotes investigations of practice and theory in fields covered by faculties and activities of Divine Word University at all its campuses.

The Contemporary Pacific

With editorial offices at the Center for Pacific Islands Studies, the Contemporary Pacific covers a wide range of disciplines with the aim of providing comprehensive coverage of contemporary developments in the entire Pacific Islands region, including...
Melanesia, Micronesia and Polynesia. It features refereed, readable articles that examine social, economic, political, ecological, and cultural topics, along with political reviews, book and media reviews, resource reviews, and a dialogue section with interviews and short essays. Each issue highlights the work of a Pacific Islander artist.

**Pacific Economic Bulletin**

Ron Duncan and Maree Tait (eds), ISSN: 0187 8038, three times per year. Subscription: AU$60, single issue: AU$20. Asia Pacific Press, c/- Landmark School Supplies, PO Box 130, Drouin VIC 3818, Australia. Tel: +61 3 5625 4290; Fax: +61 3 5625 375; Email: book.distribution@elandmark.com.au; Web: http://peb.anu.edu.au. This is an important resource for those interested in the study of mankind in the Pacific Islands (including Hawaii and Papua New Guinea), and is concerned generally with political, economic, religious, and cultural factors affecting human presence there. It publishes articles, annotated previously unpublished manuscripts, notes on source material and comment on current affairs. It also welcomes articles on other geographical regions, such as Africa and Southeast Asia, or of a theoretical character, where these are concerned with problems of significance in the Pacific.

**Journal of Pacific Studies**


Journal of Pacific Studies is dedicated to giving a voice to Pacific scholars. Scholars from a range of disciplines focus on a diverse array of topics relevant to the Pacific, its trials and triumphs.

**The Journal of Pacific History**

KR Rowe and Chris Ballard (eds), ISSN: 1469 9605 (online) ISSN: 0022 3344 (print), three issues per year. Institution (print): AU$253; institution (online): AU$240; individual: AU$64. Routledge, Taylor and Francis Australia, Level 2, 11 Queens Rd, Melbourne VIC 3004. Tel: +61 3 9866 2811; Fax: +61 3 9866 8822; Email: enquiries@tandf.com.au; Web: http://www.tandf.co.uk/journals/title/00223344.asp.

The Journal of Pacific History is a refereed international journal serving historians, prehistorians, anthropologists and others interested in the study of mankind in the Pacific Islands (including Hawaii and Papua New Guinea), and is concerned generally with political, economic, religious, and cultural factors affecting human presence there. It provides a major platform for the study of the Pacific Basin. It is an interdisciplinary forum for the exchange of ideas on this increasingly important region, published with the intention of promoting understanding. The journal serves as a forum for discussion of domestic and foreign politics, economics, business and industrial issues, military strategy and cultural issues. The journal aims to break down barriers between business, academia, journalism and government. The accessible nature of the Pacific Review and a focus on current policy issues make it a valuable source on information for the business community and government agencies in addition to academics.

**Asia Pacific Viewpoint**

Warwick E Murray (ed.), ISSN: 1467 8373 (online), ISSN: 1360 7456 (print), three times a year. See web for subscription details. Blackwell Publishing, PO Box 1354, 9600 Garrington Road, Oxford OX4 2XG, UK. Tel: +44 1865 778315; Fax: +44 1865 417775; Email: customerservices@blackwellpublishing.com; Web: http://www.blackwellpublishing.com/journal.asp?ref=1360-7456&site=1

Asia Pacific Viewpoint is a journal of international scope, particularly in the fields of geography and its allied disciplines. Its coverage includes the growth of linkages between countries within the Asia Pacific region, the environmental consequences of economic growth, fieldwork regarding socio-economic development which is relevant to the wider region, and theoretical research into development patterns.

April 2006
A Pacific Strategy for the Asian Development Bank 2005-2009: Responding to the Priorities of the Poor

ADB (Asian Development Bank), 2005. 46 pp, free (online). ADB, PO Box 789, 0980 Manila, Philippines. Tel: +632 636 2648; Email: adbpub@adb.org; Web: http://www.adb.org/Documents/CSPs/PAC/2004/default.asp

The Pacific Strategy 2005-2009 provides a framework for ADB operations in its 14 Pacific development member countries (PDMCs) and for ADB support to Pacific regional cooperation. Detailed strategies and programmes will be developed at the country level, in support of the PDMCs' national development programmes. The Pacific Strategy highlights differences among PDMCs, but also addresses common challenges.

A Future Within Reach: Reshaping Institutions in a Region of Disparities to Meet the Millennium Development Goals in Asia and the Pacific

ESCAP (Economic and Social Commission for Asia and the Pacific), 2005. 107 pp, free (online). ESCAP, The United Nations Building, Rajadamnern Nok Avenue, Bangkok 10200, Thailand. Email: escap-pdd@un.org; Web: http://www.unescap.org/Publications/2ndMDGReport/index.htm

This report is an advocacy document, which intends to provide government policy makers and other development stakeholders with the most comprehensive and up-to-date assessment of the region's progress towards the MDGs. It also offers a range of policy options for improving the region's prospects for meeting the goals, particularly those related to providing basic services or health, education, water and sanitation and to enhancing regional cooperation.

Statistical Indicators for Asia and the Pacific


This quarterly statistical publication provides monthly statistics for the assessment of demographic and economic trends. It includes series on population, industry, transport, internal trade, external trade, prices and finance in selected countries or areas of the ESCAP region, accompanied by charts for some important series. Each country's data are presented in a single section; the data content may vary from country to country depending on the availability of monthly series. Selected annual country series are presented in regional comparative tables.


The Pacific Environment Outlook presents environmental trends by assimilating the drivers that directly and indirectly affect the state of the environment. It examines the linkages between social and economic activities and the environment in the Pacific small island developing states, highlighting their social, economic and environmental vulnerability.

Pacific Regional Strategy


The new strategy for the Pacific Islands, covering 2006-2009, will help tackle increasing levels of economic hardship, youth unemployment and the region's growing vulnerability to climate change.

Globalisation and the Economic Future of Small Isolated Nations, Particularly in the Pacific

Pacific island countries (PICs) vary considerably in the extent and in the ways in which they are linked to the global economy. Within PICs, households and families, and different social groups also differ in their dependence on markets, cash and foreign exchange incomes for their economic welfare. This paper argues the need to analyse the distribution of such dependencies using, among other things, relative frequency distributions. It also considers the possible implications of various social and economic trends for the economic development and future of PICs.

Asian Development Outlook 2005


Asian Fisheries Today: The Production and Use of Low Value/Trash Fish from Marine Fisheries in the Asia-Pacific Region
Simon Funge-Smith, Erik Lindebo and Derek Staples, 2005. For copies, contact: The Senior Fishery Officer, FAO Regional Office for Asia and the Pacific, Malikiwan Mansion, 39 Phra Athit Road, Bangkok 10200, Thailand. Tel: +66 2 697 4000; Fax: +66 2 697 4445; E-mail: FAO-RAP@fao.org. Available from: http://www.fao.org/documents/show.cdr.asp?url_file=docrep008/ae/ae934e00.htm

This report provides an overview of the Asia-Pacific situation with regard to low value/trash fish production, with special emphasis on the important impact of aquaculture development and human consumption demand.

Agricultural Extension and Training Needs of Farmers in the Small Island Countries: A Case Study from Samoa

Containing a case study from Samoa, this publication will help in understanding the general agricultural situation in small islands, and how extension services are trying to meet the extension needs of farmers. The questionnaire used is included in the annexes, and may be useful for similar studies.

Infrastructure in the Pacific: Obstacles and Opportunities to Improved Performance
World Bank, 2005. Free (online). Local distributor: Da Information Services, 648 Whitehorse Road, Mitcham VIC 3132. Tel: +61 3 9210 7777; Fax: +61 3 9210 7788; Email: service@dadirect.com.au; Web: www.dadirect.com.au; Available from: http://siteresources.worldbank.org/INTEAPINFRASTRUCT/Resources/PIR_revisedfinal_061205.pdf

This document encourages debate about the role infrastructure plays in growth and development in Pacific countries. The authors reviewed performance in the following infrastructure sectors: electricity, telecommunications, water and sanitation, roads, airports and aviation, and ports and shipping.

Evaluation of World Bank Assistance to Pacific Member Countries 1992-2002

The evaluation focuses on Fiji, Samoa, Solomon Islands, Tonga and Vanuatu. It examines whether the objectives of the Bank’s assistance were relevant, if the programme was effectively designed and consistent with its objectives; and if the programme achieved its objectives and had substantial impact on the countries’ development during this period.

Remittances in the Pacific: An Overview

The report provides an overview of labour migration from Pacific island countries and the remittances that follow.
Organisations and Programmes

Global Development Network (GDN)

2nd Floor, West Wing, ISID Complex, Plot No. 4, Vasant Kunj Institutional Area, New Delhi 110070, India; Tel: + (91) 11-2613-9494 / 2613-6885; Fax: + (91) 11-5170-4248 / 2613-6893; US No: + (1) 206-347-3560; Email: gdni@gdnet.org; Web: http://www.gdnet.org/middle.php.

Launched in December 1999 by the World Bank, the Global Development Network (GDN) is an ever-expanding global association of research and policy institutes in the social sciences working together to address problems of national and regional development. It was founded on the premise that good policy research, properly applied, can accelerate development and improve people’s lives. GDN’s approach to policy relevant research is very much a multidisciplinary one, in that efforts to address development challenges must be informed by knowledge based on a variety of methodological approaches. To promote homegrown expertise, GDN helps researchers from the developing and transition countries to: generate new knowledge in the social sciences and build research capacity; share research output, data, and experiences across regions; and apply research to policy and inform policy makers.

In order to be closer to its constituency, researchers in developing countries, and at the invitation of the Government of India, GDN successfully relocated its international Secretariat from Washington DC to New Delhi, India in 2005. GDN is also in the process of gaining international organisation (IO) status to better fulfill its mandate. The IO charter has already been signed by a host of countries including Colombia, Egypt, India, Italy, Sri Lanka and Senegal.

Oceania Development Network (ODN)

Dr. David Kavanamur (Convenor, University of Papua New Guinea, Boroko, PNG; Email: david.kavanamur@upng.ac.pg. ODNet Coordinator, The Foundation for Development Cooperation (FDC), 283 Elizabeth Street (2nd Floor), P O Box 10445, Adelaide Street, Brisbane Queensland 4000. Tel: +61 7 3236 4633; Fax: +61 7 3236 4696; Email: fikrethlulaib@fdl.org.au; Web: http://www.gdn-oceania.org/.

The ODN is the Pacific chapter of the GDN. It was launched in Suva in October 2003 with Dr Mahendra Reddy of the University of the South Pacific as the inaugural convenor. The current convenor is Dr David Kavanamur of the University of Papua New Guinea. Beris Gwynne, Executive Director of the Foundation for Development Cooperation represents the ODN on the GDN Board of Directors. A special debt is owed to Ms Gwynne and the Foundation for Development Cooperation for their support to the ODN over the years.

The ODN recently organised the conference, ‘Building Better Pacific Economies’, held at the University of Papua New Guinea, in October 2005.

Core activities

GDN sponsors five core activities, which together serve the goals of investing in human capital, unearthing and mentoring new talent and advancing development policies in developing and transition countries.

• Regional research competitions:
  Held every year by GDN’s regional network partners in eight regions to promote high-quality research in developing countries. By February 2005, GDN has disbursed more than
$18 million and awarded more than 650 grants through this programme.
- **Global development awards and medals competition:** The largest annual international competition for researchers on development, each year roughly $300,000 is awarded in grants to researchers and development practitioners from developing countries. More than 2,000 scholars have participated in this competition to date.
- **Global research projects:** Major projects involving research teams worldwide address the most pressing issues of development. To date, four projects have been implemented within the comparative, cross-country context — 'Explaining growth', 'Understanding reform', 'Bridging research and policy' and 'Impact of rich countries' policies on poverty'. The 265 grants awarded include country studies, thematic papers, regional syntheses and global studies.
- **Annual global development conferences:** GDN's annual conferences provide promising researchers from developing countries an opportunity to showcase their research in an international forum and benefit from interaction with world-renowned academics and policy makers. Of the 3,500 participants from over 100 countries who have attended GDN's five annual conferences since 1999, nearly 2,500 were researchers from the developing world.
   GDN ran a very successful international conference in January 14-19, 2006, in St Petersburg, Russia, on the theme of 'Institutions and development: At the nexus of global change'. This was the seventh major GDN conference. It followed the annual World Bank conference on development economics (ABCD).
- **GDNet: The electronic voice of GDN:** GDN's internet-based resource, GDNet, is rapidly emerging as the primary depository of research output from the developing world with nearly 10,000 research papers available online. In addition, GDNet provides developing country researchers with online access to sophisticated research tools. The monthly newsletters 'GDNews', and 'Research in focus' reach nearly 16,000 subscribers.

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**Secretariat of the Pacific Community (SPC)**

BP D5, 98848, Noumea Cedex, 95
Promenade Roger Laroque, Anse Vata,
New Caledonia. Tel: +687 26 20 00; Fax: +687 26 38 18; Email: spc@spc.int; Web: http://www.spc.org.nc.

SPC, based in New Caledonia, is a regional technical advisory, training and research and development organisation that works to develop the technical, professional, scientific, research, planning and management capability of Pacific Island people and provide information and advice. Activities include programmes focusing on land, marine and social resources.

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**South Pacific Forum**

The Secretary General, Forum Secretariat,
Private Mail Bag, Suva, Fiji. Tel: +679 3312 600; Fax: +679 3301 102; Email: info@forumsec.org.fj; Web: http://www.forumsec.org.fj.

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The Pacific Island Forum represents Heads of government of all the independent and self-governing Pacific Island countries, Australia and New Zealand. Since 1971 it has provided member nations with the opportunity to express their joint political views and to cooperate in areas of political and economic concern.

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**South Pacific Applied Geoscience Commission (SOPAC)**

SOPAC Secretariat, Private Mail Bag,
GPO, Suva, Fiji. Tel: +679 338 1377; Fax: +679 337 0040; Email: director@sopac.org; Web: http://www.sopac.org.

SOPAC is the South Pacific Applied Geoscience Commission. It is an intergovernmental, regional organisation dedicated to providing services to promote sustainable development in the countries it serves. SOPAC's work is carried out through its Secretariat, based in Suva.

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**United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)**

The United Nations Building,
Rajadamnern Nok Avenue, Bangkok 10200, Thailand. Tel: +66 2 288 1234; Fax: +66 2 288 1000; Email: unescap@unescap.org; Web: http://www.unescap.org.

UNESCAP is the regional arm of the United Nations Secretariat for the Asian and Pacific region. It promotes economic and social development through regional and sub-regional cooperation, and serves as a development forum for the region. Among its array of responsibilities, UNESCAP formulates and promotes development assistance activities and projects in the region, conducts research and provides advisory services to governments at their request.
Pacific Islands Forum Fisheries Agency (FFA)

Forum Fisheries Agency, PO Box 629, Honiara, Solomon Islands. Tel: +677 21124; Fax: +677 23995; E-mail: info@ffa.int; Web: http://www.ffa.int/

The FFA is an organisation set up to provide expert fisheries management and development advice and services to member countries. There are 16 country members and one territory member from the western and central Pacific region. FFA was formed 26 years ago under an international convention and is based in Honiara, Solomon Islands.

South Pacific Regional Environmental Programme (SPREP)

PO Box 240, Vaitele, Apia, Samoa. Tel: 685 21929; Fax: 685 20231; E-mail: sprep@sprep.org.ws; Web: http://www.sprep.org.ws/

SPREP is a regional organisation established by the governments and administrations of the Pacific region to look after its environment. Its mandate is to promote cooperation in the Pacific islands region and to provide assistance in order to protect and improve the environment and to ensure sustainable development for present and future generations. SPREP has 26 members, including all 22 Pacific island countries and territories.

Asia Pacific Association of Agricultural Research Institutions (APAARI)

C/- FAO Regional Office for Asia Pacific, 39 Phra Atit Road, Maliwan Mansion, Bangkok 10200, Thailand. Tel: +662 697 4371 73; Fax: +66 2 697 4408; Email: apaari@apaari.org; Web: http://www.apaari.org.

APAARI promotes the development of national agricultural research systems in the region through a regional collaboration network on priority programmes focusing on human resources development, policy advocacy, and technology transfer.

Asia Pacific Gender Equity in Science and Technology (APGEST)

UNESCO Office, Jakarta, Jl. M. H. Thamrin 14, Jakarta 10002, Indonesia. Tel: +62 21 3141308; Fax: +62 21 3150382; Email: jakarta@unesco.org; Web: http://www.unesco.or.id/apgest/

APGEST is a breakthrough initiative on gender, science and technology, spearheaded by UNESCO's Jakarta office. APEGST is promoting the adoption of policies and programme that ensure access to cutting edge science and technology by poor women in the Asia Pacific. Specific sections on biotechnology, green health, IT, renewable energy and water.

Asian and Pacific Development Centre (APDC)

PO Box 12224, Petaihan Duta Kuala Lumpur 50770, Malaysia. Tel: +60 3 6511088; Fax: 60 3 6510316; Email: info@apdc.po.my.

APDC is an autonomous inter-governmental institution. Activities include policy research, training, information dissemination and consultancy/advisory services. The Centre assists the 19 member governments in the formulation, implementation, management and evaluation of development strategies and policies, and collaborates with research and training institutions. Publishes the Asia Pacific Development Monitor.

European Centre on Pacific Issues (ECSIEP)

PO Box 8190, 3503 RD, The Netherlands. Tel: +31 30 69 27827; Fax: +31 30 6925614; Email: ecsiep@antenna.nl; Web: http://www.ecsiep.org/

ECSIEP was set up in 1992 to improve the flow of information between Europe and the Pacific, and make it available to Pacific networks. It functions as a service bureau for the Europe-Pacific Solidarity Network. The site offers links to many organisations in the Pacific and the Small Islands Developing States, and to EU documents relevant to the region.

Centre for Pacific Island Studies

University of Hawai'i at Manoa, 1890 East-West Road, Moore 215, Honolulu, Hawai'i 96822, USA. Tel: +1 808 956 7700; Fax: +1 808 956 7503; Email: cips@hawaii.edu; Web: http://www.hawaii.edu/cips/

The Centre is both an academic department and a larger home for initiatives that bring together people and resources to promote an understanding of the Pacific Islands and issues of concern to Pacific Islanders. The university's Pacific Collection attracts a worldwide audience, as do its international conferences, its web-based resources, its Pacific Islands Monograph Series, and its award-winning journal, The Contemporary Pacific.

Small Island Developing States Network (SIDSnet)

United Nations Division for Sustainable Development, United Nations Department of Economic and Social Affairs, 2 UN Plaza, DC2-2020, New York, NY 10017, USA. Fax: +1 917 367 3391; Email: sidsnetsdnb@un.org; Web: http://www.sidsnet.org/

SIDSnet connects 43 SIDS in the Pacific, Caribbean, Atlantic, Indian Ocean, Mediterranean and Africa. Its main goal is to utilise information and communications technologies in supporting the implementation of the sustainable development objectives of the Barbados Programme of Action.
University of the South Pacific (USP)
Private Mail Bag, Suva, Fiji Islands. Tel: +679 323 1000; Web: http://www.usp.ac.fj; Email: webmaster@usp.ac.fj.

USP is the premier provider of tertiary education in the Pacific region and an international centre of excellence for teaching, research, consulting and training on all aspects of Pacific culture, environment and human resource development needs.

University of Papua New Guinea (UPNG)
PO Box 320, University Post Office, National Capital District, Papua New Guinea. Tel: +675 326 0000; Fax: +675 326 7187; Email: PR&O@upng.ac.pg; Web: http://www.upng.ac.pg.

UPNG offers undergraduate and graduate degrees, and diploma certificate programmes in more than 30 majors in the five schools of study: School of Business Administration, School of Humanities and Social Sciences, School of Law, School of Medicine and Health Sciences and School of Natural and Physical Sciences.

National University of Samoa (NUS)
Toomatagi, PO Box 162, Apia, Samoa. Tel: +685 20072; Fax: +685 20938; Web: http://www.nus.edu.ws.

Located in Apia, NUS has about 1,500 students. It offers undergraduate degrees in the faculties of science, arts, nursing, commerce and education.

Sustainable Development Institute, Micronesian Area Research Center (SDI-MARC)
Sustainable Development Institute, Micronesian Area Research Center, University of Guam, 303 University Drive, UOG Station, Mangilao, Guam 96923, USA. Email: tiverson@uog9.uog.edu; Web: http://www.uog.edu/marc/idi.htm.

SDI-MARC was created to channel and focus expertise in economic analysis towards development problems and opportunities in the service region.

Foundation for Development Cooperation
PO Box 10445 Adelaide Street, Brisbane QLD 4000, Australia. Tel: +61 7 3236 4633; Fax: +61 7 3236 4696; Email: info@fdc.org.au; Web: http://www.fdc.org.au.

FDIC is unique in its purpose and focus, its independent regional identity and its integration of action research and policy development. Its long-term aims are to: mobilise support for development cooperation; ensure sustainable development policies and practices in the Asia Pacific region; promote individual, community and private sector initiative; and to reduce poverty and disadvantage.

Centre for South Pacific Studies
The University of New South Wales, Sydney NSW 2052, Australia. Tel: +61 2 9385 2408; Fax: 612 9313 7859; Email: cop@unsu.edu.au; Web: http://southpacific.arts.unsw.edu.au/homepage.html.

The Centre for South Pacific Studies was established in 1987 to collect, collate, and distribute information from a diversity of disciplines, in printed and electronic form, about the peoples and places of the Pacific Islands.

Macmillan Brown Centre for Pacific Studies
Arts Rd, University of Canterbury, Private Bag 4800, Christchurch 8004, New Zealand. Tel: +64 3 364 2957; Fax: +64 3 364 2002; Email: mbc@canterbury.ac.nz; Web: http://www.pacs.canterbury.ac.nz/about.html.

The main areas of research of the Centre are the societies and cultures, past and present, of the indigenous peoples of Oceania (including New Zealand). In developing its research programme, the Centre is responsive to concerns expressed by these people.

Electronic Networking for Rural Asia/Pacific Projects (ENRAP)
IDRC Regional Office for South Asia, 208 Jorbagh, New Delhi 110003, India. Tel: +91 11 2461 9411, Ext. 102; Fax: +91 11 2462 2707; Email: amishra@idrc.org.in; Web: http://www.enrap.org.

ENRAP is an International Fund for Agricultural Development-funded initiative to support internet use and knowledge sharing amongst rural development projects in the Asia Pacific region.
Web Resources

Asian Development Bank (ADB)

Pacific Department, 6 ADB Avenue, Mandaluyong City, 0401 Metro Manila, Philippines. Email: pard@adb.org; Web: http://www.adb.org/Pacific/default.asp.

Pacific section contains information regarding ADB's publications, projects, news, and strategy papers.

Oceania Development Network (ODN)

See website for contact details: http://www.gdn-oceania.org/100037.php.

The ODN's purpose is to provide a platform for researchers in the region to interact with each other, share knowledge and skills to foster team research, and build and update regional databases. The network will identify contemporary issues that underpin the development agenda of the Pacific island states and carry out research and organise conferences geared at developing and refining policies.

Pacific Development Directory (PDD)

Dev-Zone Org, Level 5, PSA House, 11 Aurora Terrace, PO Box 12440, Wellington, Aotearoa, New Zealand. Tel: +64 4 472 9549; Fax: +64 4 496 959; Email: info@dev-zone.org; Web: http://www.dev-zone.org/pdd/index.php.

PDD is a joint project of the Pacific Islands Association of NGOs and the Development Resource Centre (Dev-Zone). It lists more than 1,100 organisations, including NGOs, community-based organisations, donors, international development consultancies, libraries, multilateral agencies, universities and individuals.

Pacific Economic Outlook (PEO)

See website for contact details: http://www.asiapacificbusiness.ca/peo/.

PEO provides annual economic forecasts for the member economies of the Pacific Economic Cooperation Council. Prepared by leading economists from each economy, the PEO provides timely and authoritative information for policy makers, business, and the research community.

Pacific Studies WWW Virtual Library


A global collaboration project which provides access to networked scholarly documents, resources and information systems relevant to Pacific Studies. This research tool is provided by the Internet Publications Bureau, Research School of Pacific and Asian Studies at the Australian National University, and is regularly updated.

Women, Gender and Development in the Pacific

Development Studies Network, 7 Liversidge Street, Australian National University, Acton, ACT: 0200, Australia. Tel: +61 2 6125 2466; Fax: +61 2 61259785; Web: http://devnet.anu.edu.au/GenderPacific/index.html.

A collection of 87 papers on Pacific women, gender and development originally published in past issues of Development Bulletin. Many of these issues are now out of print and are available here for free download with assistance from AusAID. The papers are clustered here under six major headings: Conflict and Peacemaking: Gender Perspectives; Women, Legal Issues and Human Rights; Women and Governance; Gender, Civil Society and Political Participation; Women, Status and Social Change; and Women and Gender Mainstreaming.
Author Guidelines

Manuscripts and Copyright
Manuscripts are normally accepted on the understanding that they are unpublished and not on offer to another publication. Once published by the Development Studies Network (the Network), however, manuscripts, articles and reports may subsequently be published elsewhere. Acknowledgement of the Network as the source would be appreciated. No acknowledgement is needed for conference reports, other notices or lists of publications.

The Network cannot assume responsibility for any loss of or damage to manuscripts. Contributors are therefore encouraged to retain a complete copy of their work.

Word length
Submitted papers are to be short and concise, with a minimum of 1000–1500 words and a maximum of 2,500–3,000 words. The word limit includes subheadings and footnotes and excludes references. Conference reports; 800–1000 words.

Presentation and Style
Manuscripts should be double spaced with at least 2.5cm (1") margins. Subheadings, footnotes and references need to be clearly indicated in the text. Quotation marks should be single, double within single. Spelling is English (OED with ‘-ise’ endings).

Documents can be sent as email attachments, on disk or in hard copy. Documents sent electronically should be saved as Microsoft Word files, or in .rtf format. Email attachments are preferred in Word or .rtf format. A virus check is requested prior to any material being electronically sent. No .pdf files please as these cannot be edited or corrected prior to printing.

Referencing
A minimum of references and/or footnotes is requested due to space constraints. All references referred to or cited in the text are to be included in the reference list. Book titles and journal names should be italicised or underlined; titles of journal articles and book chapters are in single inverted commas.

The Harvard style of referencing is preferred: author’s surname, forename and/or initials, date of publication, title of publication, publisher and place of publication. Journal references should include volume and issue number, date and page numbers.

Detailed guidelines on the Harvard style of referencing are available online at: http://www.uwe.ac.uk/library/resources/general/info_study_skills/harvard2.htm#book

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