Good governance, administrative reform and socio-economic realities
A South Pacific perspective
Binayak Ray
The Australian National University, Canberra, Australia

Keywords: Development, Governance, Socioeconomics

Abstract: Good governance and administrative reform issues now form an integral part of the development debate. Multilateral agencies (e.g. World Bank, UN) and bilateral donors insist that issues such as market accessibility, competition, human rights, financial accountability are integral parts of this debate. The South Pacific Island countries cannot divorce themselves from the overall thrust of these issues. The paper argues that their geography, unique socioeconomic features and global political situation must determine their reform agenda. Issues which are appropriate for other countries may not necessarily be the best option for them. These unique features (e.g. tribal nature of their societies, existence of non-monetised economy, little on-shore natural resources in many countries, small size of their domestic economies, locational disadvantages) should determine their reform strategy. Failure to do so would not provide them with an administrative structure suitable for their sustainable development needs. They must not blindly follow reform agenda of other countries.

This paper examines good governance and administrative reform issues in 12 South Pacific Island countries (PICs)[1]. The paper concludes that to be effective, reform measures must specifically relate to PICs' geography, history, society and economy, and should not blindly follow other countries.

PICs vary in size; the smallest, Nauru, and the largest, Papua New Guinea (PNG), have a total land area of 21 and 453,000 square kilometres respectively. PICs are different from other major island-groups: the Caribbean and the Indian Ocean (IOCs). Caribbean islands are clustered together, and close to the US market; IOCs are fast developing into the gateway to Africa for business in the East and South Asia (Ghosh and vanden Drisen, 1996). PICs do not have such advantages. They are scattered over a wider area, away from major markets and the size of their internal markets is small. The development of a new form of transport (containerisation) and advancement in air transport technology has made the situation worse as the small volume of goods loaded and unloaded, and the small number of passengers, did not justify the investment and reorganisation required to participate in this new form of transport (Ward, 1982, 1993). They face severe destructive cyclones almost every year, costing them a fortune in financial and resource terms. The “green-house” effect is also threatening the physical existence of number of PICs (SPC/UNEP/A SPEI Report, 1989 and the New York Times, 1997).
Socio-economic characteristics

UNDP’s human development index (HDI) is a good indicator of a country’s development status. Only five PICs are included in this index of 175 countries (UNDP, 1997). Of these five, Fiji ranked 46th, Western Samoa 96th and the other three ranked between 122 and 128. Comparatively, nine of the 11 Caribbean countries ranked within the first 60 countries. Two IOCs ranked 52nd and 61st. In 1996, five of the Caribbean countries ranked among the first 60 countries. Comparatively, the position of all PICs except Fiji slipped backwards in 1997 (UNDP, 1996).

Eleven of the 12 PICs were occupied by colonial powers for a long time. Eight of them are now independent; of the remaining three, Niue and Cook are self-governing territories in free association with New Zealand, and Tokelau remains the full responsibility of the New Zealand Government.

Population density in many PICs is very high, e.g. 466 persons per square kilometre in Nauru, 346 in Tuvalu, 156 in Tokelau and 131 in Tonga. Colonial linkages provided some opportunities to migrate, particularly to New Zealand. The massive restructuring of the New Zealand economy severely affected unskilled migrant island workers, and the future does not hold much promise either (Walker, 1996). This has forced many islanders to return to their native land. Between 1991 and 1994 more workers of Samoan and Tongan nationality left New Zealand than arrived (Appleyard and Stahl, 1995). Tightening of immigration laws by host countries, including New Zealand, reduces future migration opportunities.

The 1984 Australian overseas aid review warned that the rapidly increasing population would make PICs very poor within a decade as population pressure on land and other resources increases (The Jackson Report, 1984). This has proved to be prophetic. Intra-country migration from rural to urban areas, from outer islands to the main island, are creating additional economic, social and environmental concerns (Appleyard and Stahl, 1995). Urban population growth rates in seven PICs were double the national population growth rate. In three PICs the rate was three times higher (Thistlewait and Davis, 1996). These high levels of in-migration have adversely impacted on urban infrastructure facilities, and have created severe urban poverty, and law and order problems. These mostly unskilled migrants enjoyed a self-sufficient subsistence economy in their rural homeland (Fisk, 1995) or were protected by the safety-net offered by the extended family system. The absence of such safety-nets has created a severe law and order problem in urban areas, forcing governments to divert extra resources to cope with the situation.

PICs recorded some growth in GNP during 1992-1994, but in real terms growth rates were either small or negative. In some countries, a high level of out-migration masks the effects of changes in per capita income. The balance of payments situation during the 1985-1995 decade deteriorated in all countries except Solomon Islands and Western Samoa. A high level of timber export from Solomon Islands, which is responsible for an improved balance of payments situation, has raised concerns about the environmental, social and economic
impact of non-sustainable logging practices (AusAID, 1996). Western Samoa's success is attributed to good economic management led by the recovery of agro-business and strong performance by the tourism sector (AusAID, 1996).

**Good governance and public administration**

“Good governance” and “public administration reform” do not mean, as some researchers (Cole, 1992) tend to imply, “small government”. Governance practices and administrative structures are neither geography, nor history nor culture neutral. Many liberal economists who advocate small government agree with this notion. For example, Hyde, a well-known market-oriented liberal economist in Australia, rightly argued “...what is intolerable to an American liberal is perfectly tolerable to a Swedish conservative, ... comparisons which ignore generations of accumulated political and economic habits are not very useful” (Hyde, 1982).

Good governance practices mean various things to various people, and the perception differs between developing and some developed countries. Root, in his analysis of the rise of East Asia, found that the concept evades definition (Root, 1996). However, differences aside, there are certain elements which form its core: governments should be owned by citizens at large and be effective in economic, social and political areas. A participant at a World Bank Conference in 1991 succinctly put this issue:

> The quality and effectiveness of government enhance the state's capacity in strategic areas that are vital to the process of development. The just exercise of authority is one. A capacity for problem solving and conflict resolution is another. And the performance of its functions based on the involvement of a societal coalition is another (Elgardo, 1992).

It confirms that public administration is not an end in itself, it is a means to achieve the ultimate goal of governments to maximise the wellbeing of its citizens. It is equally important to recognise that countries’ or communities’ needs and perceptions change with the passage of time, global economic and political situations, community values and aspirations. An example is the Labour Government’s decision to privatise the Commonwealth Bank in Australia, which it established after the “great depression” (Ray and May, 1996).

While good governance evades definition, symptoms of poor governance are almost universal, although differences may exist in their detailed interpretations. These are, first, failure to make a clear separation between public and private interests; hence a tendency to divert public resources for private benefit (leads to the growth of corrupt practices in public life); second, failure to establish a predictable framework for law and government behaviour conducive to development (encourages arbitrariness in the application of rules and laws); third, excessive rules, regulations, licensing requirements etc., which impede the functioning of markets (encourages corruption and rent seeking; discourages competition) and fourth, priorities inconsistent with development (resulting in misallocation of resources; excessively narrowly-based or non-transparent decision making). While there may be doubts on their universal validity, broadly speaking “... when they [symptoms of poor governance] are
sufficiently severe and occur together, ... they create an environment hostile to development (World Bank, 1992).

Given the diversity of nations, there cannot be, nor there should be, a single model for good governance practices and public administration structure (UN General Assembly Resolution, 1996). This is important to PICs as traditional values and customs continue to exert considerable influence and power in shaping their social, government and administrative structures (Harden, 1985). These values and customs should not be discarded outright, but be given due consideration in reform measures to ensure that they are acceptable to the community and are practical. Many policy initiatives and programs failed to achieve the desired objectives of lifting the performance of PIC economies or improving government functioning because essential features of these societies were not factored into new policies and programs. Hence, in spite of significant economic aid, the real situation has not changed much and has led to the frustration of donor countries, as became clear from a statement by a former Australian Minister as soon as he was out of the government. He commented “... domestic policies of the recipient country...” should be taken into consideration in determining where to provide aid (Bilney, 1996). Referring to Australia's significant aid assistance to PNG he said:

I think $50 million would be a reasonable amount for Papua New Guinea... This is a country, which let me say - I am allowed to say it now – is absolutely and appallingly corruptly run.

In spite of the social cost of aligning with super powers, island leaders used their "strategic location" to obtain significant financial assistance from them during the cold war (Connell, 1988). The situation changed dramatically with the end of the cold war. A recent report acknowledges this (South Pacific Commission, 1996). But politicians in the South Pacific, except for very few, are yet to fully grasp and understand the consequences of this dramatic change in the international political situation. These countries cannot afford to look either at their former colonial masters (Opa, 1994) or super powers to bail them out of their economic difficulties any more. Policies and programs underpinning the reform agenda therefore should be what Hyde (1982) calls “appropriate government”, which ensures increased economic growth, an essential precondition for security, liberty, dignity and self-fulfilment.

Colonial powers often acted in a subtle way through selected members or groups of people in the local community to maintain their grip on colonies. Through this process many long-standing values, checks and balances necessary to maintain a cohesive social and community order in specific societies were disturbed, often beyond redemption (Migdal, 1988). After independence, PICs' administrative systems were not structurally changed. They may look modern, efficient and accountable, but often fail to capture the mood of the majority of citizens. The political leadership, which is responsible for guiding and determining the future in post-independence days, often failed to understand communities' moods and their nuances in their euphoria of being able to determine the destiny of their own country. For example, post-independent Indian leadership was highly educated and sophisticated in their
approach to governance and administrative issues. Even they failed to gauge the community’s feelings and concerns on critical issues. The well-respected freedom fighter and a great nationalist leader who was a member of the then leadership team acknowledged a decade later that there existed a wide gulf between leaders and the Indian society (Azad, 1960).

Most developing countries have very weak political institutions (Krasner, 1985), and PICs are no different. The situation in PICs was further complicated by a number of additional factors. First, a large part of the population is still living in a non-monetised subsistence economy (Fisk, 1995). Conflicts between non-monetised traditional and monetised societies exist as their values are often determined by the way they use their resources (Stretton, 1976). Second, rapidly changing life styles and high expectations of the post-independence generation bring with them seeds of discontent, which often puts them in conflict with society’s traditional leadership. This new and more outwardly looking generation is therefore less likely to be sympathetic to traditional values and institutions. Third, as the power and authority of traditional chiefs and leaders are eroded (Thistlewait and Davis, 1996), new mechanisms are required for community decision making and conflict resolution. This is fundamentally important in societies which had been hitherto accustomed to a decision making process dominated by tribal leadership, where dissent was not normal, and often unacceptable.

In summary, community, policy makers and administrators need to clearly understand these dynamics, and their changing symbiotic relationship should be a dominant consideration in good governance and administrative reform initiatives.

Reforms in public administration
Since the Thatcher administration’s decision to undertake macro-economic reform and restructure the public service, principles underpinning public administration and its structure have undergone metamorphic changes. Her twin objectives were to increase productivity and encourage economic growth. A number of Commonwealth countries pursued these reform initiatives to make their administration responsive to changing needs of the community in a rapidly changing economic, political and technological environment. New Zealand, Australia, Canada, Singapore, Malaysia are in the forefront. Their focus is directed to first, making the staff, government and management more efficient; second, improving quality of services, the management of finance and the policy making; and third, partnerships with organisations and agencies increasing outside the government (Wettenhall, 1996).

In spite of somewhat similar socio-economic characteristics, the reform agenda in individual PICs must be different because the capacity of some PICs to survive in the long run without significant assistance from outside agencies is doubted (Appleyard and Stahl, 1995). PNG, Solomon Islands and Vanuatu have renewable resources but lack political sophistication and clean administration. They can survive without significant outside assistance. Tonga
and Western Samoa lack a significant resource base but can achieve sustained economic growth with some overseas assistance and prudent management practices. Tokelau, Kiribati and Tuvalu, on the other hand, have very few resources and require continuous outside assistance for economic survival. Economists disagree about the future of Niue and Cook Islands. Fisk (1982) argued that they could sustain the population well above minimum subsistence, but not at the levels to which people aspire.

Nauru has exhausted all its land-based natural resources (phosphate). Income from phosphate royalties has been squandered by mismanagement, poor investment decisions and alleged corrupt practices. The future remains somewhat bleak, although it is still receiving significant overseas aid.

Fiji, located on the air route between Australia, New Zealand and the west coast of America, has a reasonably sophisticated financial and business sector, and a developed tourist industry. It does not have much suitable land for agricultural extension and is plagued by racial conflict. Following two military coups, it has lost a significant number of its skilled work force. However, the recently adopted new constitution is likely to restore its national confidence in the long-run.

With due regard to these features, reform process in PICs must address two basic issues: the legitimacy of governments (do they really represent people?); and accountability and public sector management.

Legitimacy of governments

The legitimacy of governments is mostly assumed, particularly when they are elected. But the question is, do the people own the government or do they own the election which elects the government? Constitutional structures that were adopted with decolonisation were often based on European models that were rooted in the traditions of the colonial power rather than the newly independent nations (Macdonald, 1995). To identify sources of legitimacy in PICs, issues such as informal relationships within and between communities (PNG), conflicts between chiefly systems and the state (Fiji, Western Samoa and Tonga) and communal land rights of tribal groups (PNG) need to be addressed to the satisfaction of their citizens at large (Algappa, 1996).

The poor records of many PIC governments can be attributed to this lack of understanding. The Westminster principle presupposes a secure and broadly based consensus about the rules of the political game, the most important of which should be all-round loyalty to the democratic process itself (Leftwich, 1993). This implies both constitutional and conventional practices. The actions of many PIC governments (e.g. offering rewards to elected legislators to defect; offering financial and other pecuniary incentives to individuals or groups without legislative authority, or suppressing or manipulating information on government decisions which should be publicly available) have diluted or diminished the legitimacy of many governments. While the Asian experience does not confirm direct correlation between legitimacy and economic growth (Macdonald, 1995), governments with recognised legitimacy will find it
politically easier to take hard decisions to achieve economic growth and administrative reform. Duncan (1995) rightly observed that right policies alone would not achieve economic growth unless how the policies were adopted, implemented and kept in place was understood.

The concept of governance, and hence administration, is wider than the conventional concept, which refers to the formal institutional structure and location of authorities in the modern state (Leftwich, 1993). Several issues need to be considered. Only in Fiji, Cook Islands and Vanuatu do political parties play an important role in structuring politics. Political parties in Western Samoa, PNG and Solomon Islands are only loosely organised. Loosely organised parties are emerging in Kiribati. There are no political parties in Tonga or Tuvalu. In many of these places voters vote for candidates whose loyalty to leaders tends to be based on personal qualities, and regional and religious factors (Duncan et al., 1995). In extreme cases this relationship is also influenced by ethnic or tribal loyalties or religious congregation, rather than secular political ideology. Two military coups in Fiji were either strongly backed or supported by Fijian Chiefs and the Methodist Church. These have precluded the growth of political institutions, which could involve, engage and encourage ordinary citizens to take part in political debate.

Institutions, unfortunately, cannot be planted in or superimposed on a society from outside. They take a long time to grow through a process of trial and error, within the individual society's own historical, cultural and economic context. Leftwich's (1993) criticism of the World Bank's approach on good governance (and hence administrative reform) issues is understandable. Findings by other researchers also confirm this. Collins and Warrington (1996) wrote in their summary of proceedings of an international conference on this subject that cultural changes within organisations and societies was daunting. While the transfer of instruments may be easy, the transfer of values was less so.

Accountability and public sector management

The distinction between the government and administration (i.e. policy makers and bureaucracy) in PICs is either blurred or non-existent. The small size of electoral constituencies, outlaying large sums to get elected and in the process incurring debts to their supporters, makes it practically impossible for ministers not to get involved in trivial matters, which inadvertently could, and often do, lead to maladministration or inappropriate government decision. Inability to maintain this distinction indirectly encourages decisions based on tribal or similar other loyalties. A similar situation exists and has contributed to the maladministration and development of corruption in Africa. Ekeh (1975) suggested that the colonial experience in Africa had produced “a unique historical configuration”. He distinguished two public realms in post-colonial Africa: a “primordial” public realm, governed by “primordial groupings, ties, and sentiments” and a colonial-derived “civic” public realm. Most educated Africans are members of both these public realms. He rightly observed that the unwritten law of the dialectics was that it was legitimate to rob the civic public
in order to strengthen the primordial public. This precludes impartial and effective application of government's declared policies. The situation in most PICs is broadly similar to those described by Ekeh.

This dualism remains a major weakness in PICs, particularly when individuals change positions, as a result of changed economic and political circumstances. As private sector jobs are few, the interchange of positions between politicians and bureaucrats in the absence of neutrality and impartiality often leads to the adoption of improper policies and administrative decisions. Furthermore, tribal loyalty and shortage of qualified personnel often prompts the appointment of people to multiple positions, without roles being clearly defined and separated in state and government machineries. Collectively, they preclude the growth of an efficient, open and accountable administration capable of managing the public sector effectively.

The concept of accountability, therefore, cannot be implanted overnight, and policy and program initiatives will have to be taken on a number of fronts. Simultaneous initiatives must involve local communities, bilateral donors, multilateral agencies and the international community (non-government organisations) at large.

Local communities need to partake in the promotion of democratic frameworks that are capable of supporting development policies that are equitable, efficient and egalitarian in effect. This participatory development process contributes to overcoming a number of critical hurdles restricting growth and development because, initially at least, some of the values and ideas dear to the community are likely to be in conflict with values of a liberal democratic society. Participation will restrict areas of conflict between traditional and new generation communities. The process of participation and types of institutional and administrative arrangements will be largely determined by local conditions and the individual country's state of socio-political consciousness and economic conditions. However, in designing a mechanism one must scrupulously avoid tokenism as it is not helpful but, more importantly, tokenism may lead to loss of faith by the community in the long run (Bhatt, 1997).

Former colonial powers theoretically are in a good position to assist their former colonies; in reality this does not always happen. The past relationship often stands in the way. More importantly, the very nature of the colonial relationship creates a mutual distrust, often at a subliminal level, when even simple suggestions are likely to be misunderstood by both sides. In an imperfect world this is difficult to overcome. Hence, former colonial powers may have to go out of their way to ensure that a bridge of mutual trust and confidence is developed over time, if they wish to play a constructive role.

Multilateral agencies such as the World Bank and UNDP have a better chance of success in expediting this development process. Until recently the record of these agencies was not very encouraging. However, belatedly they have moved to reach much deeper into developing economies and societies. For example, although the World Bank charter precludes it from direct involvement
in policy matters, it nevertheless, through conditionality, has found the “... means to achieve the micro-level changes in attitude and mentalities that underwrite the macro level construction of liberal economies and democratic states” (Macdonald, 1995). Its recent insistence that corrupt practices will not be tolerated in administering bank-funded projects (Wolfensohn, 1997) will also assist.

Non-government organisations (NGOs), although primarily concerned with environmental and poverty issues, have nevertheless achieved success helping people at the grassroots level to articulate their positions on important economic, social and environmental issues, which most governments find difficult to disregard. Most importantly, NGOs’ successes have prompted multilateral agencies to involve them increasingly in agency-funded projects (World Bank, 1994).

NGOs’ capacity to raise awareness of contentious issues is immense. In recent times the child labour issue in South and South East Asia, in particular, was brought to the forefront by NGOs through their uncompromising insistence that this issue needs to be addressed (Falkus et al., 1997). Embarrassed governments in many of these countries, while officially failing to acknowledge even the existence of child labour, are now taking steps to address this issue.

NGOs have already made some impact in Vanuatu, Solomon Islands and PNG. Politicians and the bureaucracy in these countries find it increasingly difficult to ignore them. Even in the Solomon Islands, where NGOs have been in the forefront of criticising the country’s unsustainable forestry policy, they are believed to have had a significant influence in raising people’s awareness of this problem before the recently concluded election. In social and women-related issues NGOs similarly have played an important advocacy role in Fiji.

NGOs, therefore, can be important facilitators in initiating and achieving administrative reforms in co-operation with the community. However, NGOs must ensure that their stand on issues is substantive lest governments and bureaucracy find it easy to ignore their contributions without any difficulty. NGOs need to be altruistically motivated; otherwise the possibility of using them as proxies for “token consultation” by clever governments and bureaucracy will remain high.

Most PICs lack financial discipline and accountability. The non-availability of statistical data impedes detailed analysis. Furthermore, almost all publicly available data in many cases are a decade old (Asian Development Bank, 1996).

In 1985, government sector expenditure as a percentage of GDP was 100 percent in Tuvalu, more than or near to 50 percent in Vanuatu, Kiribati, Cook Islands and Western Samoa, and in other countries it was about 30 percent. Expenditure, however, was not matched by revenue, particularly taxation revenue – taxes, compared to other developing countries, were low. Only in Western Samoa were taxes above 30 percent of the GDP. In all other countries the percentage was 20 percent or less. The fiscal deficit was very high in a
number of countries; 1994 figures indicate that the situation worsened in Cook Islands and Western Samoa, and remained critical in PNG.

Trends in public expenditure indicate that it declined in Fiji in 1993, remained virtually the same in PNG, increased in Vanuatu and still remained high in Tonga despite a 25 percent reduction. In recent years PICs have started showing some urgency in reducing public expenditure. For example, Niue nearly halved the number of its public servants to 300 in 1995; Vanuatu reduced its number by 550 in 1996. Following the 1995 fiscal crisis, Cook Islands accepted the New Zealand-Asian Development Bank Mission recommendation to reduce the number of government departments from 50 to some 20 and the number of public servants was commensurate with this reduction (New Zealand-ADB Mission, 1996). Nauru and Solomon Islands had indicated their desire to slash the number of public servants and introduce other cost cutting measures.

Government expenditure at an unsustainable level, low taxes and large fiscal deficits confirm the absence of fiscal discipline in most PICs. Equally difficult, when alternative economic opportunities were lacking, was to reduce the size of the public sector or the number of public servants, no matter how justified. An absence of a strong political base of elected governments in most of these countries made it nigh impossible for them to introduce substantive reform measures required to adopt contemporary administrative practices, as coalition partners often were devoid of a philosophical base, formed on tribal or other similar single-issue loyalties.

Growing international pressure - both direct and indirect, a reduced flow of overseas aid, a reduced financial flow from other sources, including private investment, and a poor domestic savings rate put most of these governments in a quandary resulting in first, the adoption of creative budget financing practices, which in most cases are close to corrupt practice (Larmour, 1997). A clear example is the letter of credit that finance ministers were persuaded to sign on the understanding that this could profitably be traded internationally. The proposal to sell passports to foreign nationals is yet another example.

This lack of discipline and failure of governments provided opportunities to unscrupulous businessmen to venture in business practices which are either questionable in international law (providing accommodating bank legislation for tax avoidance) or detrimental to national interest on a variety of grounds. The recent discovery that some businessmen established a “telephone-sex” business by using Tuvalu’s international telephone lines is an example which put the government in an embarrassing situation (Island Business, 1996).

The future

The World Bank perceives good governance with sound development management practice (World Bank, 1992). Following an examination of the African crisis in the 1980s, it concluded that three parties – politicians, the bureaucracy and the community – need to be twinned to achieve reform in governance and administrative practices (World Bank, 1989). Without their
collective involvement, managing development and achieving administrative reform is difficult, and in certain circumstances may become impossible.

In recent years PNG, Cook Islands and a number of other countries, including fast growing Asian economies, were forced to introduce reform measures in budgetary and fiscal, economic, public sector management policies. In all these instances fiscal or currency crises were precursors to seeking assistance primarily from multilateral agencies, although the root cause of these crises was much deeper. A single most salutary lesson from these sponsored reform measures is that if governments do not implement contemporary economic, financial and administrative management practices, they will be forced to accept externally determined economic policies and administrative benchmarks when assistance is sought from international agencies. In such circumstances reform measures are likely to be more painful than internally introduced measures.

The thrust of these reform measures included:

- improving the policy and regulatory environment, including reforming public services;
- encouraging capital formation, investment, and promoting foreign investment;
- divesting selective state-owned enterprises and enhancing competitiveness.

Improving the policy and regulatory environment

Following independence, most developing countries followed a short-term focused policy-making and administrative structure and predominantly maintained their pre-colonial format. Most PIC governments forgot their limitations: the small size of their internal markets, remoteness from the world's major markets, the existence of significant non-monetised domestic economy, the lack of substantial renewable resources (except PNG, Solomons and Vanuatu) except their exclusive economic zones, linguistic and tribal differences (Siegel, 1996). Failure to take these into account in developing government practices and designing administrative structures made it difficult for them to achieve sustained development.

In addition, by not making specific efforts to get the community involved in policy-making processes, governments found it difficult to adopt the tough economic measures required to ensure growth and stability. People's involvement give them a feeling of "inclusiveness" and governments will find it easier to explain the basis of tough decisions which they are required to adopt in difficult economic and political climate. Fisk (1982) rightly argued that the perennial problem of governments was that solutions needed to address development and administrative reform issues were long-term, but political pressures on governments precluded long-term commitment, so that short- and medium-term responses usually took precedence. For example, they maintained their pre-colonial generous welfare services, even though their capacity to pay from their own sources diminished. This lack of political courage to focus their
policies which required long-term commitment and redirect their priorities is perhaps the single most important root cause of many latter-day economic and social problems.

To improve political environment governments need to establish a transparent, innovative and flexible policy framework (Thistlewait and Davis, 1996) with active community participation. A transparent process will enable communities to understand complex economic and political issues governments are required to consider in the long-term interest of their countries. Absolute transparency is required to ensure that any nexus between unscrupulous politicians, bureaucracy and business does not thwart effective community participation. Even in developed countries, transparency requirements often cannot be totally satisfied where well laid procedures and accountability principles exist. While discussing transparency in developed economies, Rattigan and Carmichael (1996) found “It is not possible to superimpose effective transparency arrangements on the existing bureaucracies in most countries, given their established symbiosis with particular interest groups”.

As social structures and economic situations in most PICs are unique, and as solutions for their economic and social malaise require long-term policy commitment, a serious question must be asked whether adversarial government is best suited to achieve development objectives. While one-party government is not desirable, a national government with development focus on common programs could perhaps be a better alternative.

Assuming that the adversarial political system cannot be overcome easily, and acknowledging PICs' unique features, good governance and administrative reform process will require both procedural and cultural shifts. Political scientists for too long limited their inquiries too severely to the formal aspects of government (Cohen, 1974), and ignored the importance of cultural aspects and constantly changing intra-society relationship in determining government policies. This will not be easy, but perhaps this is the best option available to most PICs.

Capital formation and investment
Except Cook Islands and Nauru (upper-middle-income countries), all other PICs are considered lower-middle income countries. All have been receiving significant overseas development assistance although the flow of global aid has been steadily declining. With the declining scope for outward migration, remittances from overseas will decline in the long run. The end of the cold war will not make it easy for PICs to call on super-powers to bail them out from economic difficulties.

In such an environment, fiscal discipline by eliminating budget deficits and reducing expenditure, expanding tax bases, encouraging national savings, and directing overseas aid to wealth producing activities to improve the economy's capacity to sustain development efforts in the longer run should remain policy priorities.
Western Samoa's success in raising tax revenue confirms that other PICs can also achieve significant self-sufficiency by harnessing their internal resources. The Government of Tuvalu has already done so (Duncan et al., 1995).

Not all PICs will be attractive to potential investors to invest in traditional areas. PNG, Fiji, Solomon Islands and Vanuatu have potential, but others are unlikely to have a similar degree of attractiveness. Furthermore, investment decisions are influenced by a number of considerations; scope for profit maximisation is only one such consideration. Given that global investors are operating in a sellers’ market, it is a matter of conjecture whether foreign investment will flow, even if all the right policies are put in place. Notwithstanding this, administrative structure and government policies must reflect that foreign investment is welcome.

Perception is an important element in business decisions. To encourage foreign investment, the singularly most important thing is to improve their perception that governments’ fiscal and investment priorities are appropriate, and there exists a clean administration where business can operate within a predictable policy and legal frame. Except for very few, most PICs are a long way from achieving this objective. Regrettably, the poor performances of financially rich Nauru, financial crisis in Cook Islands, corruption cases in Fiji and Vanuatu or developments in PNG, where, despite the five-fold increase in government expenditure and revenue, government services have declined to the point of non-existence, and 80 percent of the population actually earn less than the 1975 average (Morauta, 1996), are not exactly what would-be investors would like to see.

Divesting selected state-owned enterprises and enhancing competitiveness

While there exists scope to do so, PICs need to take a cautious approach, lest divesting services to private enterprise will create monopolistic or oligopolistic arrangements. Monopolistic or oligopolistic arrangements in small economies will encourage rent-seeking and communities will not benefit from such arrangements. To avoid such a situation, well-established regulatory measures must be put in place so that consumers are not exploited. Given the small sizes of their internal markets, one option could be corporatisation of service delivery functions with stringent guidelines and internationally accepted performance benchmarks. Gabbay and Ghosh’s (1992) examination of the Seychelles Marketing Board shows that even when effective market competition cannot be achieved, carefully constructed and administered public undertakings may be the second best alternative.

Conclusion

Good governance and administrative reform issues are not environment free. Location, size of the economy, market configuration, community perceptions and social and political history all are determining factors. In the current euphoria of adopting good governance practices and reform of public administration, these should not be ignored. The experience of other countries
assists, but unique features of PICs must be ultimate determining factors. In this context Higgins' profound statement is worth remembering - “Leaders must reconfirm or reinterpret the existing ideology, or create an integrated ideology, according to need, and then design institutions to fit” (Higgins, 1979).

With the realignment of global political and economic configurations, PICs have lost their most potent weapon (strategic location) to seek economic benefits from super powers. In addition, their market access benefits to Australia and New Zealand under the SPARTECA treaty will be left exposed to the full force of global competition and eventually they will not receive this preferential treatment (Gryberg, 1996). They must therefore forsake the traditional approach to economic development and be innovative in their approach to economic development and reform issues. The recent initiative of Kiribati to allow China to build a satellite tracking station, showing that its geographic location can be used for economic benefits (Australian, 1997), is an example.

Furthermore, while considering reform they need to ensure that societies are not irreparably divided into distinct classes: privileged and under-privileged. Both Kelsey (1995), in her analysis of post-reform New Zealand society, and Lee (1996) in her studies, found some disquieting aspects of the recent reform initiatives. Initiatives to reform should not be discouraged, but reform measures must ensure that reforms are directed properly, and do not just blindly follow initiatives of other countries.

Note
1. PNG, Fiji, Solomon Islands, Vanuatu, Tuvalu, Kiribati, Tokelau, Niue, Cook Island, Tonga, Western Samoa and Nauru.

References


AusAID (1996a), Solomon Islands: Country Brief, Canberra.

AusAID (1996b), Western Samoa: Country Brief, Canberra.


Bilney, G. (1996), Minister for Development Cooperation and Pacific Island Affairs in the Keating Government (1993-96) at a seminar at the National Centre for Development Studies, the Australian National University, Canberra, unpublished.


Connel, J. (1988), Sovereignty and Survival – Island Microstates in the Third World, Department of Geography, University of Sydney, Sydney.


Grynberg, R. (1996), The Uruguay Round and the Pacific Island Countries, Division Working Papers 96/3, Research School of Pacific and Asian Studies, the Australian National University, Canberra.


Island Business (1996), July and October issues, Suva.


A South Pacific perspective


Root, H.L. (1996), Small Countries, Big Lessons, Governance and the Rise of East Asia, Oxford University Press, Hong Kong.


Wolfensohn, J. (1997), The World Bank President in an interview in April, Washington, DC.

World Bank (1989), Sub-Saharan Africa: From Crisis to Sustainable Growth, Washington, DC.

World Bank (1992), Governance and Development, Washington, DC.

World Bank (1994), Working with NGOs, Washington, DC.