ASIAN DEVELOPMENT BANK

Pacific Department

Hardship and Poverty in the Pacific

David Abbott and Steve Pollard

Strengthening Poverty Analysis and Strategies in the Pacific

To be read in conjunction with the Asian Development Bank report *Poverty: Is it an Issue in the Pacific?* The intent of the papers is to foster broadly based consultation among the Asian Development Bank, governments, and civil society for the purpose of developing a supportive and appropriate approach to ensuring equitable growth and poverty reduction.

The views expressed in this paper are those of the authors and do not necessarily reflect the views or policies of the Asian Development Bank or the governments of Pacific developing member countries.

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Abbreviations and Acronyms

ADB	Asian Development Bank
BNPL	basic-needs poverty line
CPI	consumer price index
CVI	composite vulnerability index
FPL	food poverty line
FSM	Federated States of Micronesia
GDP	gross domestic product
GNI	gross national income
HDI	Human Development Index
HDR	Human Development Report
HH	household
HIES	Household Income and Expenditure Survey
HPI	Human Poverty Index
IMF	International Monetary Fund
MDG	Millennium Development Goal
NGO	nongovernment organization
PACER	Pacific Agreement on Closer Economic Relations
PAH	participatory assessment of hardship
PDMC	Pacific developing member country (of ADB)
PHDR	Pacific Human Development Report
PICTA	Pacific Island Countries Trade Agreement
PNG	Papua New Guinea
PPP	purchasing power parity
RMI	Republic of Marshall Islands
TLSS	Timor-Leste Living Standards Measurement Survey
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WTO	World Trade Organization

Foreword

At the Asian Development Bank's (ADB) 32nd Annual Meeting held in Manila, Philippines in May 1999, the President, Mr. Tadao Chino, announced that, "... fighting poverty and improving living standards of all the people in the region will be the overarching objective of the Asian Development Bank." This clearly stated objective for ADB's future operations gave greater focus to the nature of economic development it seeks to promote within its developing member countries (DMCs).

In December 2000, ADB published *A Pacific Strategy for the New Millennium* to address the issues and challenges confronting its Pacific DMCs (PDMCs). The strategy focused on poverty reduction as a unifying theme. The three pillars of ADB's poverty reduction strategy (good governance, inclusive social development, and pro-poor, sustainable economic growth) were to underpin the design of project interventions and capacity building measures.

To implement the Pacific strategy, ADB initiated a series of technical assistance projects to identify the nature, magnitude, location, and determination of poverty. *Poverty: Is It an Issue in the Pacific?* was published in March 2001 and revealed an increasing and increasingly serious situation: weak economic growth, growing populations, rising unemployment, declining per capita incomes, questionable standards of governance, poor and often deteriorating standards of service delivery, and a frequent lack of clear national priorities and development strategies were causing both hardship and poverty in the Pacific. *Hardship and Poverty in the Pacific* aims to further the analysis, awareness, and understanding of the nature and extent of poverty and to draw attention to the importance of developing and, more importantly, implementing measures and strategies to ensure equitable growth and hardship alleviation in the PDMCs.

Since mid-2002, ADB has signed poverty partnerships with 11 PDMC governments that confirm each government's commitment to (i) better define and assess the concept of hardship and poverty, (ii) monitor progress towards the achievement of the Millennium Development Goals, (iii) design appropriate strategies for reducing hardship and poverty, and (iv) incorporate these strategies, consistent with each government's own priorities, into country development plans. The work this paper summarizes was instru-

mental in the preparation of the Pacific Strategy 2005-2009 that has recently been approved.

This report was prepared by Steve Pollard, Principal Economist, PARD, and David Abbott, Development Economist, Secretariat of the Pacific Community. The authors wish to recognize the participatory poverty sand hardship assessments that were carried out by Lulu Zuniga and Dr. Wendy Mee (in the Marshall Islands) and the comments and contributions of the many people of the Pacific who were consulted in these assessments.

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Director General
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Executive Summary

Introduction

Until recently, poverty has not been considered a serious issue in the Asian Development Bank's (ADB) Pacific developing member countries (PDMCs). Pacific society has long been seen as a traditional culture of caring for and sharing with family and clan. Images of hunger and destitution and of absolute poverty frequently seen in other parts of the developing world have been largely absent in the Pacific. In the last decade, however, the relatively poor economic performance of most of the PDMCs, the political instability and ethnic tensions that have surfaced in some countries, the increasing levels of youth unemployment, and emerging social problems have raised questions about the extent of poverty and hardship. In order to bring these issues into sharper focus and to raise awareness of them, ADB sponsored country poverty assessments that quantified key poverty indicators in nine countries and conducted participatory assessments of hardship (PAH) among communities, villages, and individuals in eight. The PAH sought the perceptions of the people, particularly poor people, on what poverty and hardship meant for them in their daily lives including details of extent and nature, primary causes, and priorities for alleviation. At the same time, ADB conducted a parallel exercise to assess PDMC development strategies and policies and their impact on poverty and hardship.

This paper presents the results of the PAH with a regional perspective. It defines poverty and hardship in the Pacific, it cites relevant data, it describes the perceptions and priorities of the people, and it suggests a conceptual framework and appropriate strategies for equitable growth and hardship alleviation.

Poverty and hardship in PDMCs are defined as inadequate levels of sustainable human development through access to essential public goods and services and access to income opportunities.

Defining Hardship and Poverty

Poverty and hardship in PDMCs are defined as inadequate levels of sustainable human development through access to essential public goods and services and access to income opportunities. Although they are urbanizing, Pacific societies are still very much oriented towards

rural and outer island subsistence agricultural lifestyles. Traditionally there has been little need for cash income. This is changing, however. Fees for education, health care, and other government services; the wider availability of power and communication facilities; and expanding retail businesses and preferences for imported foods and consumer goods have all led to greater demands for cash. For urban dwellers with little access to subsistence production, the need for an income is even greater though traditional social and community obligations in both urban and rural areas increasingly involve money. Hardship can be caused by more than a lack of income. It can also be due to a lack of access to basic services, to a lack of economic opportunities and choices, or to the inability of individuals to realize their aspirations.

Priorities of the People

More than 150 villages and communities in eight countries were involved in the participatory assessments of hardship. Despite their diverse situations, there was a surprising degree of consistency in the perceptions, needs, and priorities of the people interviewed. In addition to a lack of economic and employment opportunities, hardship was perceived to be the result of poor education, a lack of access to land for gardens or cash crops, poor access to good water and sanitation facilities, poor health, and living alone or depending on others. The people further felt that hardship was the result of government failure to meet their real needs.

The priorities for alleviation addressed the three principal causes of hardship, i.e., lack of employment and economic opportunities; lack of access to basic services, especially health care and education; and lack of responsiveness of governments to the needs of the people.

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Millennium Development Goals

Success in meeting the Millennium Development Goals (MDGs) has been mixed. The Polynesian countries have consistently made better progress in achieving primary health and education indicators than the Micronesian or Melanesian countries. They have also tended to be better at reducing gender disparities. Nevertheless, in all countries, national aggregates hide wide regional variations, with rural and outer island communities tending to have lower levels of achievement. Furthermore, though the MDG indicators may

show improved school enrolment and access to health facilities, they do not record the perception that the quality of those services is declining.

Poverty as measured by national poverty lines also tends to be lower in the Polynesian countries, notably Cook Islands, Samoa, and Tonga, when compared with the two other groups. The highest rates of poverty have been recorded in the Federated States of Micronesia, Kiribati, Papua New Guinea, and Timor-Leste. New data for Fiji Islands are expected by the end of 2004 that will provide a valuable update on poverty last measured there in 1990/91.

Monitoring the MDGs highlights critical policy issues for PDMC governments to address to alleviate hardship and poverty.

Monitoring the MDGs highlights critical policy issues for PDMC governments to address to alleviate hardship and poverty. The gradual depopulation of many rural areas and outer islands is leading to rising dependency ratios and to a gradual decline in the importance of rural agricultural production as a share of gross domestic product. Increasing urbanization is leading to the growth of squatter areas, to youth unemployment, and to increasing social dislocation for many families living in poor and overcrowded conditions and the irrelevance of traditional systems of land tenure and labor to the new demands of society.

National Strategies and a Framework for the Future

The poor performance of some countries in raising incomes, creating employment, and providing adequate basic services suggests that past policies and strategies have either been inadequate or have failed. Failures can be broadly attributed to weak governance, a lack of private markets, and poor institutional development. National policies and strategies have also lacked consistency, continuity, and broad participation and ownership in their formulation and implementation. Most countries have publicly promoted the private sector as a source of investment, growth, and employment, but few have supported these policy statements with positive action. Difficult access to land and the inability to use it as collateral for loans, low levels of labor productivity, inefficient utilities, poor infrastructure, imperfect regulations, and consequently higher than necessary transaction costs have often been cited as primary constraints to expanding the private sectors of many PDMCs.

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These institutional weaknesses and failures need to be rectified if further poverty and hardship are to be avoided. A new consultative, participa-

A new consultative, participatory, conceptual framework for setting and implementing development priorities and strategies is presented.

tory, conceptual framework for setting and implementing development priorities and strategies is presented. It stresses (i) the importance of strong regulatory institutions at the civil, community, and highest levels of government to ensure effective, equitable markets and contracts and (ii) the importance of participation and consultation to generate commitment and ownership. Strong institutions and governance backed by committed leadership and sound management are the keys to development progress and to the alleviation of poverty and hardship.

A Preferred Strategy for a Modern State

The three pillars of ADB's poverty reduction strategy are good governance, inclusive social development, and sustainable, pro-poor economic growth. The priorities of the people as expressed in the PAH fit squarely within these pillars. The pillars also validate existing national development strategies. What is required is a greater focus on priority areas and a real commitment to implementation. National strategies and programs that address the priorities of the people and core areas for consideration are presented in the final section of this paper.

As more data from household surveys and from census analyses become available, it should be possible to target those communities and regions that have the greatest hardships and disadvantages. Creating greater economic opportunities in rural areas and outer islands is discussed in the context of declining rural populations and the declining attractiveness of agriculture as a career for youth. What, if anything, can be done to halt or reverse these trends? What can governments really do to improve rural agriculture opportunities? How much can greater regional cooperation help to promote growth in PDMCs, and what are the next steps to be taken? The way forward is to engage PDMCs in designing and implementing policies and programs that will improve access to primary education and primary health for all, that will cooperatively develop available land, and that will lower costs and constraints to private sector investment and strengthen good governance.

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A Defining Hardship and Poverty

The findings of the participatory assessments of hardship (PAH) undertaken in eight Pacific developing member countries (PDMCs)[1] suggest that a growing number of Pacific islanders are indeed disadvantaged. One out of five households in all PDMCs except the Cook Islands is unable to meet the costs of food and other basic needs and services that are essential for a minimum standard of living. In the most disadvantaged countries, the proportion is estimated to exceed one in three. Poverty-line estimates and analyses recently undertaken paint a picture of hardship and poverty much more widespread than previously thought. This undermines the long-held view of Pacific countries as places of subsistence affluence.

1. POVERTY IN THE PACIFIC?

Traditional Pacific societies embrace caring for and sharing with family and clan resulting in the continuing belief that poverty cannot and should not be a part of life. The suggestion that there might be poverty in some form is not, therefore, something that many governments or people in the region are prepared to accept. Indeed, the usual images of poverty, i.e., starving children, landless peasants, and men and women toiling with ox ploughs, do not immediately spring to mind in relation to the Pacific. While Pacific island people might not be well off in financial or material terms, their strong family and community ties have traditionally provided social safety nets for the most disadvantaged and vulnerable. For this reason, in 2001 when ADB started assessing the nature and extent of poverty in the Pacific and the national strategies, policies, and programs to address it, the work was not considered a priority by its PDMCs.

However, 4 years later, poverty as it is now defined and understood in the Pacific is an accepted concern, and ADB is helping PDMC governments to assess and address this emerging issue. Some countries, including Fiji Islands, Papua New Guinea (PNG), and Timor-Leste, have fully embraced

[1] Papua New Guinea (ADB TA 3667-PNG); Republic of Marshall Islands, Samoa, Vanuatu (ADB TA 6002-REG); Fiji Islands, Federated States of Micronesia, Tonga, and Tuvalu (ADB TA 6047-REG)

the need to deal with increasing levels of hardship and poverty and the implications they have for society. Other countries, though not yet acknowledging hardship and poverty as serious issues, are nevertheless accepting that there are growing numbers of disadvantaged people who are being left behind as national economies expand. Poverty and hardship in these countries are seen as issues that are best dealt with before they become serious.

2. DEFINING POVERTY IN THE PACIFIC

What does poverty really mean in the Pacific context? There is no generally or officially accepted definition of poverty; in fact, it means different things to different people in different times and places. This has given rise to much misunderstanding and confusion. Poverty can be either absolute or relative. It may be temporary because of a catastrophe, or it may be long-term and chronic due to unemployment or to sickness or disability.

- **Absolute poverty** occurs when an individual or family is unable to meet basic needs for food, clothing, shelter, health care, or education. It is commonly referred to as having an income of less than US$1 per capita per day.
- **Destitution** is the extreme form of absolute poverty. It describes the poorest of the poor, those who are unable to meet the costs of even a basic diet and shelter.
- **Relative poverty** is experienced by those whose incomes might be just sufficient to meet basic needs but are still below the national average or norm.

Most discussions of poverty center on its most extreme manifestations: absolute poverty and destitution. There are, however, many other ways in which people can be poor or can suffer hardship. Indeed people can be reasonably well fed and moderately healthy but still live in relative poverty and suffer varying degrees of hardship. Their incomes might be insufficient to meet their food and other basic needs, or they might lack access to basic services, to freedom of choice, or to socioeconomic opportunities. This "poverty of opportunity"[2] is just as important in defining the extent of poverty and hardship in a society as the lack of income is. In fact, often the conditions and circumstances that give rise to poverty of opportunity (poor

[2] First used in the Pacific context in the UNDP 1999 Pacific Human Development Report, and defined as "the inability of people to lead the kind of lives they aspire to."

services and governance, limited employment, and unequal opportunities) are the causes of income poverty.

Defining poverty by level of income might not be appropriate in the Pacific where most economies include high levels of subsistence production. In many cases, calculating the value of such production in the national income (gross domestic product) is not complete; in fact, it is often inadequate or missing entirely. The available data from censuses and household income and expenditure surveys (HIES) are often not collected with poverty and hardship in mind or are not fully analyzed for their implications. There might also have been a lack of community participation in assessing poverty and hardship, and the socio-cultural aspects may have been ignored. These issues are discussed in section C.

Poverty and hardship are, therefore, issues of sustainable human development as well as of income.

According to the PAH, poverty in the Pacific does not in fact mean starvation and destitution; instead, poverty is generally viewed as hardship due to lack of or poor services like transport, water, primary health care, and education. It means not having a job or source of steady income to meet the costs of school fees or other important family commitments. Poverty and hardship are, therefore, issues of sustainable human development as well as of income. In order to capture all these elements, the following broad definition of poverty has been adopted for the Pacific (see Box 1). This definition was widely debated during consultations in all PDMCs included in the PAH. The importance of family, kinship, and customary obligations was chosen as a central feature.

Box 1
Poverty = Hardship

An inadequate level of sustainable human development manifested by:

- a lack of access to basic services such as primary health care, education, and potable water;
- a lack of opportunities to participate fully in the socio-economic life of the community;
- lack of adequate resources (including cash) to meet the basic needs of the household or the customary obligations to the extended family, village community, and/or the church.

3. CONCLUSIONS

The findings of the participatory assessments highlight hardship and poverty as real issues in the lives of many people in both urban and rural areas and on outer islands. There are, however, many ways in which people can be poor or can suffer hardship. Poverty of opportunity is just as important as lack of income. Furthermore, defining poverty by level of income might not be appropriate in the Pacific where most economies include high levels of subsistence production. In fact, in the Pacific, poverty is generally viewed as hardship due to inadequate services like transport, water, primary health care, and education.

B Perceptions of the People

In the 2001–2004 participatory assessments of hardship,[3] people who were considered to be less well off were given the opportunity to define poverty in their own terms (see Box 2). The PAH involved consultations with more than 150 village and/or urban communities in eight countries. Individual and focus group discussions were held with traditional village leaders/elders, government representatives, women's and youth groups, nongovernment organizations (NGOs), and others prominent in the communities. Separate discussions were also held with those identified as the most disadvantaged. These were often the elderly, widows, single parents, or families with health problems.

1. CAUSES OF HARDSHIP AND POVERTY

Do people in the Pacific really consider themselves to be poor? Do they believe that they experience hardships? Do they perceive that they lack the economic and social opportunities necessary to enable them to improve their own or their children's standards of living? If so, why? The complex nature of poverty and hardship has to be appreciated from the point of view of each society as one interpretation may not be shared by another. People's perceptions are important indicators of the extent of hardship and poverty in society. The needs, aspirations, and priorities of the poor can answer key policy questions and can help set national development priorities and strategies. Frequently, however, the views of the people either are not sought or are overlooked by policy makers.[4]

[3] Participatory poverty assessments (with the number of village/communities consulted) were completed in the Republic of the Fiji Islands (20), Republic of the Marshall Islands (10), Federated States of Micronesia (9), Papua New Guinea (18), Samoa (16), Tonga (16), Tuvalu (6), and Vanuatu (12), under TA 6002-REG: Consultation Workshops for Poverty Reduction Strategies in Pacific Developing Member Countries, TA 6047-REG: Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries, and TA 3667-PNG: Poverty Analyses for Socioeconomic Development Strategies. A separate survey was undertaken for Timor-Leste under an ADB co-financed project with World Bank and UNDP.

[4] An assessment of the nature and importance of participation on the formulation of poverty reduction strategies by the World Bank may be found in Stewart Francis and Wang M, *Do PRSPs Empower Poor Countries and Disempower the World Bank or Is It the Other Way Round?* QEH Working Paper Series No 8, Queen Elizabeth House Oxford, May 2003.

Box 2
Participatory Assessments of Hardship

The assessments (PAH) sought to obtain information on the needs, perceptions, aspirations, and priorities of communities living in different conditions and in different parts of each country.

Within each country, communities were chosen on the basis of their access to basic services and opportunities rated as good, medium, or poor. Level of access was generally related to their proximity to the main urban centers where most services tend to be centralized

The objective of the assessments was to provide qualitative guidelines to assist in the development of national and community strategies for equitable economic growth and hardship alleviation.

Communities were chosen in consultation with national governments and with the people themselves. Particular attention was given to the views and needs of the disadvantaged and poor. The assessments included general village meetings, focus group discussions, and individual consultations.

The PAH are not intended to be statistically rigorous. They are, rather, qualitative surveys of perceptions and views of community groups, leaders, and individuals that reflect the particular circumstances of that community but that nevertheless provide valuable insights that have much wider implications and relevance.

The key objectives of the participatory assessments were to:

- determine community perceptions and levels of hardship and poverty;
- define hardship and poverty locally including causes and characteristics;
- identify community perceptions of hardship and poverty trends over the last 5 years;
- identify people suffering from hardship;
- determine community issues and priorities for improving standards of living and alleviating hardship.

All communities without exception acknowledged that hardship was certainly a common, widely shared condition

The PAH revealed that few communities acknowledged that extreme poverty was an issue. Only in Fiji Islands and PNG was this type of poverty accepted as a serious concern. However, all communities without exception acknowledged that hardship was certainly a common, widely shared condition when defined as a family's inability to

supply basic needs and to meet community obligations. In general this meant that such a family had no regular wage earner or source of income from remittances. In urban areas, however, there was hardship even among families with an employed member, the so-called working poor whose wage income did not bring them above the basic-needs poverty line. Theirs was a life of making difficult choices between competing priorities: paying school fees or household bills; buying food or meeting community obligations. Hardship was seen also as the result of poor education, the lack of access to land for food gardens or cash crops, poor access to good water and sanitation facilities, poor health, and living alone or depending on others.

The primary causes of hardship among the PAH communities are summarized in Table 1. These concerns show remarkable consistency not only between the urban and rural areas within each country but also across the region. In other words, despite the wide differences in geography and resource endowments among the atoll states of Micronesia and the high islands of Melanesia and most of Polynesia, the concerns of the people are very similar. The causes of hardship and poverty center around the need for income, the need for a reasonable standard of basic services, and the need for skills to meet opportunities and challenges as they become available.

People are clearly concerned that the increasing monetization of their economies is placing ever-greater burdens on their cash resources and that they therefore need additional opportunities to earn income. They also realize that one of the keys to higher income is better education. In many countries, there is concern that governments are failing to deliver better education despite increased resources allocated to the sector. Coupled with better education is the recognition that good health and nutrition play important roles in promoting family well being. Here also the people felt that governments frequently failed to deliver needed services.

People also believed that hardship was caused by the gradual erosion of traditional values

People also believed that hardship was caused by the gradual erosion of traditional values. Communities are losing their knowledge of traditional customs and values, and respect for the authority of chiefs and elders is declining, especially among the young and among the more highly educated.[5] The perception of many was that social tensions were rising, drug and alcohol abuse was increasing, and the law and order situation in some countries was deteriorating. People tended to blame governments for failing to address the underlying causes of these trends, i.e., unemployment, poor educational attainment, and lack of opportunity.

[5] ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*.

Table 1

Participatory Assessments of Hardship and Poverty
Summary of Causes/Characteristics of Hardship

	Samoa	***Tonga***	***Tuvalu***	***Vanuatu***
Shared Causes of Hardship in both urban and rural	• No jobs· • Not enough money • Lack education and skills • Poor housing • Numerous village and church commitments • Lack of and/or access to services and infrastructure such as education, schools, health care • Lack of training and employment opportunities • Low/limited income opportunities	• "Too many dependents"· Limited access to basic services and infrastructure • Landlessness· "Too many children" due to lack of family planning • High cost of goods and services • Burdensome family, church, and community obligations • Poor health • Poor family budgeting	• Could not afford basic needs • High cost of basic goods and services especially in the Fusi store, • High cost and unreliability of power and communications • Poor quality and condition of health and education infrastructure leading to poor quality service delivery • Social problems resulting from changing attitudes and values • Demands on families for contributions to meet social and community obligations	• Poor living conditions of families (living in poorly maintained houses)· Inability to secure productive employment opportunities for individuals • Families could not afford prices of goods· Inability to afford children's school fees and materials • Parents struggling to provide for family needs • "Worry about lack of money all the time"

Table 1 continued

	Samoa	***Tonga***	***Tuvalu***	***Vanuatu***
Additional Urban Causes	• Without land in urban area	• Changing attitudes towards extended family by younger educated generation (individualism) • Poor relocation site • Urban drift	• Poor living conditions of families (living in poorly built houses) • Lack of access to land· Overcrowding of households	
Additional Rural Causes			• Small size of available land • Limited employment and income earning opportunities • Lack of markets for produce and handicrafts· Increasing dependency in the outer islands • Social problems resulting from changing attitudes and values	• Difficulty accessing needed health services

Table 1 continued

	Fiji Islands	***RMI***	***FMS***	***PNG***
Shared Causes of Hardship in both urban and rural communities	• Limited income earning opportunities (e.g., low educational level, limited paid employment opportunities, limited market access) • Limited access to basic services & infrastructure • Landlessness • Decline of respect for traditional values	• Inadequate health and/ or education support for children; • Poor basic service provision, in particular safe drinking water and electricity; • Lack of regular and frequent field trips to outer islands; • Limited employment and income generation opportunities; • Low educational attainment of youth, including limited training opportunities for youth who wish to return to education; • A range of child- and youth-related problems, including school drop outs, youth 'idleness',	• No job/skills/education, unemployment • Idle land, lack of farming/fishing equipment • Lack of basic services (water, power, poor health & communication facilities, poor education, no road) – Chuuk • Sickness & mental illness, poor nutrition, physical disabilities • Alcohol & drug abuse • Threat of natural disasters	• Lack of employment and cash earning opportunities • Lack of education and skills, especially for women and girls • Lack of infrastructure and poor living conditions • Poor access to basic services, including water and sanitation, education and health services • Breakdown of family life • Poor information and communication facilities • Poor governance standards

Table 1 continued

	Fiji Islands	***RMI****	***FMS***	***PNG***
		unemployment, alcohol abuse and teenage pregnancy; and • Increasingly stressed gender relations and women's increased workloads.		
Additional Urban causes	• Unequal distribution of basic services and infrastructure due to ethnic discrimination	• Large extended families with only one or two wage earners; • Overcrowding and low quality housing on Majuro and Ebeye; • Poor water and/or power supply; • Lack of employment; • Inadequate care and supervision of children and youth; and • High rates of children and youth not in school.	• Pohnpei • Prejudice/feeling of inferiority	• Lack of land • Increased unemployment and crime • Increasing drug and alcohol abuse

*** Republic of the Marshall Islands**

Table 1 continued

	Fiji Islands	***RMI***	***FMS***	***PNG***
Additional Rural Causes	• Laziness or lack of personal motivation to use resources	• Poor transportation, in particular the lack of regular and frequent field trips; • Lack of electricity and (in some cases) water catchments; • Access to and quality of elementary school and health care services (most notably in the absence of a functioning health dispensary on island); • Higher cost and lack of supplies; • Low price of copra; and • Lack of alternative employment opportunities.	• Yap and Chuuk·Lack of personal motivation–Yap • Lack of price control–Chuuk • Restrictions on females for higher education– Yap • Failure of parents to take care of children & grandchildren–Yap • Opposition of elders to improving access to services and infrastructure – Yap • Having no spouse and not listening to parents– Yap • Corruption, incompetent leadership, lack of cooperation between people & community leadership–Chuuk • Weakening traditions and customs–Chuuk	• Lack of access to markets • Long distances to and from schools and clinics

2. WHO ARE THE MOST DISADVANTAGED?

On the atolls, in the highlands, and in the urban centers, there was almost universal agreement on who would be most likely to experience the greatest degrees of hardship and poverty: (i) the young, (ii) the old, (iii) the infirm, (iv) those who had no source of regular income, or (v) those with no access to adequate land on which to grow food for consumption and/or sale (see Box 3).

Box 3
People and Households Likely to Experience the Greatest Hardships

- Unemployed.
- Youth and school dropouts with few prospects for the future.
- Orphans or people without relatives in the community.
- Homeless people or those living with relatives.
- Land-less individuals, families without access to land, or settlers.
- People with large families and/or those supporting relatives.
- Elderly people, especially widows, without regular support.
- Mentally challenged and physically handicapped.
- Single mothers and teenage couples without means to raise their children.

This list reinforces two of the principal concerns that communities expressed in the PAH: the need for cash income and the fact that traditional safety nets are weakening. Traditionally, the old and infirm would have been adequately cared for by their families and/or communities. As dependency ratios have risen, especially those in rural areas, more elderly people have been left to fend for themselves. Sometimes they have even been left with grandchildren, grandnephews, and grandnieces to care for also. This places serious pressures on those who are least able to carry the burden. The case studies in ADB's[6] "Priorities of the People" publications highlight these concerns.

[6] *Priorities of the People: Hardship in the Fiji Islands; Hardship in Federated States of Micronesia; Hardship in Marshall Islands; Hardship in Samoa; Hardship in Tuvalu; Hardship in Tonga; Hardship in Vanuatu;* and *Priorities of the Poor in Papua New Guinea*

Dependency ratios can generally predict the likely degree of hardship and vulnerability. The ratios for urban and rural areas in selected PDMCs are shown in Table 2. In all cases, rural dependency ratios are higher than those in urban areas indicating that rural areas have fewer people of working age and that greater burdens are therefore falling on those who, under normal circumstances, would be deemed either too young or too old to work. In the case of the young, the need to work as well as study might lead to a higher number of school dropouts. This would seem to be supported by comments made in the PAH. For the old, the need to work often causes considerable hardship especially for widows; in fact, widows were classified among the most disadvantaged of all in the PAH.

Among the countries for which data are available, Timor-Leste has by far the highest dependency ratios in both urban and rural areas. Other countries with rural dependency ratios of 1.0 and above include Marshall Islands (RMI), Samoa, and Tuvalu. Tonga's is 0.96.

Table 2
Dependency Ratios in Selected PDMCs

PDMC	*National Average*	*Urban Households*	*Rural Households*	*Survey Year*
Fiji Islands	0.68	na	na	1996
Kiribati	0.76	0.70	0.82	2000
FSM	0.85	0.75	0.86	2000
Marshall Islands	0.80	0.75	1.00	2000
Samoa	0.91	0.76	1.03	2001
Timor-Leste	1.25	1.09	1.30	2001
Tonga	0.88	0.80	0.96	1996
Tuvalu	0.90	0.77	1.05	1991

ADB estimates from national census data

3. GETTING BETTER OR WORSE?

Where services had improved, people acknowledged that their lives had become easier.

In the PAH, communities were asked whether they perceived that their situations had become better or worse in the past 5 years. Not surprisingly, responses were mixed with some communities indicating improvements and others saying that life had become harder. What set the responses apart was the

availability of basic services. Where services had improved, people acknowledged that their lives had become easier. On the other hand, where communities felt that they had been bypassed or that their needs had not been met while others had received assistance, they perceived that life had become more difficult even if nothing had actually changed. The perceptions of those surveyed in the Federated States of Micronesia (FSM) are typical (see Box 4).

4. PRIORITIES OF THE PEOPLE

The priorities identified by the poor very clearly and consistently point to three broad areas for action to alleviate hardship and poverty:

- the need to improve access to, and delivery of, essential social services, especially primary education and primary health care;
- the need to improve access to employment and other economic opportunities, including access to markets in which to sell produce and services;
- the need for governments to be more responsive to the needs and priorities of the people, that is, to improve governance standards, to be more participatory in policy making, and to deliver more efficient, cost-effective public services.

Not surprisingly, these three are in accord with the three pillars of ADB's poverty reduction strategy namely good governance; inclusive social development; and sustainable, pro-poor economic growth. They form a set of clear and simple directions for future development strategies: the development of competitive, commercial, private markets for pro-poor growth; performance-oriented, essential public service delivery in support of inclusive social development; and improved, broadly defined, governance that includes well-operated, honest private and public institutions. These are discussed in Section E.

Individual country priorities are summarized in Appendix 1. The three themes run through each country list, but each also has its own particular needs. In some countries the emphasis was on services (Fiji Islands, Samoa, Tonga, and Vanuatu). In others, employment and economic opportunity were especially important (Kiribati and Tuvalu) while governance was perceived to be important in FSM and PNG. The people are slowly but surely finding their voices and are letting it be known that poor governance and declining standards are no longer acceptable. Greater participation in policy and decision making is demanded.

Box 4

Trends of Hardship in the Last 5 Years: The Case of FSM

In two of the three sample states, Yap and Pohnpei, the perception was that hardship in both urban and rural communities had increased in the last 5 years. In Chuuk, however, people gave a mixed response stating that their situation had deteriorated in some respects and had improved in others. Improvements in basic services particularly water supplies and the relative improvement of access to education (primary and secondary) were cited. People also perceived improvements due to the increased number of church programs helping communities highlighting the role of the churches in the delivery of basic services. Where nothing had been done, they perceived that they had become worse off.

Low incomes and the increasing need for cash so households can gain access to basic services and goods were the most commonly cited factors for increasing hardship in both the urban and rural communities. Growing drug and alcohol abuse, particularly among the youth, was another issue identified as contributing to the downward trend. Weakening traditions and adoption of individualist or "Western" lifestyles (particularly in Chuuk and Yap), overcrowding of households (particularly in Yap and Pohnpei), and increased incidence of stealing (Yap) were other factors seen as contributing to growing hardship in the last 5 years.

Availability and Quality of Basic Services and Infrastructure

In Yap and Pohnpei, most basic services and infrastructure were available particularly in urban centers. In Chuuk, access to and quality of services were deemed poor throughout the state. This reflects the especially poor standards of governance in recent years. In Yap and Pohnpei, there were some concerns that the quality of, access to, and ability to pay for some services (e.g., water, education, heath, power) were deteriorating in both urban and rural areas and outer islands, particularly for those people without regular incomes.

5. CONCLUSIONS

People surveyed in PAH agreed that those who would be most likely to experience the greatest degrees of hardship and poverty were: (i) the young, (ii) the old, (iii) the infirm, (iv) those who had no source of regular income, or (v) those with no access to adequate land on which to grow food for consumption and/or sale. The causes of hardship and poverty centered around the need for income, the need for a reasonable standard of basic services, and the need for skills to meet opportunities and challenges as they become available all of which require responsive government. Where services had improved, people acknowledged that their lives had become easier, but they perceived that life had become more difficult if they had been bypassed even if nothing had actually changed. People also believed that hardship was caused by the gradual erosion of traditional values and culture.

C Millennium Development Goals and Other Poverty Indicators

At the Millennium Summit in September 2000, 147 heads of state and government adopted the Millennium Declaration and reaffirmed their commitment to working toward a world in which sustaining development and eliminating poverty would have the highest priority. This declaration led to the formulation of a set of goals, targets, and quantifiable indicators: the Millennium Development Goals (MDGs). The Goals focus the efforts of the world community on improving peoples' lives. A summary of the key elements of the MDGs is in Box 5. All Pacific island governments adopted the MDGs in 2002.

1. GOING IN THE RIGHT DIRECTION?

The Goals must be mainstreamed into national planning, resource allocation, and implementation at all levels of government if they are to be achieved by 2015. Senior officials, budget documents, and medium-term strategic development plans in several PDMCs indicate a lack of awareness of this critical linkage and of how to effectively operationalize the Goals nationally and locally. Commitment from the highest political levels and assistance from development partners is clearly required.[7]

As noted in the previous section, a high proportion of those who participated in the PAH consistently stated that instead of making progress on the MDGs, they perceived that their situations were getting worse. In other words, the delivery of primary health care, primary education, and other essential services and access to markets and to job opportunities were deteriorating rather than improving. Do the data support these perceptions?

Not all of the MDGs apply equally to all Pacific nations. Hunger (MDG 1) is not a major issue in the Pacific although poor nutrition most certainly is. The increase in incidence of non-communicable and lifestyle diseases, many of which have dietary causes, is testament to this. Malaria is endemic and is a serious concern in the Melanesian countries but not in others. While accepting that poverty or hardship *per se* is unacceptable in any society, the

[7] ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*

Box 5
Millennium Development Goals Summary

For Economic Wellbeing
Reduce by half the proportion of people whose income is less than US$1 per day.
Reduce by half the proportion of people who suffer from hunger.

For Social Development
Achieve universal primary education: Ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Eliminate gender disparities in primary and secondary education (by 2005).

Eliminate gender disparities in all levels of education.

Reduce by two thirds the mortality rates for infants and children under 5 and reduce by three fourths the maternal mortality rate.

Have halted and begun to reverse the spread of HIV/AIDS.

Have halted and begun to reverse the incidence of malaria and other major diseases.

For Sustainable Development
Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.

Halve the proportion of people without sustainable access to safe drinking water.

Achieve a significant improvement in the lives of 100 million slum dwellers.

relevance of individual MDGs and any adaptation of them have to be individually subscribed in each country. For example, other indicators such as the incidence of diabetes, dependency ratios, and the proportion of own production in household food consumption can be used to assess aspects of hardship and vulnerability in the subsistence economies of the Pacific.

Estimating the size and nature of Pacific poverty is also constrained by a lack of statistics and in some cases by the reluctance of a few governments to accept the presence of poverty and hardship and thus the need to assess them.

2. MEASURING POVERTY AND HARDSHIP

Measuring poverty in a quantifiable manner is as difficult as defining it. What is deemed poverty in one country might be relative affluence in another. Estimating the size and nature of Pacific poverty is also constrained by a lack of statistics and in some cases by the reluctance of a few governments to accept the presence of poverty and hardship and thus the need to assess them.

In order to combine the various factors of income, opportunity, and access, the United Nations Development Programme (UNDP) has developed the Human Development Index[8] (HDI) and Human

Table 3
Human Development and Povrty Indices of PDMCs[a]

PDMCs	*Human Development Index (HDI)*		*Human Poverty Index (HDI)*	
	Value	*Rank*	*Value*	*Rank*
Cook Islands	0.822	2	6.1	2
Fiji Islands	0.667	3	8.5	4
Kiribati	0.515	10	12.6	8
Marshall Islands	0.563	9	19.5	9
Micronesia, Fed. States of	0.569	8	26.7	10
Nauru	0.663	4	12.1	7
Palau	0.861	1	10.8	6
Papua New Giunea	0.314	14	52.2	14
Samoa	0.590	6	8.6	5
Solomon Islands	0.371	13	49.1	13
Timor-Leste	0.395	12	49.0	12
Tonga	0.647	5	5.9	1
Tuvalu	0.583	7	7.3	3
Vanuatu	0.425	11	46.4	11

[a] Figures refer to 1998 data, except for Timor-Leste which are for 1999.
Source: United Nations Development Programme (UNDP), East Timor Human Development Report 2002; UNDP, Pacific Humam Development

[8] HDI = a composite measure of: life expectancy at birth; adult literacy rate; combined gross enrollment ratio; and GDP per capita.

Poverty Index[9] (HPI). Index numbers and rankings for the PDMCs for 1999 are shown in Table 3. A country that ranks either well or poorly on one index, with one or two exceptions, will rank at a similar level on the other. Tonga's HDI rank of 5 and HPI rank of 1 and Palau's HDI rank of 1 and HPI rank of 6 are the widest differences between the two followed by Tuvalu's HDI of 7 and HPI of 3 and Nauru's HDI of 4 and HPI of 7. Tonga's HDI score is reduced by its per capita gross domestic product (GDP) while Palau's HPI score is brought down by its relatively poor access to safe water and health care and its higher rate of adult illiteracy. Similarly, Tuvalu's HDI is depressed by its GDP per capita while Nauru's HPI is brought down by its relatively high death rate for those under 40.

Income poverty levels can be assessed by using average per capita GDP or gross national income (GNI), but these figures do not reveal anything about the spatial distribution of income and the extent to which poverty is present. There are also problems in the measurement and extent of inclusion of non-monetary production in national account estimates. The UNDP's MDG measures of US$1 or US$2 per capita per day in 1993 purchasing power parity (PPP) terms do not adequately accommodate the high level of subsistence production in PDMC economies. Using this indicator for PDMCs is also constrained by the lack of agreed PPP values against which it can be properly measured.

HIES are the usual source of data for the calculation of national poverty lines. However, while most PDMCs have undertaken these surveys, they have often not been designed with poverty analysis in mind, consequently the data are not always adequate for the purpose. National food and basic-needs poverty lines have nevertheless been established, and the incidence of poverty has been assessed where data are available. Although poverty appears to vary widely in incidence, depth, and severity across the Pacific, it is emerging as a serious issue, and, despite the weakness of the data in some countries, the scale of the problem is increasing.

More than two decades of weak economic performance coupled with relatively rapid population growth have resulted in aggregate US dollar denominated real per capita income declines

National Per Capita Incomes

More than two decades of weak economic performance (annual average real GDP growth rate of 2.7% from 1985–2002) coupled with relatively rapid population growth (annual rate of 2.9% over the same period) have resulted

[9] HPI = a composite measure of: people not expected to survive to age 40; adult illiteracy; proportion of underweight children under five years; and people without access to safe water or health services.

in aggregate US dollar denominated real per capita income declines (see Table 4). This low or negative growth was accompanied by a lack of new, formal- sector employment opportunities, by continuing urban drift, and by a perceived weakening of traditional support mechanisms. It is not surprising, therefore, that there has been a regional increase in hardship and poverty. While some countries have undoubtedly managed to achieve positive, real per capita growth, this has often been achieved only through significant (and likely unsustainable) increases in public sector expenditure (Kiribati and Tuvalu) rather than through growth in the private sector components of their economies (Samoa).

Table 4

Real GDP Per Capita in US$ at 1995 Prices [a]

PDMC	*1985*	*1990*	*1995*	*2002*	*% per annum 1990-2002*
Cook Islands	–	–	5,326	4,891	-0.8
Fiji Islands	2,150	2,312	2,585	2,736	1.6
Kiribati	533	520	575	682	2.2
FSM	–	1,804	1,996	1,675	-0.4
RMI	1,563	2,048	2,160	1,604	-1.5
PNG	819	766	1,018	879	0.9
Samoa	–	–	1,215	1,501	3.4
Solomon Islands	625	746	843	534	-2.4
Tonga	1,345	1,350	1,595	1,749	1.8
Tuvalu	–	888	931	848	0.5
Vanuatu	1,312	1,12,3	1,353	1,176	0.2

Sources: World Bank World Development Indicators Online; ADB Key Indicators 2004 for basic data (Real GDP, Population & Exchange Rate) for Cook Islands & Tuvalo.
Notes: [a/] 2000 market prices for Cook Islands; 1988 constant factor costs for Tuvalo; 1996–2002 for Cook Islands; 1995–2002 for Samoa

In some cases, notably PNG and Solomon Islands, poor economic performance and structural failures have been exacerbated by rapidly depreciating currencies. However the local impact of a notional US dollar denominated decline in income might not be as dramatic at the individual level. In most countries, the poorest and most disadvantaged individuals and households are likely to be more insulated from currency influences by their dependence on consumption of domestic, non-traded goods.

It is often difficult to compare Pacific estimates of gross national output and income per capita with those of other regions where subsistence

production is less important. External remittances, external trust fund earnings, other resource rents, and other income sources in some countries also distort international comparisons. In addition, public investment in the Pacific including external official assistance may be considered high on a per capita basis, but this is largely due to diseconomies of scale and to high costs associated with distance.[10]

It is nevertheless important to note the variability of income levels within the region where estimates of nominal current-price per capita GNI in 2001 ranged from $438 in Timor-Leste to $6,107 in the Cook Islands (see Table 5). Similarly not all PDMCs are equally well supported by external assistance, either official or from private remittances.

Subsistence agriculture, fishing and other household economic activities contribute significantly to incomes in the Pacific; however the contribution of these activities to national output has generally not been well measured.[11]

Table 5
Nominal GNI and Ratio of Aid to GNI in US$ in 2001

PDMC	*GNI per capita*	*Ratio of Aid to GNI (%)*	*Remittances Significant*[12]
Cook Islands	6107	6.2	No
Fiji Islands	2146	1.5	Increasing
Kiribati	898	14.9	Yes
FSM	2186	52.4	No
RMI	2182	64.6	No
PNG	569	6.8	No
Samoa	1437	17.2	Yes
Solomon Islands	612	22.3	No
Timor-Leste	438	59.1	No
Tonga	1491	13.5	Yes
Tuvalu	1250	73.9	Yes
Vanuatu	1129	13.9	No

GNI = gross national income
Sources: GNI (gross national income, formerly GNP) and Aid per capita data are from World Bank's World Development Indicators and Global Development Finance 2003 Online; GNI per capita data is unavailable for Cook Islands and Tuvalu. Nominal GDP per capita data were used instead.

[10] Aid has a most noticeable impact on FSM, RMI, Timor-Leste, and Tuvalu with a lesser, though still significant impact in the case of Kiribati, Samoa, Solomon Islands, Tonga, and Vanuatu.

[11] Household surveys and national accounts systems use different methodologies and valuing models to capture subsistence production and consumption. In some countries, notably Kiribati, official GDP data excludes subsistence agriculture and much other household production almost entirely.

[12] Remittances are significant if they are the primary source of income for more than one third of households

Typically for the Pacific poor, food accounts for two thirds of household expenditure in the rural areas and outer islands and just under 60% in urban areas. For households with average incomes, the corresponding figures are 61% and 43% respectively. Not surprisingly, subsistence production is more important for rural/outer island households accounting for about 60% of total food consumption compared to a still-high 40% in urban areas. For the average income family, the corresponding figures are 47% and 28% respectively.

The importance of subsistence production for low-income households (where data are available) is illustrated in Table 6. In all cases except FSM, poor rural households rely more heavily on their own production than urban households do. This is markedly so in Samoa and Tuvalu but somewhat less so in Timor-Leste and Tonga. However, in the case of Tonga, rural low-income households reportedly obtained all their food needs from their own production. This might seem a little unrealistic, but given the remoteness and lack of trade stores in some of the islands, it is indicative of the strong agricultural base of the Tongan economy. The figures for FSM appear to be anomalous, but the urban/rural distinction is less clear there than in other countries. Although Pohnpei is the national capital and has been classified as urban, a large proportion of the population actually lives outside the main urban center of Kolonia.

The relatively low levels of consumption of own-production in Samoa and Tuvalu reflect two rather different situations. In the case of Samoa, there is an active produce market where locally grown foods are readily available, thus there is little need to grow one's own produce although many families still do so. In Tuvalu, in contrast, the high population density and low agricultural potential severely limit the ability of urban households to produce

Table 6

Own Production as Percentage of Food Consumption of Low Income Households*

Selected PDMCs	*National Average*	*Urban Households*	*Rural Households*	*HIES Survey Year*
FSM	53	72**	42***	1998
Samoa	37	17	56	2002
Timor-Leste	48	35	51	2001
Tonga	74	54	100	2002
Tuvalu	48	19	49	1994

ADB Estimates, TA 6002-REG and 6047-REG and TLSS

*Lowest income quintile; Timor-Leste lowest two quintiles; Tuvalu Lowest quartile, ** Pohnpei, *** Chuuk

their own food which forces everyone to purchase imported goods. Timor-Leste has the narrowest gap in levels of own-consumption between urban and rural households. This is largely due to the very rural structure of the economy and to the low per capita income.

3. NATIONAL POVERTY LINES

National poverty lines measure the incidence of relative poverty within a country and are calculated as food poverty lines (FPLs) and basic-needs poverty lines (BNPLs). (See Box 6.) The FPL gives an indication of the poorest of the poor in society while the BNPL measures the incidence of basic-needs hardship. The FPL indicates the number of households (or individuals) reporting insufficient income or access to their own production to meet a minimum dietary intake for themselves and/or their families. The BNPL includes not only food but also a basket of other essential non-food expenditures (goods and services) that each household/individual needs to maintain a basic standard of living. While national poverty lines are not directly comparable across international boundaries (each country has different costs and prices), the extent of relative poverty in each country can be compared against national poverty yardsticks. Wherever possible, national poverty lines are derived from data available in HIES. The comparative poverty lines for a selection of PDMCs adjusted to US dollar 2002 prices are illustrated in Figure 1. In the context of PDMCs, it is important to remember that hardship and poverty are associated with difficulties in meeting basic needs rather than with the condition of absolute poverty or lack of food. It means that low-income households experience periodic cash shortages and that households unable to meet all their basic needs experience hardship.

The calculation of the unit cost of the poverty-line diet provides an insight into the relative PPPs among the PDMCs. Table 7 and Figure 1 indicate the comparative cost (PPP) of a common unit of 100 calories in the basic poverty-line diet for the countries listed (see Box 7). FSM has the highest cost per unit of calories at US$0.404 in 2002 prices reflecting the high import and low local produce content in the diet. The unit calorie costs in Kiribati, Samoa, Fiji Islands, Tonga, and Tuvalu follow in descending order with the costs in PNG and Timor-Leste the lowest at only around one third of those in FSM. This reflects the high proportion of locally produced food and subsistence production in the latter two countries. Despite the wide differences in the values of the poverty lines and the unit cost of calories in the basic diet, FSM, PNG and Timor-Leste have among the highest incidences of poverty in the region. Urban households in Fiji Islands followed by those in FSM and Tonga have the highest basic-needs poverty lines. In Fiji Islands and Tonga, these primarily reflect

Box 6
National Poverty Lines

The value of the national basic-needs poverty line (BNPL) comprises two components: the cost of a basic family diet which makes up the food poverty line (FPL) and an allowance to meet the costs of basic, non-food expenditures. The latter is added to the income level delineating the FPL to reach a value for the BNPL in recognition of the fact that an individual/family cannot be expected to survive on food alone.

The FPL is a calculation of the minimum income (or expenditure) required to provide an individual with the minimum daily intake of calories required for human survival which is internationally set at approximately 2200 calories/day. In other words, it represents the cost of a basket of food produced or purchased by the consumer that is sufficient for survival; it does not necessarily represent what is actually desired or consumed.

The allowance for basic, non-food expenditures is an estimate of additional costs that might be incurred by an individual/family in the lowest income or expenditure quintile. It includes only the highest priority non-food items such as housing, essential transport, utilities, school fees, clothing and contributions to the church and other social obligations. The expenditure patterns of the poorest quintile of households is usually used to ensure that luxury items are excluded.

The BNPL is calculated by combining these two measures; however, a single national BNPL does not normally provide details of geographic and urban/rural variations in income/expenditure levels, living conditions, consumption of own-food production, and the ratio of food to non-food expenditures. Regional BNPLs are therefore developed to reflect these differences. It has been found that urban households generally have higher average incomes/expenditures and higher non-food expenditures than rural households.

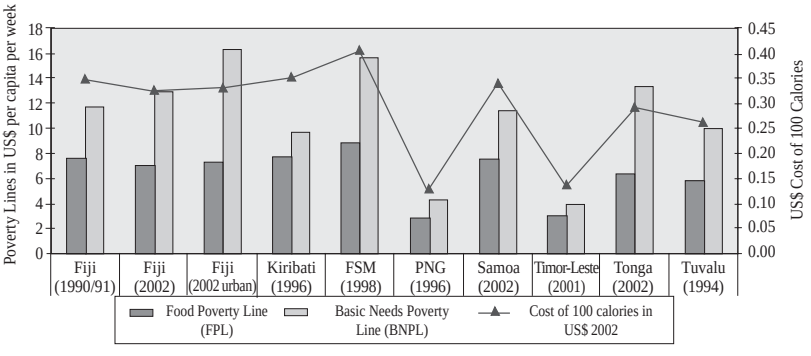
The calculation of poverty lines for ADB's PDMCs is still in its infancy. Further work needs to be done to develop a consistent methodology to address the valuation of subsistence production that plays such an important role in the rural economies of many Pacific states. There is also a need to establish appropriate poverty-line diets for all countries and to develop a set of purchasing power parities to enable calculation of more accurate estimates of poverty incidence based on the indicator of US$1 per day.

Table 7
Purchasing Power Parities
Notional Cost of 100 Calories in Poverty Line Diets

Selected PDMCs	*Notional Cost of 100 Calories US$*
FSM	0.404
Kiribati	0.351
Samoa	0.341
Fiji Islands	0.325
Tonga	0.323
Tuvalu	0.262
Timor-Leste	0.136
PNG	0.130

ADB Estimates, TA 6002-REG and 6047-REG and TLS

Figure 1
National Poverty Lines US$ 2002 Prices



Source: 1997 Fiji Islands Poverty Report, UNDP; Timor-Leste Survey of Sucos 2001; Other countries ADB estimates from TA 6002-REG, & TA 6047-REG

relatively high non-food components in the expenditures of even low-income households. In FSM, the high BNPL value reflects the high import content and relatively low value of domestic agriculture in food consumption plus the high cost of public utilities and services. In contrast, the low poverty line values for PNG and Timor-Leste generally reflect their low levels of per capita income.

The incidence of poverty, i.e., the proportion of the population and/or households with incomes below national BNPLs, varies widely among PDMCs (see Table 8 and Figure 2). Countries with the lowest per capita

Box 7
Purchasing Power Parity

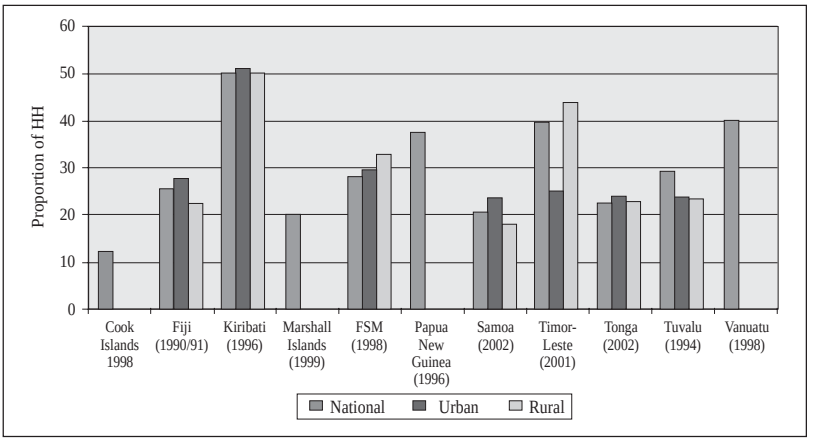
Purchasing power parities (PPP) attempt to measure the cost of an identical basket of goods in different countries to indicate differences in the relative cost of living or spending power of a currency unit. In this case, the basket of goods would be a unit of 100 calories of nutrition rather than a basket of specific items. This takes into account different dietary preferences and the differing availability of local and imported items in the overall diet. PPP theory says that in the long run, exchange rates should move towards a level that will eventually equalize prices across all countries. A simple and well-known international PPP measure is provided by the *Economist* magazine's Big Mac Index that compares the prices of a McDonalds's Big Mac across all countries where they are sold.

Table 8
National Poverty Incidence in the PDMCs

PDMC	*Population Below the Basic Needs Poverty Line*			
	National	*Urban*	*Rural*	*Data Source*
Cook Islands (1998)	12.0			HIESS
Fiji (1990/91)	25.5	27.6	22.4	HIESS
Kiribati (1996)	50.0	51.0	50.0	HIESS
Marshall Islands (1999)	20.0			Census
FSM (1998)	27.9	29.5	32.9	HIESS
Papua New Guinea (1996)	37.5			HIESS
Samoa (2002)	20.3	23.3	17.9	HIESS
Timor-Leste (2001)	39.7	25.0	44.0	TLSS
Tonga (2002)	22.3	23.6	22.8	HIESS
Tuvalu (1994)	29.3	23.7	23.4	HIESS
Vanuatu (1998)	40.0			HIES

HIES = household income and expenditure survey, TLSS = Timor-Leste Living Standard Measurement Survey. RMI incidence calculated using the income data (Table H.18) of the 1999 Census.
RMI and Vanuatu US$1-a-day poverty based on 1999 prices for RMI and 1998 prices for Vanuatu.
Source: Work carried out under TA 6002-REG (ADB. 2002. *Technical Assistance for Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries.* Manila) and TA 6047-REG (ADB. 2002. *Technical Assistance for the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries*. Manila).

Figure 2
Proportion of Households with Per Capita Incomes Below National Basic Needs Poverty Lines



Source: 1997 Fiji Islands Poverty Report, UNDP; Timor-Leste Survey of Sucos 2001; Other countries ADB estimates from TA 6002-REG, & TA 6047-REG

GNI, (Kiribati, PNG, Timor-Leste, and Vanuatu) tend to have the highest levels of poverty, although FSM, which has one of the highest GNI per capita, appears to be the exception to this rule. The high level of inequality in income distribution between those who are formally employed and those who are not is also a factor and is discussed in the next section.

Countries that have a strong subsistence agricultural sector and an active local produce market (which FSM does not have) tend to have lower levels of poverty in the rural areas compared to the urban centers. Fiji Islands, Samoa, and Tonga are examples in contrast with FSM where there is little marketing of local agricultural produce. In general, rural households also tend to have lower non-food expenditures thus the costs of their basic needs tend to be lower than those of urban households. For all countries for which data are available, the average incidence of basic-needs poverty is around 25%; in other words, one in four households has income/expenditures below the national poverty line. It is slightly lower in Samoa and Tonga and higher in Kiribati, PNG, Timor-Leste, and Tuvalu.

For all countries for which data are available, the average incidence of basic-needs poverty is around 25%.

This does not necessarily imply, however, that these families were hungry, destitute, or living in absolute poverty. It means, rather, that they are likely to have insufficient income/expenditure to meet the average daily

requirements for a basic minimum diet plus the costs of other essential non-food items. It means that they are daily faced with difficult choices on how to spend their limited cash resources. Should they pay school fees, should they buy food for the family, or should they send their children to school without lunch? Should they meet their community obligations, or should they pay their power or water bills? They may be making up the shortfalls by additional consumption of their own produce, by borrowing from others, or by doing without food or other essentials from day to day. In some cases they are undoubtedly hungry or at best poorly nourished, and certainly they face hardship.

4. LEVELS OF INEQUALITY

Income inequality in the Pacific has generally been low because of traditional social mechanisms that oblige people to share what they have with their families and communities. Generally, however, redistribution takes place only within the confines of the clan or the immediate family, and if the clan/family is poor, the opportunities for redistribution are diminished. Moreover, rapid urbanization and the gradual weakening of traditional institutions are slowly eroding the practice. Social stigma from diseases like HIV/AIDS has also led to exclusion from traditional support, especially in PNG. In the absence of alternative, comprehensive social welfare systems, income gaps and inequality are thus increasing. The PAH found this to be especially true for the elderly, the infirm, single parents, and those without regular jobs and incomes.

As economic activity has become more concentrated in and around urban areas,[13] the disparity between urban and rural incomes has increased prompting significant urban migration and the associated problems of unplanned urban growth. Recent urban migrants are often unemployed or earn low incomes. They cannot afford adequate housing, so they live in informal settlements without services. That makes growing inequality both a rural and an urban issue.

Table 9 compares Gini coefficients[14] for selected PDMCs (where this information is available) with countries in Asia. Based on this comparison, Pacific societies may actually appear to be marginally less equal than Asian societies. It is also interesting to note that the countries with the highest

[13] For example it has been estimated that 70% of Samoa 's domestic economic activity occurs either directly or indirectly in the Apia urban area. (Apia Urban Management Study, 2001, ADB, Working Paper 6).

[14] The Gini coefficient is a measure of inequality where 0 = perfect equality and 1 = absolute inequality.

Table 9
Gini Coefficients in Selected PDMCs and Comparisons

DMC	*Gini Coefficient*	*Survey Year*
Pacific DMCs		
Fiji Islands	0.46	1990-91
Micronesia, Fed. States of	0.41	1998
Papua New Guinea	0.46	1996
Samoa	0.43	2002
Timor-Leste	0.37	2001
Tonga	0.42	2002
Tuvalu	0.43	1994
East Asia		
China, People's Rep. Of	0.40	1998
Korea, Rep. Of	0.32	1993
Mongolia	0.33	1995
Southeast Asia		
Cambodia	0.40	1997
Indonesia	0.32	1999
Lao PDR	0.37	1997
Malaysia	0.49	1997
Philippines	0.46	1997
Thailand	0.41	1998
Viet Nam	0.36	1998
South Asia		
Bangladesh	0.34	1995-96
India	0.38	1997
Nepal	0.37	1995-96
Pakistan	0.31	1996-97
Sri Lanka	0.34	1995
Central Asia		
Azerbaijan	0.36	1995
Kazakhstan	0.35	1996
Kyrgyz Republic	0.35	1999
Tajikistan	0.35	1998
Turkmenistan	0.41	1998
Uzbekistan	0.45	1998

Note: The Gini coefficients are not strictly comparable across countries due to underlying differences in household survey methods and type of data collected, including whether income or consumption expenditure is used as living standard indicator.
Sources: Asian Development Bank, Discussion Papers on Poverty Assessment, various years; United Nations Development Programme, *Human Development Report 2002*; World Bank, *2002 World Development Indicators.*

incidences of poverty, i.e., Fiji Islands, FSM, and PNG, also appear to have the highest levels of inequality though Fiji Islands and FSM have the highest per capita GNIs while PNG has the lowest.

Inequality can also be gauged by looking at how total income is distributed by income groups. Table 10 compares the distribution of income or consumption of selected Pacific and Asian countries across percentiles of population. Again, based on this comparison, Pacific societies may appear to be less equal than the societies in much of Asia. For PDMCs in general, the lowest quintile receives around 5% of income while the top quintile receives 50%.

Although the data suggest that relative income poverty and inequality of income distribution appear to be as bad if not worse than in many countries in Asia, poverty in the Pacific is rarely absolute or extreme. This apparent inconsistency may largely be explained by the previously discussed difficulties of measuring subsistence production. There is also no doubt that while traditional social systems in the Pacific may be weakening, they nevertheless still play a very important role in mitigating the extremes of hardship and poverty. As monetization gathers pace, the gap between those in the cash economy and those in the traditional subsistence economy widens. Egalitarian communities do, however, continue to exist in more isolated, traditional areas. In the Lau Group of the Fiji Islands, for example, the Gini averaged just over 0.3 compared with 0.46 nationally.

5. EDUCATION INDICATORS

Frequently, increased spending has not fully translated into more or better educational services.

While the opinions of the poor on income poverty are supported by data, this is not entirely the case for their social concerns particularly with regard to access to and delivery of quality primary education (MDG 2). Where data are available, levels of literacy (Figure 3) would appear to have improved or at least not to have deteriorated in the 15–24 age group. However, with the exception of PNG and Vanuatu, whilst gender disparities in primary education seemed to increase between 1990 and 1998, the ratios all converged towards equity in primary enrollment in the period between 1998 and 2001, (Figure 4).

Whether measured as a proportion of the government's recurrent budget or as a proportion of GDP, many PDMCs have relatively high levels of spending on education (see Table 11). Frequently, however, increased spending has not fully translated into more or better educational services. In a

Table 10

Distribution of Income/Consumption based on Percentiles of Population of Selected DMCs and Comparisons

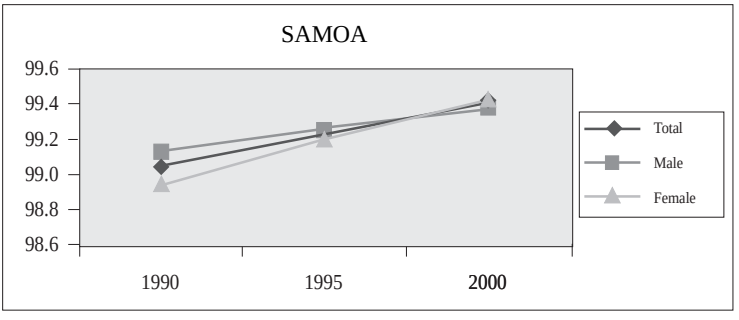
DMC	*Survey Year*	*% Share of Income or Consumption*			
		L10	*L20*	*H20*	*H10*
Pacific DMCs					
Fiji Islands	1990-91	1.9	5.0	50.0	35.0
Micronesia, Fed. States of	1998	1.3	3.6	55.5	38.7
Papua New Guinea	1996	1.7	4.5	56.5	40.5
Samoa	2002	2.4	6.2	45.3	29.3
Timor-Leste	2001	–	7.0	45.0	–
Tonga	2002	1.6	4.9	47.5	30.9
Tuvalu	1994	1.0	5.6[a]	53.5[a]	29.1
East Asia					
China, People's Rep. of	1998	2.4	5.9	46.6	30.4
Korea, Rep. of	1993	2.9	7.5	39.3	24.3
Mongolia	1995	2.9	7.3	40.9	24.5
Southeast Asia					
Cambodia	1997	2.9	6.9	47.6	33.8
Indonesia	1999	4.0	9.0	41.1	26.7
Lao PDR	1997	3.2	7.6	45.0	30.6
Malaysia	1997	1.7	4.4	54.3	38.4
Philippines	1997	2.3	5.4	52.3	36.6
Thailand	1998	2.8	6.4	48.4	32.4
Viet Nam	1998	3.6	8.0	44.5	29.9
South Asia					
Bangladesh	1995-96	3.9	8.7	42.8	28.6
India	1997	3.5	8.1	46.1	33.5
Nepal	1995-96	3.2	7.6	44.8	29.8
Pakistan	1996-97	4.1	9.5	41.1	27.6
Sri Lanka	1995	3.5	8.0	42.8	28.0
Central Asia					
Azerbaijan	1995	2.8	6.9	43.3	27.8
Kazakhstan	1996	2.7	6.7	42.3	26.3
Kyrgyz Republic	1999	3.2	7.6	42.5	27.2
Tajikistan	1998	3.2	8.0	40.0	25.2
Turkmenistan	1998	2.6	6.1	47.5	31.7
Uzbekistan	1998	1.2	4.0	49.1	32.8

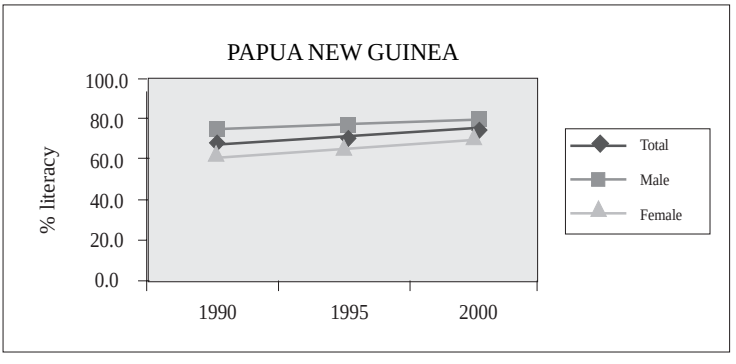
H10 = highest decile; H20 = highest quintile; L10 = lowest decile; L20 = lowest quintile, — = not available.
[a] Quartiles for Tuvalu.
Note: The distribution indicators are not strictly comparable across countries due to underlying differences in the household surveys' method and type of data collected, including whether income or consumption expenditure is used as living standard indicator.
Sources: Asian Development Bank, Discussion Papers on Poverty Assessment, various years; United Nations Development Programme, *Human Development Report 2002*; World Bank, *2002 World Development Indicators*.

Figure 3

Literacy Rate of 15-24 Year Olds, Selected PDMCs, 1990, 1995, 2000

(MDG 2)





Source: UNESCO, Institute for Statistics (http://portal.unescco.org/uis)

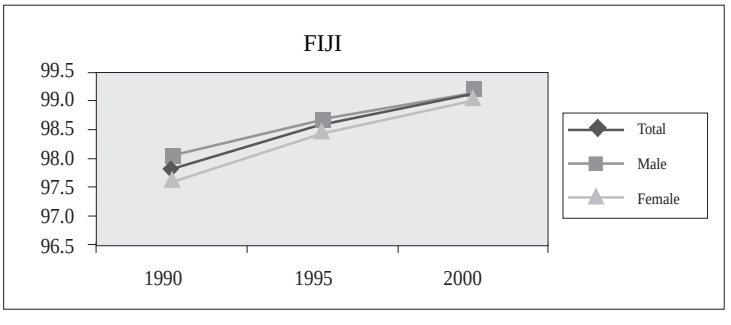
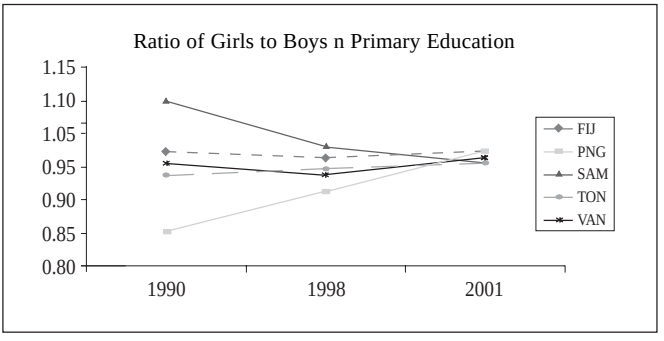


Figure 4
Ratio of Girls to Boys in Primary Education, Selected PDMCs, 1990 and 1998 (MDG 3)



Sources: UNESCAP, *Promoting the Millennium Development Goals in Asia and the Pacific* (2003); United Nations Educational, Scientific and Cultural Organization (UNESCO), Millennium Indicators Database http: millenniumindicators.un.org/.

Table 11
Public Expenditure on Education

PDMC (selected)	*% of GDP*	*% of Government Expenditure*	*Year*
Cook Islands [a]	–	13.1	2000
Fiji Islands	5.3	17.1	2002
Kiribati	20.5	23.4	2001
Marshall Islands, Rep. Of	11.3	21.0	2000
Micronesia, Fed. States of [a]	9.6	17.6	1998
Nauru [a]	–	7.0	2000
Papua New Guinea [a]	2.3	17.5	2000
Samoa	4.9	22.6	2001
Solomon Islands [a]	3.6	15.4	2000
Timor-Leste [b]	4.1	25.0	2002
Tonga	6.0	14.0	2002
Tuvalu	29.6	22.2	2001
Vanuatu	5.5	26.4	2001

GDP = gross domestic product, – = not available.
[a] Estimates from UNESCO Institute for Statistics.
[b] Consolidated Fund for East Timor (CFET) data from the 2002 Revised Budget.
Source: ADB, Discussion Papers under TA 6002-REG (ADB. 2002. *Technical Assistance for Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries.* Manila.) and TA 6047-REG (ADB. 2002. *Technical Assistance for the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries*. Manila).

review of socio-cultural issues confronting the Pacific,[15] Penelope Schoeffel commented that, "Most countries appear to have experienced a serious decline in the quality of primary and junior secondary education." In many PDMCs, spending on teachers and other staff absorbs a very high proportion of the total education budget (in FSM 90% of 2002 core expenditure was allocated to staff costs) leaving very little for operational expenses and for maintenance of facilities. Consequently, many primary schools, particularly those in rural areas and outer islands, are frequently without books and other teaching materials. As Pritchett and Filmer[16] found in their analysis, spending on school materials had a rate of return ten to one hundred times larger than additional spending on teachers. However expenditure on school materials is usually reduced before expenditure on teachers' salaries is.

In Fiji Islands, recent figures from the Ministry of Education's Special Projects Unit revealed that only 56% of those who commenced their schooling in 1988 continued through to form 6. According to the figures, the highest dropout rate occurred in forms 4 and 5 after completing the Fiji Islands junior exams. A total of 18% of form 4 students, mostly indigenous Fiji Islanders, did not progress to form 5.[17]

In the Marshall Islands, there is an apparent variation in the quality of education between public and private primary schools. Pacific Islands Literacy Level tests [18] show pass rates for public primary schools in mathematics as 37% compared to 70% for private schools. In English, the rates are 21% against 63% in private schools, and for the Marshallese language they are 30% against 45%.

In Timor-Leste, high repeat and dropout rates were reported in 2001. Between 20–25% of children repeated, and around 10% dropped out in each primary and junior secondary grade. Notwithstanding these high dropout rates, overall levels of enrolment as recorded by the Timor-Leste Living Standards Survey (TLLS) increased dramatically between 1999 and 2001. The improvements were especially noticeable at the primary level generally among poor, female, and rural students. Participation rates for poor male and female primary students rose from 64% and 67% respectively, to 76% and 79 % respectively between the two years.

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[15] Schoeffel, Penelope. 1996.
Socio-Cultural Issues and Economic Development in the Pacific Islands. Manila.

[16] Pritchett, Lant and Deon Filmer. 1999. "What Educational Production Functions Really Show: A Positive Theory of Education Spending" Economics of Education Review 18, no. 2 (April): 223 - 239; quoted in Easterly 2002

[17] Reported by Radio Fiji/Fijilive March 31 2004. The Fiji Teachers ' Union claimed that poverty was a major contributing factor to the high rate of dropouts with parents "being unable to afford to invest in their kids."

[18] As reported by the South Pacific Board for Educational Assessment

Tuvalu reported a serious decline in Fiji Islands Junior Certificate pass rates from 61% in 1994 to 13% in 2001 to 37% in 2002. According to the PAH in Vanuatu, families are withdrawing children from public primary schools because of declining standards. Consequently, only about 55% of those over the age of 15 had completed primary school. In PNG, families were withdrawing children from school to work on plantations, particularly vanilla plantations, for two reasons: demand for labor has grown because of increasing vanilla prices, and the returns on education are negative given the low probability of employment after attending school.

Similar responses were obtained on the PAH in Pohnpei, FSM. Although education is free, the associated costs of uniforms, bus fares, books, materials, lunch money, and "voluntary" school contributions prevent some low-income families from enrolling their children. Poor roads and irregular transport services were other key reasons why primary and secondary students were dropping out.

Distance can also be a critical factor in many parts of the Pacific. For example, Satawal is the island farthest away from the capital of Yap. It has only a primary school, and employment is limited to government teaching and health positions. Children and young people have to go to Yap for secondary and higher education, maternal health care, and employment opportunities. A similar situation applies in the outer islands of all the atoll countries as well as in the remoter rural parts of PNG, Tonga, and Vanuatu. Due to lack of educational qualifications or skills, young people who drop out of school early end up idle with little chance of gainful employment until adulthood. They also are a source of concern to their families and communities when they get involved in drugs and alcohol. Lack of motivation, low aptitude, and early marriages were other reasons identified in the PAH as to why young people dropped out of school early.

There are growing urban-rural disparities in both literacy and numeracy in many countries.

There are growing urban-rural disparities in both literacy and numeracy in many countries. In nearly every PDMC, public education expenditure tends to be concentrated in the urban and peri-urban centers. Rural schools and students do not get an equitable share of the public resources devoted to education. Access to quality facilities and teaching standards is reported to be weakest in the rural areas and outer islands of Fiji Islands, FSM, Kiribati, the Marshall Islands, and Vanuatu. It is very likely that the situation would be similar in Solomon Islands. In Tonga, although formal education is generally well addressed and equitable across the country, those living in the rural areas are disadvantaged at the postsecondary level since all technical and vocational training is centered on Tongatapu.

Some PDMCs are, however, showing signs of improvement in educational performance and service delivery. In Kiribati, the establishment of 19 new junior secondary schools in the past 5 years has reportedly made a significant improvement in the level of access for outer island children. However, as so often happens, little consideration has been given to the sustainability of these schools in terms of budgets or staffing. Nor does it appear that much consideration has been given to what happens to the children once they leave school as little has been done to open the economy to new investment and employment creation.

In Samoa, retention rates reported by the ministry of education increased from 95% in 1995 to 101% in 2001 for the 5 –14 age group, and from 45% to 49% for the 15 –19 age group. During the same period, dropout rates decreased from 18% to 10% in Levels 8 and 9 and from 45% to 39% in Levels 12 and 13. In the Marshall Islands, dropout rates at the primary level were low at 2% (1998/99), but they were still high at the secondary level at 44%. In Tonga, where the gross enrolment rate into secondary education is high at around 66%, the average secondary dropout rate is low at 5.5% (2000) across all years.

The contributing factors to poor educational performance include (i) poor quality of teaching staff; (ii) difficulties in delivering equitable services in a geographically scattered country with high population concentrations in the urban areas; (iii) deteriorating infrastructure; and (iv) a fragmented curriculum. According to national authorities in Fiji Islands, skill profiles of primary teachers in 1997 showed that 99% had some formal training; however only about 4% had degree or diploma qualifications while 16% had not even completed Form 5. In the Marshall Islands, nearly half the teachers have only a secondary school diploma as their highest qualification. In Solomon Islands, about 26% of primary teachers had no formal teacher training, and over 80% had no more than a Form 3 (Grade 9) education (1996). In Vanuatu, about a quarter of all primary teachers were untrained (1994). In many countries there is a need to review the curriculum at both the primary and secondary levels to match education with the skills needed in the labor market. Technical education in agriculture, fisheries, and tourism at secondary and post-secondary levels would help to raise productivity and to improve job access in these sectors.

At the heart of many of the problems in education are the lack of ownership and the lack of sound, effective management. Despite apparently high levels of resources, schools are frequently run-down and poorly equipped, teachers and staff are often poorly motivated and sometimes poorly trained, and the curricula they

At the heart of many of the problems in education are the lack of ownership and the lack of sound, effective management.

deliver may be poorly developed, uncoordinated, and badly integrated. Many of these problems stem from weaknesses or failures in the structure and management of controlling ministries and departments. Improved management would almost certainly lead to improvements in quality.

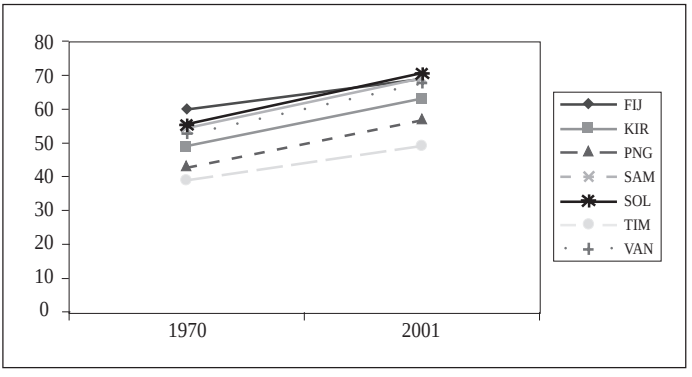
As schools are deprived of resources by poor budgeting and/or poor management, parents are often asked to contribute more, either directly through fees but more often indirectly through in-kind donations and other fund-raising activities. This places an additional burden on family finances particularly in the rural areas where cash incomes are frequently smaller.

Ministries and departments of education often think of education as an end in itself and reckon their effectiveness on the number of years of schooling provided rather than on the quality of teaching, the relevance of the curriculum, and the employability of students when they leave school. Few ministries of education have any regular, formal dialogue with employers about skill needs. (Fiji Islands and PNG are among the few that engage in such consultations.) The theoretical goal is to enable pupils to get white-collar jobs in government or in the private sector even though the number of such jobs created each year is tiny in relation to the numbers finishing school. At the same time, there are not enough technically skilled people to meet the demands of employers. Most people understand these issues and put technical skills high on their lists of priority interventions. School officials are, however, generally located in urban centers and are more concerned with academic qualifications for their own children. Thus resource allocations and educational priorities may be distorted by the demands of the few over the needs of the many. Therefore, although MDG indicators for enrolment rates are generally on target in the PDMCs, with the exception of PNG, Solomon Islands, and Timor-Leste, weaknesses remain in the educational systems.

6. HEALTH INDICATORS

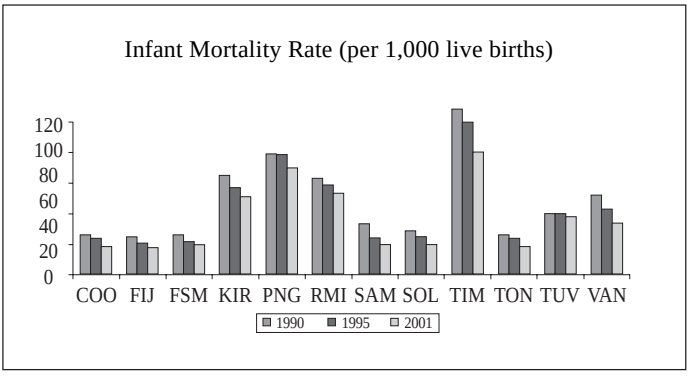
In recent decades there appear to have been marked improvements in health in many PDMCs. Life expectancy has increased (Figure 5), infant and child mortality rates have decreased (Figure 6 and Figure 7), and immunization coverage has been extensive (Table 12). The nature of the problem is, however, changing. The "benefits" of development have included a rapid increase in the incidence of diseases of modern society: diabetes, hypertension, and obesity. Increasing urbanization with areas of very poor housing and cramped living conditions has perpetuated infectious diseases like TB, dengue fever, and malaria. There is also a worrying rise in the number of HIV/AIDS cases in a few countries and an equally worrying lack of data on

Figure 5
Life Expectancy, Selected PDMCs, 1970 and 2001



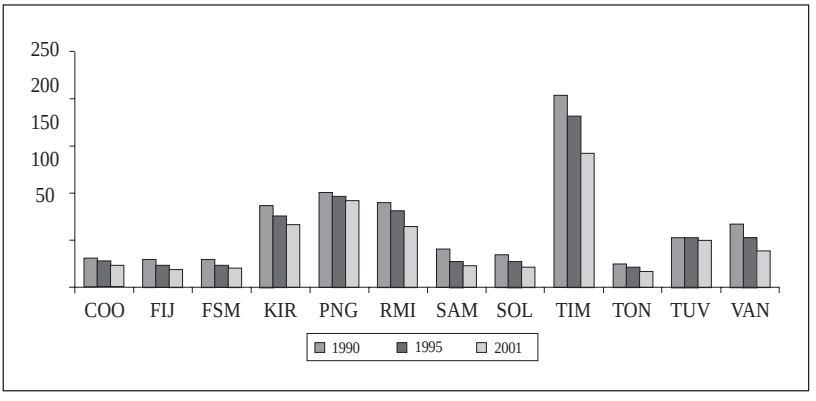
Source: UNICEF, The State of the World's Children 2003.

Figure 6
Child Mortality Rate, PDMCs[a], 1990[b], 1995[b], and 2001
(MDG 4)



Sources: UNDP, *East Timor Human Development Report 2002*; UNESCAP, *Promoting the Millennium Development Goals in Asia and the Pacific* (2003); UNICEF, *The State of the World's Children 2003*; UNICEF, End-Decade Databases 2002 (http://childinfo.org/cmr/).
[a] No available data for Nauru.
[b] For East Timor, 1990 actually refer to 1993 data, and 1995 are actually 1996 data.

Figure 7
Under-five Mortality Rate (per 1,000 live births)



Sources: UNDP, *East Timor Human Development Report 2002*; UNESCAP, *Promoting the Millennium Development Goals in Asia and the Pacific* (2003); UNICEF, *The State of the World's Children 2003*; UNICEF, End-Decade Databases 2002 (http://childinfo.org/cmr/).

Table 12
Immunization Coverage of One-Year-Old Children, PDMCs, 2001 (in Percentages)

PDMC	*TB*	*DPT3*	*Polio3*	*Measles*	*HepB3*
Cook Islands	99	92	92	84	92
Fiji Islands	99	90	99	90	93
Kiribati	85	85	88	76	85
Marshall Islands, Rep. of [a]	NA	80	80	80	80
Micronesia, Fed. States of	39	75	79	84	81
Nauru	99	95	99	95	95
Papua New Guinea	74	56	33	58	42
Samoa	98	93	92	92	98
Solomon Islands	85	78	80	NA	78
Timor-Leste	72	35	34	NA	NA
Tonga	91	94	95	93	96
Tuvalu	99	96	96	99	99
Vanuatu	90	93	87	94	69

DPT3 = Diphtheria, pertussis and tetanus (3 doses), HepB3 – 3 doses of hepatitis B vaccine, NA = not available.
[a] Estimates from ADB's Discussion Paper under RETA 6002 (ADB. 2002. *Technical Assistance for Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries.* Manila.)
Source: UNICEF, *The State of the World's Children 2003*

Many PDMCs are now facing a double burden of prevention and treatment of persistent, traditional, infectious ailments along with a rising tide of new, non-communicable diseases.

the situation in others. In short, many PDMCs are now facing a double burden of prevention and treatment of persistent, traditional, infectious ailments along with a rising tide of new, non-communicable diseases.

The information in the preceding charts may hide important variations in each country. According to the United Nations Children's Fund (UNICEF), infant mortality in PNG has ranged from a high of 111 in Gulf Province to a low of 40 in Manus. Of concern also is the fact that infant mortality increased from 72 per 1000 live births in 1980 to 82 per 1000 in 1991 then improved to 79 per 1000 in 2002. Infant mortality in Kiribati reportedly varies from 13 to 90 per 1,000 on some islands. According to the 1994 census, infant mortality in FSM varied from an average of 39 for Yap State to 53 for Chuuk.

While infectious and communicable diseases have been brought under control in some countries, in others, most notably where poverty is highest, they are still the greatest threat to health. The impact on already poor families of the loss or disability of a family breadwinner from any of these diseases can be a major cause of serious hardship and poverty.

The incidence of so-called "lifestyle" diseases in the PDMCs now rivals that of countries like the U.S. and Australia and is placing an ever-increasing strain on hospital-oriented, curative health services.

The incidence of so-called "lifestyle" diseases in the PDMCs now rivals that of countries like the U.S. and Australia and is placing an ever-increasing strain on hospital-oriented, curative health services. Furthermore, many of the risk factors for these diseases are becoming more widespread in the Pacific. For example, prevalence of smoking has been recorded at 40–80% in the region.[19] The current situation in Tuvalu as recorded in the 2002 census is in Box 8. The shift from traditional diets of fish, taro, breadfruit, and bananas to imported white rice, mutton flaps, tinned corned beef, and sugar has resulted in high intakes of fat, salt, and carbohydrates and reduced intake of fiber.

Malnutrition among children is also a concern in some PDMCs. A 1991 national nutrition survey in the Marshall Islands found that 40% of school age children suffered from it. In Samoa, malnutrition is mainly associated with poor dietary choices. Generally, under-nutrition is more prevalent in the rural areas whereas obesity is common in urban areas. This trend may be related to lack of physical activity and to nutritional factors such as socio-economic status, availability of homegrown food in rural areas, and access

[19] Secretariat of the Pacific Community and the World Bank. 2003. "Non-communicable diseases in Pacific Island countries: Disease burden, economic cost and policy options." Noumea, New Caledonia: SPC

Box 8
Tobacco and Alcohol Consumption: The Case of Tuvalu

The 2002 census indicates that 49% of males and 3% of females on Funafuti regularly consume alcohol. For the outer islands, the proportions were 45% for males and 1% for females. Among the 15–19 and 20–49 age groups, 59% and one third of males reported regular consumption respectively.

For smokers, the census indicated that on Funafuti two thirds of all males and one fourth of all females over 15 years of age were smokers. On the outer islands, the proportions were 58% and 24% respectively. Nationally in the 15–19 age group, the use of tobacco was 28% for males and 4% for females. For those between the ages of 20–49 and the rates 60% and 25% for males and females respectively.

to inexpensive, imported junk food in the urban areas. A study of school children in Fiji Islands[20] found that in the urban centers, 24.2% of children were overweight compared to only 8.7% of school children in rural areas. Conversely, 19.4% of children in urban schools were reported to be underweight compared to 32.9% in rural schools.

There are notable urban-rural (including outer islands) discrepancies in the quality of and access to basic health services.

In considering health issues, Schoeffel[21] also states, "Increasing emphasis on curative services and reduced per capita expenditure on health has led to a widespread decline in rural and primary services." As with education, there are notable urban-rural (including outer islands) discrepancies in the quality of and access to basic health services. Rural and outer island services lack funding for essential medical supplies and maintenance of facilities because central hospitals in the urban areas and overseas referrals tend to absorb most of the available resources. With poor facilities and difficult transportation and communications, many women on the outer islands are isolated from maternal and infant health services. Nurses and village health assistants often work in very difficult circumstances with poor conditions and inadequate health supplies. In serious cases they may be

[20] Nand, N. and Oman, K. Ministry of Health. 1999. The Prevalence of Malnutrition in Urban and Rural Fijan School children: A Cross-Section Study.
[21] Op cit.

unable to cope with the treatment required, and the patient's survival may depend on the availability of transport to an urban hospital.

As in the education sector, public spending on health services (Table 13) may not generate commensurate health outcomes due to the high cost of service delivery in scattered island countries and to the concentration of resources on centralized curative services. The resources allocated annually to health in the region vary considerably from only US$16 per capita in PNG to over US$200 per capita in Cook Islands and RMI. Public spending needs to take into account the changing health care needs brought about by the shift in lifestyles. As mentioned previously, health services are facing a double burden. With limited resources there is a need to reinforce the system as a whole to enable it to properly handle curative and preventive measures for communicable diseases and to provide health education, early detection, and case management for non-communicable diseases as these measures can greatly reduce future curative costs.

Table 13
Public Expenditure on Health

	% of GDP	*% of Government Expenditure*	*Expenditure Per Capita (US$)*	*Year*
Cook Islands	5.3	13.0	227	2001
Fiji Islands	2.7	8.6	70	2002
Kiribati	12.7	16.1	63	2001
Marshall Islands, Rep. Of	5.8	10.8	204	2000/01
Micronesia, Fed. States of [a]	5.4	9.8	116	2002
Nauru [a]	na	8.9	Na	1995
Papua New Guinea [a]	1.9	6.2	16	1999
Samoa	4.0	18.8	57	2001/02
Solomon Islands	3.6	11.8	Na	1997
Timor-Leste [b]	1.6	9.0	Na	2002
Tonga	3.5	11.5	48	2001/02
Tuvalu	7.4	5.5	115	2001
Vanuatu	2.8	12.4	33	2001

NA = not available.
[a] WHO, Western Pacific Region Health Data Bank (rev/2001) (http://wpro.who.int)
[b] Consolidated Fund for East Timor (CFET) data from the 2002 Revised Budget
Sources: ADB, *Cook Islands 2001 Economic Report: Policies for Progress* (2002); ADB, Discussion Papers under RETA 6002 (ADB. 2002. *Technical Assistance for Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries.* Manila) and RETA 6047 (ADB. 2002. *Technical Assistance for the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries.* Manila); ADB, *Solomon Islands 1997 Economic Report* (1998).

7. ENVIRONMENTAL HEALTH

Making inter-country comparisons and assessing progress in relation to other MDG indicators including access to improved drinking water and sanitation facilities (MDG 7) can be difficult. This also applies to the data on unemployment (MDG 8). Although most of the data needed for environmental health indicators are collected in national censuses and HIES, there is some inconsistency in definitions between countries and/or over time. The data on the status of living conditions, public health, and environmental quality can therefore be misleading. The differences in national definitions of what constitute improved water supplies and sanitation facilities are summarized in Table 14.

In the case of water, "access" data usually refer to physical proximity but have little relevance to water quality. In some countries an "improved" piped supply might nominally be available but in practice might rarely convey any water to households. Table 15 provides a summary of data from different sources on the availability of safe household water. The incomplete nature of the data and the inconsistency in the figures among the various sources can be readily seen. Table 16 provides similar data on the availability of improved sanitation.

The data on water supplies show quite clearly that in many countries the rural areas have a much poorer level of access than the urban areas. However, although in aggregate urban areas tend to be better served, there are many squatter settlements where the urban poor tend to be concentrated that have no access to safe water. This was observed in the PAH in urban areas in Fiji Islands, PNG, and Vanuatu in particular.

Access to sanitation generally refers to physical proximity to a facility. It does not necessarily take account of the state of repair of the facility or of its ability to provide hygienic living conditions and to avoid polluting the environment, including the water the users of the facility may drink. As seen in Table 14, the access of a household to improved sanitation, however defined, is generally lower than its access to improved water. While still not satisfactory from an environmental health perspective, the lack of access to sanitation in a rural village might be less of a health risk than the lack of such facilities in an overcrowded slum.

Water and sanitation data need to be used with caution and in conjunction with other data to assess public health and living conditions and to determine appropriate interventions or development options. Definitions and accuracy should be carefully assessed before accepting apparent increases or decreases in access within countries and when comparing countries. Difficulties with definitions are illustrated in the 2001 census in Samoa that recorded that

Table 14

Definitions Of Improved Water and Sanitation, PDMCs

Country	Census Year	Access to Improved Water Sources: Improved Water-defined	Not Improved Water-defined	Notes
Cook Islands	2001	Public Watermain, tank, piped to dwelling, piped to outside dwelling.	Public water tank/catchment, other, cart or carry to dwelling	All sources of water were combined in the Census question, so this is an indication only (ie households stated all sources of water available)
Fiji Islands	1996	Water never dries up	Water sometimes or every year dries up	n/a
Kiribati	2000	Rain water, piped water, protected well	Open well	All sources of water were combined in the Census question, so this is an indication only (ie households stated all sources of water available).
Marshall Islands	1999	Public System, catchment well	Bottlesd water, other, not reported	Well not further defined
Federated States of Micronesia	2000	Public/Community system, catchment, well, tank, drum, public standpipe or hydrant	Distilled water, other source	Well not further defined
Federated States of Micronesia	2000[a]	n/a	n/a	n/a
Palau	2000	Public water, rainwater (catchment)	Bottled water or bottled water and rainwater	Source of drinking water not water supply
Palau	2000[d]	n/a	n/a	n/a
Papua New Guinea	1990	Public system, catchment, tank, well	Stream, creek, other	Well not further defined
Samoa	2001	Tap, well or spring	River /lake, rainwater (storage method not specified), paid bottled	Source of drinking water not water supply
Tonga	1996	Piped, own tank, own well	Other	All sources of water were combined in the Census question, so this is an indication only (ie households stated all sources of water available)
Tuvalu	2002	Tank and/or cistern	Community sistern, other	Source of drinking water not water supply
Vanuatu	1999	Piped water (exclusive, shared), tank well	Village standpipe, community tank, river, spring, other, not stated	Main water supply

Sources: Various National Statistical Office websites

Access to Improved Sanitation		
Improved Sanitation defined	**Not Improved Sanitation defined**	**Notes**
Flush toilet, pour flush toilet, pit toilet	Lagoon toilet	Toilet facility
Flush toilet, water sealed privy, pilt latrine shared or exclusive	None, other	Toilet facility
Flush toilet, water seal, pit la trine	Attolette, lagoon beach, ocean beach, other, public toilet	Toilet facility
Flush toilet, water seal, pit la trine	None, other not reported	Toilet facility
Public sewer, septic tank, cesspool	Others	Sewage disposal
Flush toilet inside or outside the dwelling	Outhouse, privy, pit, benjo, other, not stated	Toilet facility
Public sewer, septic tank, cesspool	Other	Sewage disposal
Flush toilet inside or outside the dwelling, outhouse, privy	Other or none	Toilet facility
n/a	n/a	n/a
Private of shared flush toilet, ventilated improved pit, pit la trine	None	Main toilet facility
Tank or pour flush, pit	None, other	All types of la trine were combined in the Census wuestion, so this is an indication only (ie households sated all types of la trines available).
Flush toilet (inside or outside), pour flush	Other, none	Toilet facility
Private or shared flush toilet, water seal, ventilated improved pit, pit la trine	No toilet, not stated	Main toilet facility

Table 15

Access to Improved Water

		Access to Improve Water % of Households						
		Latest Census Data			*WHO/UNICEF*			*UNDP*
PDMCs	*Year*	*Total*	*Urban*	*Rural*	*Total*	*Urban*	*Rural*	*Safe Water*
Cook Islands	1990				100	100	100	
	1998							95
	2000				100	100	100	
	2001	93	98	87				
Fiji Islands	1990					96	69	
	1996	93						
	1998							77
	2000				47	43	51	
Kiribati	1990					91	63	
	1998							76
	2000	60	77	49	47	82	25	
Marshall Islands	1998							82
	1999	88	84	96				
Micronesia, Fed. States of	1998							44
	2000	93	94	92				
Nauru	1998							100
Palau	1990					100	97	
	1998							86
	2000	83	78	94	79	100	20	
Papua New Guinea	1988					93	23	
	1990	89						
	1998							24
	2000				42	88	32	
Samoa	1990					100	77	
	1998							90
	2000				99	95	100	
	2001	89	92	88				
Solomon Islands	1990					82	58	
	1998							64
	2000					94	65	
Timor-Leste	1998							26
Tonga	1990					92	98	
	1996	99						
	1998							95
	2000				100	100	100	
Tuvalu	1988					99	100	
	1998							85
	2000				100	100	100	
	2002	93	94	92				
Vanuatu	1988					100	64	
	1998							87
	1999	60	87	52				
	2000				88	63	94	

Sources: Various National Statistical Office websites; World Health Organization (WHO)/United Nations Children's Fund (UNICEF), Joint Monitoring Programme for Water Supply and Sanitation, Coverage Estimates 1980-2000 (Sept-01); WHO/UNICEF/Water Supply and Sanitation Collaborative Council, Global Water Supply and Sanitation Assessment 2000 Report; United Nations Development Programme (UNDP East Timor Development Report 2002, UNDP, Pacific Human Development Report 1999

Table 16

Access to Improved Sanitation

PDMCs	Year	Access to Improved Sanitation % of Households						
		Latest Census Data			*WHO/UNICEF*			*UNDP Improved Sanitation*
		Total	*Urban*	*Rural*	*Total*	*Urban*	*Rural*	
Cook Islands	1990				100	100	100	
	1998							98
	2000				100	100	100	
	2001	100	100	100				
Feji Islands	1990					91	65	
	1996	99						
	1998							85
	2000				43	75	12	
Kiribati	1990					91	49	
	1998							46
	2000	31	54	22	48	54	44	
Marshall Islands	1998							77
	1999	80	92	57				
Micronesia, Fed. States of	1998							51
	2000	25	59	16				
Nauru	1998							97
Palau	1990					95	100	
	1998							86
	2000	79	92	52	100	100	100	
Papua New Guinea	1988					54	56	
	1998							25
	2000				82	92	80	
Samoa	1990					100	92	
	1998							97
	2000	100	100	100	99	95	100	
	2001	89	92	88				
Solomon Islands	1990					73	2	
	1998							16
	2000					98	18	
Timor-Leste	1998							51
Tonga	1990					92	98	
	1996	99						
	1998					88	78	85
	2000				100	100	100	
Tuvalu	1988					79	77	
	1998							49
	2000				100	100	100	
	2002	87	92	83				
Vanuatu	1988					82	33	
	1998							91
	1999	96	97	95				
	2000				100	100	100	

Sources: Various National Statistical Office websites; World Health Organization (WHO)/United Nations Children's Fund (UNICEF), Joint Monitoring Programme for Water Supply and Sanitation, Coverage Estimates 1980-2000 (Sept-01); WHO/UNICEF/Water Supply and Sanitation Collaborative Council, Global Water Supply and Sanitation Assessment 2000 Report; United Nations Development Programme (UNDP East Timor Development Report 2002, UNDP, Pacific Human Development Report 1999.

nationally 86% of households used piped supplies as their main source of drinking water. Nevertheless, water supplies were rated as generally poor by the villages surveyed in the PAH. Sixty percent of those consulted said that supplies were intermittent and that they regularly boiled their drinking water as they did not trust the quality. Similar opinions were expressed in a number of other countries. In Kiribati, the 2000 census reported that 70% of the population of South Tarawa was served by an "improved" piped supply system. However the data failed to record that the supplies were provided through communal standpipes for an hour or so each day, and that few would drink the water without boiling it first. In Tuvalu, there is no reticulated system. Almost all water comes from household tanks and/or communal cisterns. While these sources might be safe from ground contamination, they are nevertheless susceptible to contamination from mosquito larvae, vegetation, climbing animals, and birds if not properly screened.

Although inconsistent and variable in quality, *prima facie* the data suggest that most PDMCs will eventually meet the MDG targets for improved water and sanitation. However, national averages may hide significant variations between urban and rural areas. This is confirmed by responses on the PAH.

Prima facie the data suggest that most PDMCs will eventually meet the MDG targets for improved water and sanitation; however, national averages may hide significant variations between urban and rural areas.

8. EMPLOYMENT AND UNEMPLOYMENT

Table 17 presents a summary of formal employment in the region where data are available. Levels of formal employment (excluding subsistence) are commonly low in comparison with the size of the working-age population. A large proportion of the labor force in many of the PDMCs is engaged in the informal sector that includes subsistence activities, village work, and housework. This is especially true in Kiribati, Papua New Guinea, Samoa, Tonga, and Vanuatu. The public sector is often the largest single employer in the formal sector most notably in the small atoll countries.

The concept of unemployment is difficult to define, measure, and compare, again because subsistence activities are still significant. While data on the labor force and unemployment are collected in national censuses, definitions are not standardized and the data are not consistently analyzed and reported. For example, in their recent national censuses, Kiribati, Samoa, and Vanuatu all reported relatively low levels of youth unemployment but high rates of youth engaged in unpaid family activities or not economically active (see Table 18). In contrast, RMI and FSM both reported high levels of

Table 17
Formal Sector Employment

PDMC	Year and Source	Total Population	Formal Employment [b]			
			Working age population[a]	Levels age	Of which Public Sector (%)	Of which Private Sector (%)
Cook Islands	1996 Census	19,103	10,881	5,230[c]	29.8	57.2
Fiji Islands	1996 Census	775,077	500,699	110,081[c]	22.3	–
Kiribati	2000 Census	84,494	50,696	9,200	68.3	25.0
RMI	1999 Census	50,840	27,850	10,141	30.6	40.6
FSM	1994 Census	105,506	59,573	21,756[d]	43.2	44.2
PNG	1990 Census	3,607,954	2,098,388	947,419	–	–
Samoa	1999 Mid-year estimate	169,371	90,900 [e]	23,000	24.8	–
Solomon Islands	1986 Census and various	285,176	164,600 [f]	24,026[c]	41.0	59.0
Tonga	1996 Labor Force Survey / 1996 Census	97,784	59,526	29,406[d]	24.0	19.0
Tuvalu	1994 HIES, Preliminary Results	9,319	5,793	1,724	48.3	25.8
Vanuatu	2000 LMS and ISS /1999 Census	186,678	156,000	14,272[c]	31.4	–

, ISS = informal sector survey, LMS = labor market survey, – = not available.

[a] Working age population in this table is defined as those ages 15 years old and above, unless otherwise specified.

[b] Formal sector employment include those 15 years and above who are either employees in the private and public sector, are self-employed (which includes agricultural workers or fishers), employers in own farm or business, paid workers in family farm or business, or unpaid workers in family farm or business, unless otherwise specified.

[c] Formal employment for these countries are defined as total wage and salary earners.

[d] Population of 15 years old and above who are employed in either subsistence or monetary economic activities.

[e] Data is for 2000, population of ages 15 to 64 years old; from the Asia Pacific in Figures 2002, UNESCO.

[f] Data is for 1990, population of ages 15 to 64 years old; from the Asia Pacific in Figures 2002, UNESCO.

Sources: ADB Pacific Studies Series, latest issues for each Pacific Developing Member Country (PDMC); National Censuses or Labor Force surveys of the PDMCs, various years; Key Statistics March 2003, Fiji Islands Bureau of Statistics; RMI Statistical Abstract 2001, Office of Planning and Statistics.

unemployment, i.e., over 60% in RMI and 35% in FSM. In the latter, the rate was reported as 50 % in Chuuk, the largest state.

In addition to youth unemployment, Table 18 also shows the proportion of women employed. For most countries around one third of formal non-agriculture employment is held by women, however this varies from lows of 24% and 28% in PNG and Timor-Leste respectively, to highs of 41% and 56% in Cook Islands and Tonga. The available data also suggest

Table 18
Youth Unemployment and Women in Employment Selected PDMCs

	Percentage of Youth Unemployed 15 – 24 years	*Proportion of Women in Non- agricultural Employment*	*Census or Survey Year*
Cook Islands	–	41.2[a]	
Fiji Islands	14.1[b]	31	2002
Kiribati	2.2	37	2000
Marshall Islands, Rep. of	62.6	31	1999
Micronesia, Fed. States of	35.3	33.1	2000
Nauru	–	–	
Papua New Guinea	3.7	24.1[c]	2000
Samoa	12.2	38	2001
Solomon Islands	11.1[d]	33.3[c]	1999
Timor-Leste	5.3[d]	27.9[c]	2001 TLSS
Tonga	30.6	56	1996
	13.0		2003 LFS
Tuvalu	25		1991
		35	2003 TNPF
Vanuatu	36[e]	36.5	1999

– not available; LFS–Labor Force Survey; PDMCs–Pacific developing member countries; TLSS–Timor-Leste Living Standard Measurement Survey; TNPF–Tuvalu National Provident Fund
[a] International Labor Organization (ILO) estimate for 2002
[b] Refers to adult unemployment rate (15 years and above) as per 2002 Urban household income and expenditure survey (HIES)
[c] ILO estimate for 1990
[d] Refers to adult unemployment rate as per census
[e] Reported as not economically active in census
Sources: Various national censuses and surveys; United Nations Statistics Division (UNSD), Millennium Indicator Database (2003), http://millenniumindicators.un.org

Private sector productive investment and employment creation have not kept pace with the rate of new entrants into the labor force; consequently unemployment is increasing in almost all PDMCs.

that the proportion of women employed has increased steadily by about 10 percentage points over the past decade.

Private sector productive investment and employment creation have not kept pace with the rate of new entrants into the labor force; consequently unemployment is increasing in almost all PDMCs. The exceptions are Cook Islands and Palau where easy out-migration means there is a heavy reliance

on overseas workers to service the economies. Moreover, even where investment has occurred, some of the new factories and processing plants are known to pay very low wages often fixing rates at or even below the local minimum. This gives rise to an increasing number of working poor, i.e., people engaged in the formal economy but still living on incomes at or below the poverty line. This occurs most frequently in urban families with only one or two wage earners. In almost all PDMCs, the poorest households have fewer members on average than non-poor households.

In Samoa, the 2002 HIES recorded that 27% of households in the lowest income quintile were headed by someone in formal employment, and that a further 41% were in informal employment in the farming and fishing sectors. According to the 2001 HIES in Tonga, a similar proportion, 27%, of households in the lowest income quintile were also headed by a wage or salary earner. The increase in the number of working poor has led to calls for higher minimum wage levels to bring them above the poverty line. However, economic theory suggests that increasing minimum wage has the effect of reducing the overall level of employment as employers seek to move their operations to a lower-cost location. The consequence is greater unemployment and more people with no income at all. In reality people want jobs, even if they are low paid, as it means that they have at least some cash income with which to meet the costs of school fees and other essential household expenditures. The continuing drift of people into urban centers in search of work is further testimony to this desire.

With increasing urbanization, the core of genuinely unemployed youth is growing particularly among young people who have come to urban centers for education and fail to find work after finishing or quitting school. Traditionally, those who could not find work in the formal sector would have been economically active in rural agriculture or fishing either for home consumption or for sale in the local market. They were unemployed in the sense of not having a formal job though willing to take work if it were available, but they nevertheless actively contributed to national output. This is no longer the norm. The youth are frequently reluctant to return to the traditional village environment because they have less freedom. They prefer to be unemployed in urban centers and live off relatives, thus placing an additional burden on them. They are likely to have poor diets because they eat cheap, imported food. They then suffer ill health and are less likely to find gainful employment. Hanging around urban areas, drifting into petty crime, drugs, and alcohol, these young people are the social problems of today and the poor of the future. Their contribution to national income is negative.

Only around one fourth to one third of all those finishing school will likely be able to find regular work in the formal sector.

The scale of the potential youth unemployment problem can be gauged from education, employment, and census data[22] that suggest that in general only around one fourth to one third of all those finishing school will likely be able to find regular work in the formal sector. Youth unemployment is therefore one of the most critical issues facing PDMC governments. Rising rural dependency ratios and declining populations in some of the remoter regions in many countries provide evidence to support this statement. Rural safety nets are threatened; urban safety nets frequently do not exist.

Current urban crime rates in PNG are a warning to other PDMC governments of the dangers of increasing urban unemployment and poverty. Governments ignore these warning signs at their peril. In the PAH, the people and the youth themselves were fully aware of the dangers. They placed high priority on the need for more organized youth facilities and activities and for more technical skills. They also placed high priority on the creation of new jobs to employ the growing numbers of young people and to give them opportunities for advancement.

The youth unemployment figures and the annual gap between the number of graduates and the number of new jobs point to several policy issues. One option might be to broaden the employment base by he creating more low-paid, low-skilled employment in agriculture, tourism, or industry to enable households to increase the number of employed persons. Another might be to deepen the employment base by strengthening vocational and technical training to raise skill levels so more people could create their own enterprises or could move to higher-skilled, higher-paid employment. Clearly the preferred choice would be a combination of broadening and deepening the employment base to satisfy both needs. Without more employment opportunities in general and higher-paid, higher-skilled employment in particular, hardship and inequality will likely increase as the money-based economy continues to develop. Many households are cushioned from their lack of cash employment by remittances. While this may seem a very comfortable situation, it does little to develop the productive base of the domestic economy. Thus weak or in most cases negative growth in real per capita incomes, worsening terms of trade, and rising unemployment all add to the conclusion that poverty and hardship are likely to be on the increase throughout the PDMCs.

Without more employment opportunities in general and higher-paid, higher-skilled employment in particular, hardship and inequality will likely increase as the money-based economy continues to develop.

[22] From Kiribati, Samoa, and Tonga, TA 6002 and 6047

PDMCs with limited resources need to build on their strengths. For Kiribati and Tuvalu, this means ensuring that their maritime training institutions and graduates continue to meet international standards. In Fiji Islands, work in international peacekeeping and security is offering new employment opportunities for many young men. Tourism and the environment are also areas of comparative advantage that countries need to maintain and develop.

9. HOUSEHOLD ASSETS

Despite the fact that hardship and poverty appear to be increasing in many countries, those who are formally employed, especially those in public service positions, have generally increased their household assets in recent years. Where time series data are available, e.g. Kiribati, Samoa, Tonga, and Tuvalu, ownership of televisions, video players, transport equipment, refrigerators, mobile phones, and other household appliances has risen markedly in the last 5 to 10 years. The wider availability of power has been one of the catalysts. The MDGs measure only access to communication facilities (ratio of telephones to population) which does not provide any indication of urban-rural availability. In the PDMCs, access to communications is still very poor in many rural locations and outer islands.

An important policy issue in considering the implications of increased asset ownership in assessing people's perceptions of hardship is the difference between what is desired and what is tolerated. Families and individuals will tolerate poor services when they have no option, e.g., if power is not available, they cope. When better services are provided, however, as they have been in many countries in recent years, then families and individuals want them to be maintained. If they invest in new household appliances and the power supply fails, they are not likely to be so tolerant, especially if the investment was made with the expectation that it would generate income and eventually pay for itself like purchasing a refrigerator to store fish or other items to sell. Tuvalu provides an example. The government funded outer island rural electrification projects over a period of 3 years, and household asset ownership rose markedly. Ownership of refrigerators on the outer islands as reported by the census data increased from 1% in 1991 to 11% in 2002. Over the same period, ownership of washing machines was reported to have risen from 2% to 50% and that of televisions and videos from 3% to 36%. Responses in the PAH suggested, however, that after investing in these assets, people were very concerned that the government might not be able to sustain power supplies. Thus the level of tolerance for a return to the *ex ante* situation of no power would be very low.

A similar situation has developed in ownership of household assets in Samoa. In the 1991 census, questions were asked regarding the ownership of radios (84% of all households), television sets (22.2%), and videos (20.2%) only. The comparable national figures for 2001 were 88.6%, 62.6%, and 42.5%. Proportionately, Savaii and the rural areas of Upolu saw the greatest increase in ownership of these assets. In Savaii the proportion of households with a television set rose from 14.5% in 1991 to 50.2% in 2001, and those with a video rose from 12.9% to 32.6%. For rural Upolu the increases were from 13.2% to 52.6% for television sets and from 12.4% to 36.5% for videos. In 2001, refrigerators were owned by over half the households nationally with proportions ranging from 71.2% in Apia to 54.4% and 47.4% in North-West Upolu and the rest of Upolu respectively. At 37.1%, the lowest level of ownership was in Savaii. Clearly the fact that power is available to over 90% of households in Samoa was a major factor in the growth of ownership of household assets. However, rural areas still acquired assets at a much lower rate than the urban areas of Apia and North-West Upolu reflecting their lower income levels.

10. MDG ACHIEVEMENTS AND PROGRESS MONITORING

Progress towards the achievement of all key MDGs indicators is summarized in Box 9.[23] Regional economic and social data present a mixed picture of progress. National averages obscure wide variations in local circumstances, the data set is often weak, and definitions must be more consistent. Nonetheless, the particular concerns expressed by the poor and those living in hardship with regard to declining access to and low quality and delivery of essential public and private goods and services would appear to be well founded. Some countries have made good progress in improving health and education standards and in achieving the relevant MDG targets. Nevertheless, evidence of poorly maintained schools and clinics and of inadequate supplies of medicines and classroom teaching materials is easily observed if not measured. Poor management is often at the core of these problems.

As ADB's review of MDG progress records:

> The record of Pacific developing member countries with regard to progress towards the MDGs is mixed. While some have made progress in some areas, others are struggling to provide the social, economic, physi-

[23] ADB. 2003. *Millennium Development Goals in the Pacific, Relevance and Progress.* Manila.

Box 9

Progress toward Millennium Development Goals (MDGs) in the Pacific

Overview: The record of PDMCs with regard to progress toward the MDGs is mixed. Several countries, notably those in Polynesia and Micronesia, have already achieved certain targets such as universal primary education or the elimination of gender disparities in education. While some have made significant progress, others are struggling to provide the social, economic, physical, and political environment that promotes human development. Solomon Islands and, to a lesser extent, PNG, Timor-Leste and Vanuatu are lagging behind in achieving many of the social targets. Discrepancies also continue to exist between islands and between rural and urban areas. Signs of increasing pockets of poverty and hardship challenge countries and donors to better target policies and programs.

Goal 1: Eradicate extreme poverty and hunger

Time series data on poverty are not available. Poverty line incidence based on US$1/day has been estimated only for RMI, 20.0% (1999) and Vanuatu, 40.0% (1998). For the other PDMCs, poverty incidence has been estimated from calculations of national basic needs poverty lines (BNPLs) derived from household income and expenditure surveys. Population living below these national BNPL were estimated to be 12.0% in Cook Islands (1998), 25.5% in Fiji Islands (1990/91), 50.0% in Kiribati (1996), 30.1% in FSM (1998), 20.3% in Samoa (2002), 23.0% in Tonga (2001), and 29.3% in Tuvalu (1994). In some countries there are wide variations in poverty incidence between rural and urban areas, with the latter often experiencing the highest rates of poverty. Qualitative information and other indicators suggest that poverty levels have increased.

Goal 2: Achieve universal primary education

Universal primary education has been achieved or almost achieved in most of the PDMCs except Solomon Islands, and parts of PNG. Secondary enrolment levels, however, show great variations but remain relatively low in most countries. Most PDMCs also face the challenge of access to educational facilities in remote areas and need to improve the quality of education and relevance to the employment market.

Goal 3: Promote gender equality and empower women

The gender gap is particularly noticeable in the Solomon Islands and Vanuatu. While female enrolment ratios have increased, they remain low for secondary education. In these countries there is also a significant gender gap in adult literacy

continue next page

Box 9 continued

rates. In most of the other countries gender disparity in education has, or has almost, been eliminated in primary and to a large extent secondary education. Indeed in some countries, (Samoa, Tonga) girls are outperforming boys at the secondary level. Female participation in employment averages about one third across the region but participation in politics remains limited in most PDMCs.

Goal 4: Reduce child mortality

Child mortality rates remain high in the Solomon Islands and Vanuatu. In the other PDMCs mortality rates have decreased and should achieve the target by 2015.

Goal 5: Improve maternal health

Maternal mortality rates are high in FSM. In most other PDMCs mortality rates have decreased with increasing access to skilled health personnel.

Goal 6: Combat HIV/AIDS, malaria and other diseases

Little data on HIV/AIDS prevalence rates is available. However, the recent sharp increase in the reported rate of infections in PNG may have regional implications, especially for those countries that might be deemed to be at greatest risk (Fiji Islands, FSM, Kiribati, RMI, and Tuvalu). Contraception prevalence is very low in Timor-Leste at only 8% in 2000, down from 11–13% in 1997–1999. In most other countries the rate averages around 30-35%.In most PDMCs morbidity and mortality rates associated with non-communicable diseases have risen significantly. Infectious diseases including malaria (where this is endemic), TB, and those associated with poor water and sanitation continue to pose the most serious health risk.

Goal 7: Ensure environmental sustainability

Access to safe drinking water and improved sanitation varies and definitions are inconsistent. Access is generally good in Cook Islands, Samoa, Tonga, and Tuvalu yet remains a challenge in Fiji Islands, Kiribati, Solomon Islands, and Vanuatu, particularly in rural and remote areas.

Goal 8: Global Partnership for Development

Youth unemployment has been increasing in many countries averaging over 25% at regionally and reaching over 50% in parts of FSM. The increasing number of unemployed youth poses one of the serious challenges for PDMCs to meet the MDG goals.

cal, and political environment that promotes human development. Several countries have already achieved certain targets such as universal primary education or the elimination of gender disparities in education. Many countries are facing increasing difficulties to provide efficient and equitable access to basic social services and an environment conducive for private sector development. Finally, signs of emerging pockets of poverty challenge countries and donors to focus policies and action programs.[24]

The question remains whether private markets and public institutions in the PDMCs are strong enough to sustain and expand progress in achieving the MDGs.

The question remains whether private markets and public institutions in the PDMCs are strong enough to sustain and expand progress in achieving the MDGs. Are governments putting the right incentives in place to provide the catalysts for economic growth? While much analysis still remains to be done on the specific characteristics of poverty in each PDMC and in the geographic regions of each country, common patterns are emerging. Poor households are generally smaller than non-poor households and are often headed by the working poor, i.e., those with very low-paid jobs in the garment industry, personal services industries, and other labor-intensive manufacturing enterprises. Households headed by the poorly educated, the elderly, and single parents are also likely to be among the poorest as are those that rely predominantly on subsistence agriculture with cash produce sales as their primary source of income.

Growing numbers of donors and governments are now addressing poverty and are committed to achieving the MDGs. There is much still to be done, however, to finalize and update measurement and to better define, benchmark, and monitor progress. Some of the MDGs have already been achieved in some societies, and in others, some of the goals and targets are less relevant. Consistent international focus on the Goals will rightly draw attention to achieving a range of development outcomes. If, however, we are to address the concerns of the poor of the Pacific, we must also pay attention to the measurement of output and outcomes. Effective demand for measuring, monitoring, and reporting progress in the region has been lacking. Performance assessment, management, and reporting all need greater attention in government budgets. Delivery of improved public and private goods and services will only come about through improved organization, operations, institutions, and markets. ADB in cooperation with the

Performance assessment, management, and reporting all need greater attention in government budgets.

[24] ADB. Op cit.

Netherlands and UK Department for International Development (DFID) Poverty Reduction Channel Funds will monitor the MDGs through a regional poverty program to be managed by the Secretariat of the Pacific Community. The aim will be to strengthen periodic poverty data collection, analysis, and dissemination in a participatory manner and, at the same time, to strengthen domestic capacity to carry out this work.

11. MONETIZATION AND POVERTY

The ratio of broad money supply (M2) to GDP in PDMCs is shown in Table 19. In many of the countries, notably Kiribati, RMI, Solomon Islands, Tonga, and Vanuatu, the ratio rose significantly in the period 1990–2002. In Samoa, the ratio fell in the early 1990s as the economy was hit by the cyclones of 1990 and 1991, the taro blight of 1993, and the financial crisis of the national airline in 1994/95. However, in the period since 1995, the ratio has risen again as economic and public sector reforms have stimulated growth.

The monetization of traditional, subsistence-based societies brings with it changes in attitudes that are often uncomfortable.[25] Budget measures for cost-recovery of user charges increase demands for cash. Introducing

Table 19

Increasing Monetization: Money Supply (M2) as Percentage of GDP

PDMC	*1990*	*1995*	*2002*
Cook Islands	Na	34.2	45.2
Fiji Islands	50.9	52.7	39.9
Kiribati [a]	Na	51.1	71.2
FSM	Na	55.9	50.4
RMI	Na	46.3	71.8
PNG	43.4	35.1	38.8
Samoa	46.8	34.0	38.1
Solomon Islands	29.8	27.2	35.8
Tonga	27.1	32.7	44.8
Tuvalu [b]	100.2	81.4	82.6
Vanuatu	99.0	108.7	106.2

ADB Estimates

[a] Bank of Kiribati deposit liabilities

[b] National bank of Tuvalu deposit liabilities, 2000 latest year

[25] For a detailed discussion of these influences, see "Kiribati: Monetization of an Atoll Economy", 2002, Pacific Studies Series ADB, Manila

improved transport and communication services raises demand and the need to pay for them. Promoting the private sector both increases the availability of goods and services and also increases the need for money with which to purchase them.

The result of this monetization is that now even families in the most remote rural or outer island villages have to find cash for everyday needs, be it for school fees, utilities, newly essential store goods, social obligations, or church donations. Where social obligations could once have been met with woven-mats, traditional food, or other home-produced items, now there is an ever-increasing need to make cash or purchased contributions. All these add to the financial burdens on families and consequently to their needs for economic opportunities.

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The growing flows of remittances into some countries (Kiribati, Samoa, Tonga, Tuvalu, and increasingly Fiji Islands) are giving rise to what many of the PAH respondents termed laziness or over-dependence on others. This "easy money" was perceived by many respondents to be a disincentive for young people to actively look for work. In Tonga and Tuvalu, remittances equivalent to 48% and 38% of GDP in 2002 respectively were the most important source of foreign exchange revenues and a very important source of income to many families. In Kiribati and Samoa, where remittances were equivalent to 12% of GDP in 2001 and 21% of GDP in 2002, respectively, this source of income was also extremely important to many individual households. In Fiji Islands, while still small in aggregate (2.9 % of GDP in 2002) remittances are nevertheless becoming increasingly important for many families. In 2001 the net flow of gross private transfer receipts was positive for the first time in recent years.

In Kiribati, the 2000 census recorded that overseas remittances primarily from seamen provided the primary source of income for 30% of households on South Tarawa and that 55% of all households receiving remittances were located on the outer islands. According to 2002 census data, in Tuvalu 34.2% of all households received remittances from abroad, and just over half of those families (18.1% of the total) relied on them as their primary sources of income. In the outer islands, 35% of households reported receiving overseas remittances compared with 34% of those on Funafuti. Of those outer island families, 75% reported that this was their primary income source. In Samoa and Tonga where most are in the form of private, unrequited transfers, recent census data reported that 40% and 75% of all households respectively received some income from remittances.

For many, the prospect of better education (or at least more years of schooling) gives rise to higher economic aspirations, but in a large number of countries, few domestic economic opportunities are actually generated. Young people leave home for school and/or employment in urban centers or overseas. Those who gain a better education and who are exposed to new ideas often develop different attitudes to individual success. Those who are able to gain overseas employment, particularly the seafarers of Kiribati and Tuvalu and increasingly the peacekeepers from Fiji Islands, Samoa, and Tonga, are faced with the greatest challenges to and changes in their traditional outlooks. In contrast, those who drop out of school and/or who fail to achieve their own potential or aspirations tend to become disillusioned and frequently jealous of those who do achieve personal success. Either way the stock of traditional subsistence skills is being depleted, and the strength of traditional customs and village discipline is weakening.

Despite seeming isolation from the rest of the world, the economies of the PDMCs are inextricably linked to the global economy.

Despite seeming isolation from the rest of the world, the economies of the PDMCs are nevertheless increasingly inextricably linked to the global economy. For a start, the degree of trade openness among PDMCs as measured by the value of imports and exports as a proportion of GDP is high. Most PDMCs rely heavily on imports particularly from Australia and New Zealand for the southern Pacific countries, from the USA for the northern Micronesian states, and from Japan and recently China throughout. Their exports (or factor incomes) are often priced/valued in US dollars; thus, the recent appreciation of the Australian and New Zealand currencies against that of the US likely also implies a general worsening of the terms of trade of all PDMCs. This is an important issue for those countries that have the highest degree of trade openness: Fiji Islands 70%, Kiribati 85%, and Tuvalu 70%. The latter two are further constrained by their reliance on the Australian dollar as the national currency, their consequent inability to use monetary policy to adjust national competitiveness, and their high reliance on US dollar denominated factor income.

International capital markets have an impact on the revenues of the trust and reserve funds of FSM, Kiribati, RMI, and Tuvalu. Growth in world trade influences the demand for seafarers, and the state of global consumer demand affects the revenues from foreign fishing licenses, from exports, and from tourism. Fuel costs, both for domestic and international transport as well as power generation, are major factors in moving national consumer price indices. Thus movements in global oil prices are key determinants of Pacific inflation rates. The ratification of the Pacific Island Countries' Trade

Agreement (PICTA)[26] and the Pacific Agreement on Closer Economic Relations (PACER) as well as the determination of some PDMCs to accede to the World Trade Organization adds a political dimension to the economic processes.

The progress of globalization and trade liberalization is likely to continue at an accelerating pace. The Pacific region cannot escape. As Domingo recently commented,[27] "Very soon, no corner of the world, no matter how remote, how backward, and how pristine, can remain as an isolated economic island. As economic, social, and political barriers and boundaries come down, the playing field will be further opened and leveled by powerful technologies that have become more available, accessible, affordable, installable, and portable." The challenge for governments is to minimize the adverse impacts from these global linkages on the poor and most disadvantaged and to maximize the positive benefits for the economies as a whole. Monetization and globalization are not, however, the causes of growing poverty. They are, rather, the inevitable consequences of development promoted by international agencies and desired by governments and people alike. They must be seen as presenting opportunities as well as challenges. National strategies need to be developed to meet those challenges and to take advantage of those opportunities.

The challenge for governments is to minimize the adverse impacts from these global linkages on the poor and most disadvantaged and to maximize the positive benefits for the economies as a whole.

12. CONCLUSIONS

The record of Pacific developing member countries with regard to progress towards the MDGs is mixed. Several have already been achieved in some societies, and in others some of the indicators and targets are less relevant. Delivery of improved public and private goods and services will only come about through improved organization, operations, institutions, and markets. The Goals must be mainstreamed into national planning, resource allocation, and implementation at all levels of government if they are to be achieved by 2015. Senior officials, budget documents and medium-term strategic development plans in several PDMCs indicate a lack of awareness of this critical linkage and of how to effectively operationalize the Goals nationally and locally.

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[26] PICTA provides for the establishment of a free-trade area amongst the Pacific Island members of the South Pacific Forum (excluding Australia and New Zealand); PACER would ultimately provide for the inclusion of Australia and New Zealand in a broader economic cooperation zone.

[27] Surviving globalization, Rene P. Domingo, Professor Asian Institute of Management, Businessworldonline.com, Manila, Philippines, Monday, June 21, 2004

D Are National Strategies Relevant to Poverty Reduction?

Despite relatively high levels of public investment, much of it in the form of aid, most economies have at best performed poorly while some are, or have been, in decline. Economies that could be considered comparatively resource rich such as Fiji Islands (tourism, educated workforce), Nauru, PNG (minerals, timber), and Solomon Islands (timber, fisheries) have not performed as well as expected, especially those of Nauru, PNG and Solomon Islands. In other words, resource endowment has not necessarily led to economic growth. What earlier were development projects have more recently become projects of rehabilitation or deferred maintenance, and the international community is now asked to consider the special needs of "failed or failing states."[28] Clearly there has been an insufficient or insufficiently successful focus on strengthening markets and institutions to ensure successful project implementation.

1. WHAT HAVE GOVERNMENTS ACHIEVED?

What have the Pacific governments done to improve welfare and to reduce poverty? Where have they failed? Where have they succeeded? Despite the fact that few PDMC governments previously emphasized poverty as a separate policy issue, most have nevertheless generally included poverty alleviation in their national development plans and strategies. Almost all have either implemented programs or have supported NGO programs to meet the needs of the less advantaged and vulnerable. These have been aimed, in major part, at improving the general welfare especially in rural areas and on outer islands. In fact, rural and outer island development for years has been a euphemism for poverty and hardship alleviation as it targets those with least access and fewest opportunities.

Project funding has generally not been the problem; ensuring recurrent budget allocations to support operations and maintenance has. Recently, national budgets

Project funding has generally not been the problem; ensuring recurrent budget allocations to support operations and maintenance has.

[28] See the report of the "World Bank Group Work in Low-Income Countries under Stress: A Task Force Report." September 2002.

have been under pressure both in terms of fiscal deficits (or shrinking surpluses) and frequently because of the quality of their preparation. Despite all recent efforts, none of the PDMCs has a fully functioning performance-/output-based budget, and the output systems in place tend to be all form and little real substance. There is little capacity to ensure efficient, cost-effective output or to measure and monitor performance. Unsustainable budget deficits have led to short-term surges in growth. These were frequently followed by sharp contractions as urgent stabilization measures and structural reforms led to cutbacks in expenditures. Too frequently such cuts fell on operational and maintenance components rather than on manpower costs. Consequently, the poor and most disadvantaged suffered as the quality of services declined because expenditures were concentrated centrally.

Some external assistance has also burdened recipient governments with unsustainable or very costly infrastructure such as large national sports centers and overly ambitious central hospitals. Donors frequently provided capital for infrastructure and facilities, but governments have then been unable to provide adequate professional staffing or to finance ongoing operating costs. Governments have also commonly subsidized or have failed to financially and physically maintain what have, too often, become low quality infrastructure and utilities that mainly benefit the relatively wealthy in urban areas. This has encouraged people from outer islands and rural communities to move to urban areas to seek jobs and services.

If poverty appears to be increasing, what then have governments accomplished? The problem is that few of the rural/outer island poverty alleviation projects have successfully achieved their primary objectives of stemming population drift to the urban centers and raising local living standards. Furthermore, they have not delivered expected benefits over the long term. Even when rural and outer island development projects are successful, they may not necessarily lead to increased prosperity. Greater education and economic opportunity raises aspirations, so young people especially are no longer content to stay in the traditional village environment.

The reasons for project failure are many, but the central ones are lack of ownership, management, commitment, supervision, organization and motivation; weak human resources; and inadequate maintenance. While their policies and strategies were not necessarily wrong, the projects were frequently poorly planned and implemented and were often unsustainable. There was little local ownership or participation in design and often little concern for local conditions and/or the structure of society. Sustainability has always been a challenge to DMCs and development partners. From the DMCs' perspectives, sustainability requires ownership, commitment, political will, bipartisanship and discipline through difficult as well as good times.

From the donor community's perspective, sustainability requires commitment over a timeframe longer than the normal 18 to 36 months, better design of projects, and more effective use of consultants, especially when capacity building is involved. Most importantly, it requires a clear set of priorities and sequencing of public sector reforms established by the government and supported by all development partners so as to improve donor coordination and collaboration.[29] More needs to be done to generate ownership at the community level, but as Schoeffel's paper[30] on the failure of community-based projects suggests, this is not as easy as it might sound. For good implementation there must be funding; good institutions; and sound, effective management.

2. APPROACHES TO NATIONAL PLANNING

While it is generally recognized that skills and resource constraints in all PDMCs make public financial management reform difficult, the process has not been carried out effectively. The main reasons are (i) the short-term nature of aid providers' funding programs; (ii) the absence of a government-driven statement of priorities; (iii) the lack of a comprehensive, properly sequenced and realistic implementation plan; and (iv) inadequate emphasis on capacity building in the design and monitoring of projects.[31]

During the 1990's there was a change from the comprehensive plans of the 1970s and 1980s to a more "strategic" approach to planning; however, only about half of the PDMCs have current national development plans and strategies of any kind.

During the 1990's there was a change from the comprehensive plans of the 1970s and 1980s to a more "strategic" approach to planning; however, only about half of the PDMCs have current national development plans and strategies of any kind. So far only Fiji Islands, Kiribati, and Samoa have attempted to refine their national strategies into more focussed areas of strategic outcomes. In most other countries where strategies exist, they have frequently attempted to cover all sectors, all themes, and all issues and have also lacked a clear national vision, strong support for the public interest, and a sound understanding of world experience of development. Without vision and direction, plans and strategies have been poorly implemented.

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[29] ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009.*

[30] Schoeffel, Penelope. *Myths of Community Management: Sustainability, the State, and Rural Development in Papua new Guinea,* Solomon Islands and Vanuatu. 1997/98 State Society and Government Discussion paper. Research School of Pacific and Asian Studies. Australian National University.

____ Cultural and Institutional Issues in the Appraisal of Projects in Developing Countries: South Pacific Water resources. Project Appraisal Volume 10, Number 3, September 1995.

[31] ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009.*

There has also been a lack of continuity in national strategies. Fiji Islands, PNG and Samoa are the only PDMCs that have maintained a continuous set of documents. In other countries there have often been long breaks between plans. In Tuvalu, for example, the *Kakeega o Tuvalu 1995–1998,* has not yet been formally replaced although an interim *Vision 2015* and the *Amatuku Plan* were published in 1997. However in mid-2004 a National Summit for Sustainable Development was convened to formulate a new national strategy. The preparations for the summit included very broad, extensive consultations with all the island communities. This process for formulating national strategies was first used and is now well institutionalized in Samoa. It has also been used successfully in Kiribati. National strategies have recently been completed in FSM and RMI. Both involved national summits although consultations were not as extensive as in Tuvalu or Samoa.

3. PRIVATE SECTOR DEVELOPMENT AND STATE CAPITALISM

During the 1980s and 1990s, the poor performance of the PDMCs gave rise to revised views, assumptions, and theories about development in the Pacific. Such thinking included the beliefs that efficient and competitive private markets could not or should not operate in small, remote economies; that complex, traditional land tenure regimes could not be altered; and that islanders would not succeed in business. In short, the Pacific was somehow different and new theories, policies, programs, and practices unique to the region should be found that would defy international experience and the principles of business and economic management. The conclusion was that governments had to lead economic development, and some were only too eager to accept this doctrine and to expand their control of the economy and of society. Consequently the roles and responsibilities of business, NGOs, and communities at large have all too commonly been overlooked. Too much has been expected of public services, and too little expected of society. This thinking has helped to increase rather than reduce poverty and hardship. This state of affairs may also have supported both the traditional hierarchy and the modern political and commercial elite; they are the best positioned and possibly the only factions capable of taking advantage of the status quo.

Too much has been expected of public services, and too little expected of society. This thinking has helped to increase rather than reduce poverty and hardship

As stated previously, the increasing monetization of the Pacific economies and the slow decline in traditional subsistence and reciprocation are associated with internal migration, urbanization, and increasing hardship and poverty, especially for those who have no regular source of cash income.

Although governments have in policy statements espoused the private sector as the engine of growth, in only a few cases have those statements been implemented with any vigor, and many governments remain reluctant to actively encourage the pursuit of private enterprise.

Growth in private sector employment has been slow, and unemployment is increasing. Although governments have in policy statements espoused the private sector as the engine of growth, in only a few cases have those statements been implemented with any vigor, and many governments remain reluctant to actively encourage the pursuit of private enterprise. While rarely stated openly, the fact that in many countries non-indigenous entrepreneurs dominate the private sector means there is little incentive for government policy makers to create an environment in which these ventures can prosper further. Such attitudes constrain the growth of existing and new ventures alike and hinder the creation of new employment opportunities.

Paradoxically the same governments have frequently financed commercial operations such as fishing,[32] hotels, and trade stores and have subsidized loss-making airlines and shipping lines, operations that are normally the preserve of risk-taking private business. Some governments may have done so with the good intentions of stimulating industry or tourism and providing employment and services, especially in remote locations, but virtually all these operations have incurred losses, sometimes extensive losses. They have thus been burdens to local taxpayers, damaged investor confidence, and had a negative impact on growth.

The private sector has nevertheless made major contributions to the GDP in many PDMCs.

Despite these obstacles, the private sector has nevertheless made major contributions to the GDP in many PDMCs. In Samoa and Vanuatu, an estimated 85% of GDP is generated by the private sector, and in Fiji Islands the proportion is estimated at 75%. In FSM, RMI, and Tonga, with their more narrowly based economies, the proportion falls to around two thirds while in the small atoll nations of Kiribati and Tuvalu, the private sectors contribute only 45% and 30% respectively. The greater the dominance of the public sector and public enterprises, the more difficult it becomes for private enterprise to develop and flourish beyond the micro level.

[32] For a review of government investments in commercial fisheries operations see: Pollard, Steve. 1997. The Pacific's Tuna: The Challenge of Investing in Growth. ADB.

Private sector assessments financed by ADB in 2003 in PNG, RMI, Samoa, and Vanuatu and in Fiji Islands in 2004 point to fairly common constraints that deter private investment and job creation.[33] These can be summarized as follows:

- extensive state involvement in the economy that crowds out private enterprise;
- inefficient and costly public services and an unnecessarily high-cost operating environment resulting from high and variable import tariffs, costly and unreliable infrastructure, weak regulatory regimes, and monopoly suppliers;
- insecure land tenure and lack of well-functioning, secured transaction frameworks resulting in financial markets that do not intermediate effectively between savers and investors;
- a lack of supporting laws and their enforcement, weak registration and investment approval, and complex and discretionary foreign investment policies that deter investment;
- looming macroeconomic instability resulting from fiscal imbalances, excessive debt, inefficient tax and tariff regimes, and unsustainable exchange rate policies;
- poor governance and political instability.

Although not all countries have had national strategies or clear, published development priorities, all PDMC governments with the help of donors have financed a wide range of public investments and other efforts to build individual, institutional, and economic capacities. Many governments have also more recently sought to pursue public sector and economic reform.[34] A few have succeeded in extending these reforms to state-owned enterprises. In general, however, few of these investments, interventions, or reforms have delivered the expected outcomes. Targeted industries, sectors, and economies have not achieved desired growth and have failed to help societies develop in a sustainable manner. Furthermore, institutional capacities have remained weak in many cases, and strategies have lacked priority and focus.

[33] Swimming Against the Tide– An Assessment of the Private Sector in the Pacific Region, 2004, Pacific Studies Series, ADB, Manila.

[34] For a review of public sector reforms see: B. Knapman and C. Saldanha. "Reforms in the Pacific. An Assessment of the Asian Development Bank's Assistance for Reform Programs in the Pacific." ADB. 1999.

4. HAVE AID FUNDED PROJECTS LED TO DEVELOPMENT?

As Professor Helen Hughes noted recently, "Inappropriate economic policies have failed to deal with the hard tasks of development and with the negative effects of aid and mineral income flows. That is why Pacific governments are failing their people." Professor Hughes went on to record that since 1970, the Pacific had received between US$50 billion (A$100 billion) in 1998 dollars in aid, but because aid flows had not been earned income, they had created economic "rents" that had distorted economies. Aid flows had been fungible. They had been spent on projects and programs of the recipient's choosing — on consumption rather than on investment. Because they had biased economies against the private sector, they had undercut employment and growth and had led to corruption. Extreme profits from rich mineral deposits (and from timber) had similarly created economic rents that also had negative effects and that led to public waste. Hughes concluded that understanding that aid could have negative effects was essential to assisting the Pacific to grow and develop. The first step toward reversing stagnation and falling incomes had to be recognition that excess of population over income growth meant serious trouble; no amount of muddling through would fix this fundamental disequilibrium. Pacific societies had to adopt policies that established secure, free economic environments that dealt with economic rents and made growth possible.[35]

It is frequently stated that agriculture is the backbone of most PDMCs. While this might be true in some countries, in others both the relative and absolute value of agricultural output in cash and subsistence terms has been declining fairly steadily. This is illustrated in Table 20. In every country for which data are available, the value of agriculture as a proportion of GDP declined in the decade 1991–2001. Historically, most countries as they develop and become more urbanized experience a decline in rural and agricultural production particularly in the subsistence sector. Is it reasonable to expect that the trend can be reversed?

In every country for which data are available, the value of agriculture as a proportion of GDP declined in the decade 1991–2001.

Over the last 2 decades and more, many government and aid-supported schemes have aimed at promoting more economic opportunities in the agricultural sector. These schemes have included bananas, coffee, cocoa, kava, passion fruit, squash, pepper, ginger, vanilla, flowers, desiccated coconut,

[35] Hughes, Helen. 2003. Aid Has Failed the Pacific. Issue Analysis No 33, 7 May 2003

Table 20
Agriculture as Percent of GDP

	1991	*1995*	*2001*
Fiji Islands	20.5	19.7	15.7
Kiribati	22.3	16.4	13.5
Marshall Islands	13.9	15.1	10.4
Papua New Guinea	32.0	30.7	31.0
Samoa	na	24.4	17.3
Solomon Islands	na	na	20.5
Timor Leste	na	na	25.7
Tonga	33.8	33.3	29.1
Tuvalu	22.0	19.7	13.8
Vanuatu	18.8	17.9	18.5

Source: ADB estimates

livestock production, and no doubt others. All had their moments, and then to a greater or lesser extent either failed completely leaving abandoned infrastructure or declined significantly leaving only a small number of niche producers. Many of these failures occurred as a result of poor market development and poor farm management that led to poor quality control.

Kava held great potential but went into decline after it suffered bad publicity in the European market leaving many farmers with unmarketable crops. Although strenuous efforts are being made to recover this market, farmers are likely to be more wary in future. Taro in Samoa was devastated by leaf-blight in 1993, but export production was picked up largely by Fiji Islands and Tonga. Tongan breadfruit and watermelons have recently fallen foul of New Zealand quarantine regulations, and these markets may now be declining. Tongan squash (and Samoan fishing) have been success stories, but even here prices and quantities have fluctuated quite widely from year to year providing little certainty of income.

In atoll countries, small, isolated populations, infertile soils, and difficult access to both domestic and export markets all conspire to make agricultural development even more difficult. Despite the inherent unattractiveness of such traditional crops as copra (and sugar in Fiji Islands), there are few, single, small-landholder products to replace them. Those that could provide options generally require hands-on labor and farm management skills that many older farmers lack and in which the younger generation often lacks interest. Seaweed in Kiribati and pearls in Cook Islands and RMI both offer significant benefits in suitable locations but are subject to high risks. Much work has also been done recently to identify an

alternative crop to sugar for Fiji Islands' small-holder farmers. Industrial hemp has been suggested, and although this is recognized as having potential, it faces a number of regulatory problems before major production can be established.

Despite large investments from development agencies and donors, commercial agriculture has proved to be a highly risky and volatile source of income and opportunity

Thus over the years and despite large investments from development agencies and donors, commercial agriculture has proved to be a highly risky and volatile source of income and opportunity. Production for sale in local markets offers an accepted avenue for subsistence farmers and fishermen to establish themselves in the cash economy, and most PDMCs have well-developed local produce markets. The exceptions are the atoll countries, but even there, small markets do exist in the main urban centers, at least in Tarawa and Funafuti. FSM, a primarily high-island country with a relatively large agricultural land area, is unusual among the PDMCs in having a relatively poorly developed domestic marketing system for agricultural produce. This means that rural people have few opportunities to earn cash unless they grow kava or betel nut and so are deprived of the income earning opportunities available to their peers elsewhere in the region.

Can agriculture really create economic opportunity and alleviate poverty? Despite the fact that most rural and outer island communities surveyed in the PAH gave high priority to more opportunities for employment and earning cash, in practice few if any countries see agriculture as an employment choice favored by the younger generation.[36] Strengthening or revitalizing agriculture and village economies is nevertheless still a high priority in many countries. There can be no doubt that agriculture has considerable potential in many if not most of the PDMCs, but profitable agriculture needs security of tenure, access to other relevant inputs, good farm management, hard work, quality produce, and market access. Lack of access to markets and in some countries poor access to credit were cited by many as constraints to greater economic opportunity. There is a clear need to provide rural communities with additional economic opportunities, not least to cater for the growing number of school graduates who are unable to find work in the

There can be no doubt that agriculture has considerable potential in many if not most of the PDMCs, but profitable agriculture needs security of tenure, access to other relevant inputs, good farm management, hard work, quality produce, and market access.

[36] In Tonga and some other countries FAO is trying to counter this through a project focussed on "Future Farmers" which tries to make agriculture a more attractive proposition.

formal economy. Development policies and strategies in the agricultural sector have to address all three pillars of ADBs poverty reduction strategy: good governance to build investor confidence; inclusive social development to provide the higher skills required for nontraditional crops; and sustainable, pro-poor growth to ensure that the economic environment is conducive to growth and the development of markets. Moreover they will have to make agriculture a more attractive source of cash employment.

It is, however, increasingly difficult to implement rural agricultural programs as populations there are declining and dependency ratios are increasing. Declining knowledge of community values and respect for chiefly authority are seen as contributing to the proliferation of land disputes. Young people generally, therefore, do not own the land they work which encourages them to drift to urban centers to seek employment.[37] They would rather work at low-paying jobs in hotels, on building sites, or in garment factories and similar industries where regular income is often perceived to provide a higher return per unit of individual input/effort. This means there are fewer young men in rural areas to do the work. Budding rural and outer island entrepreneurs also have to overcome the cultural antipathy to profit and individual success. It is easier to be a successful entrepreneur in the relative anonymity of the town than in the center of a village.

While the general picture may be disappointing, there have been some relative successes. The economic growth of the Cook Islands, Fiji Islands, and Samoa (in local currency terms if not in US dollar values) stands in contrast to that of the rest of the region. At the industry or sector level, squash in Tonga; tourism in the Cook Islands, Palau and Fiji Islands; and fresh fish exports from Micronesia in the mid-1990s and from Fiji Islands and Samoa in more recent years are known as success stories.

While the general picture may be disappointing, there have been some relative successes.

Institutional development has also had some successes. The Revenue Equalization Reserve Fund of Kiribati, the original Tuvalu Trust Fund, the Intergenerational Trust Funds of the FSM and RMI, and the outer island Falekaupule Trust Fund in Tuvalu are all designed to secure a future stream of central government and public revenues. These may be contrasted with the poor management and consequences for asset values of similar funds in Nauru (phosphate revenues) and Tonga (passport sales). Other positive examples are the improved management of fisheries in the Marshall Islands and PNG and the establishment of a regional tuna management agency.

[37] ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009.*

In some countries, public sector reforms managed to call at least a temporary halt to unsustainable public expenditure and to expanding government debt, but as previously noted, there has been a general weakening in fiscal discipline and in budget performance in the region. It is difficult to escape the overall conclusion that many development strategies thus far have just not worked as hoped, despite much good intent, much research, much expenditure, and too many reports. Perhaps more significantly, development strategies to date have failed to focus on the core priorities of the people, i.e., to provide basic, essential public services and to help develop fair, competitive private sector environments that deliver the markets and jobs that the poor demand.

5. GOOD GOVERNANCE IS THE KEY

Although varying in degree, the people consulted in the PAH had common concerns about governance. They were in no doubt that poor standards and political instability were contributing to the causes and incidence of hardship. People recognized that political instability leads to lack of strong leadership, clear policy focus, and direction. Attention is diverted from the concerns and needs of the people to the concerns of those who wish to retain power. The people further perceived that leaders were easily distracted from emerging domestic issues in favor of issues dictated by international agendas (see Box 10).[38]

A summary of the main governance concerns raised in each country is in Table 21. The people were well aware of the corruption, waste, and inefficiency that existed in many public services. They also noted that the high cost and often poor quality of public services placed burdens on low-income households. Greater participation in policy making is clearly the way forward to achieving more open and transparent government and to improving standards of governance. What can be done to encourage visionary leaders and changed attitudes?

Greater participation in policy making is clearly the way forward to achieving more open and transparent government and to improving standards of governance.

It is arguable whether the quality of government administrations is better or worse than 20 years ago. In general, political leaders and officials in the Pacific are increasingly better educated in terms of academic qualifications. Not infrequently, however, economic theories and ideology taught at regional universities are not the same as those espoused by the international community. Moreover senior

[38] ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*

Box 10
Traditional vs Modern Governance

Every country, developed or not, has weaknesses in governance. In most developed countries, strong civil society, such as the media and non-government organizations, monitor government policies and activities, publicize anomalies, blow the whistle on wrongdoers, and work to keep governments open and accountable to their citizens. In nearly all developing countries, however, Western/liberal democracy is a relatively new concept and practice; in the Pacific region, especially, the system is laid onto the base of a longstanding traditional culture whose values and institutions often seem at odds with it. The kinds of governance institutions that are so critical in producing equitable and effective development have not had time to develop fully, nor have communities had time to work through the process of integrating the new and old systems and processes sorting out what works and what doesn't and developing a model that is suitable for themselves and for the region.

Some of the problems and failures of governance and the reluctance to implement economic and public sector reforms can in part be traced to the collectivist/statist and anti-private sector teaching in regional institutions.

officials may not have the depth of knowledge and experience to analyze emerging issues in sufficient detail and with objectivity.

Some of the problems and failures of governance and the reluctance to implement economic and public sector reforms can in part be traced to the collectivist/statist and anti-private sector teaching in regional institutions. The strong trade and public service unions in some PDMCs (e.g. Fiji Islands, Kiribati, PNG, and Solomon Islands) have also served to perpetuate the old statist, socialist economic doctrine. As long as regional institutions teach economics and related political and social science courses based on principles that run counter to current development thinking, progress and reform are likely to be slowed and improvements in governance hindered. While academic freedom is important, it is also essential that there is balance and at least some consistency between the policy prescriptions espoused by the international community and the academic underpinnings of future leaders.

Aspirations, like knowledge, are influenced by external factors including changing lifestyles; access to films, videos, and the Internet; and cultural

Box 11
Modern and Traditional Systems Coexist Uneasily

Whereas the former advocates individual merit, neutrality, equal participation, and the rights of the individual and the nuclear family, the latter demands priority and loyalty for kin and community, consensual and consultative values within the chief/"big men" traditional hierarchy, and traditionally defined roles for men and women. Such uncomfortable juxtapositions of values help to explain the often ineffective application of a modern merit-based public service system, widespread practices in the name of traditional/culture that are deemed corrupt under the modern system, and the inherent weaknesses of the electoral system.

homogeneity. The young are changing rapidly, but traditional leaders, politicians and senior officials are mostly from the older generation although this too is beginning to change. Traditional leaders often have a vested interest in maintaining the status quo to protect their privileges and those they will pass on to their heirs. They wish to keep the young from challenging the old order at least until that order has had its time at the top of the pile (see Box 11).[39]

Traditional leaders often have a vested interest in maintaining the status quo

Many of the older leaders are not as well educated as the younger generation and fear the challenge of change or what they see as the erosion of traditional customs and culture, though they may be only too happy to accept it when it suits them. Critics of government and those who expose corruption often come from the well-educated younger generation that is less afraid to ask questions and to challenge traditional leaders directly and publicly, something that would have been impossible in the past. The response to these challenges has often been media suppression in some PDMCs. If governments are unable to justify their actions, they choose to suppress the questioners.

The development of the private sector is another area that is perceived to undermine traditional hierarchies by taking power and influence away from the leaders and transferring it to those in the money economy.

The development of the private sector is another area that is perceived to undermine traditional hierarchies by taking power and influence away from

[39] ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009.*

the leaders and transferring it to those in the money economy. Support for private sector development can sometimes be bought, but this hardly promotes good governance and frequently does little to further the best interests of the village/community over which the traditional leader is supposed to preside.

"Community members see the modern system of governance with its top-down approach, unilateral decision making, corruption, and inadequate service delivery as incompatible with traditional community patterns of governance."[40] Many governments, and cultures in the region, particularly in the Polynesian and Micronesian countries, have traditionally regarded individualism and the pursuit of profit with suspicion, i.e., the "tall poppy syndrome." In truly traditional communities, resources and wealth have been shared such that all are roughly equal; no one has been allowed to accumulate wealth beyond his or her immediate needs. Only the accepted traditional chiefs were exempt, but even they were required to dispense help and assistance to their communities when required. Many people in the PAH voiced concerns that the paternalism of the traditional chiefs was declining as monetization was increasing.

In truly traditional communities, resources and wealth have been shared such that all are roughly equal; no one has been allowed to accumulate wealth beyond his or her immediate needs.

PDMCs are faced with the problem of institutional overload. Given the size of the administrations in most, particularly the smaller countries, there may be only one or two highly competent people in any one ministry or department. Authority is in any case often vested in the permanent secretary or director and little is delegated. Senior staff (and ministers) are therefore under considerable pressure to manage their time effectively but tend often to be distracted from important local or micro issues by the "big" issues and international meetings promoted by development agencies. With fewer such distractions, more time might be found to concentrate on improving local domestic management and program implementation.

Key officials should be supported and encouraged to focus on poverty and hardship. Visionary leadership committed to economic reform and to the money economy and the private sector as the way forward for sustained growth and individual prosperity is essential. Politicians and other leaders must accept that government cannot do everything. They

Visionary leadership committed to economic reform and to the money economy and the private sector as the way forward for sustained growth and individual prosperity is essential.

[40] ADB. 2004. op.cit.

must be prepared to change the entrenched attitudes of the collectivist culture and the general belief that government only knows best and can best provide services to the people. There is clearly a need for greater participation and greater flexibility in management of public service employees. The need to allow state-owned and local enterprises to go out of business, to enforce loan repayments, and to enforce all laws equitably and transparently must also be understood and communicated.

Donors must provide and countries must accept more technical assistance to oversee project implementation and to strengthen management. Hughes also makes this point, "Aid should only be spent on mutually agreed development projects and programmes designed and monitored by teams nominated by the sovereign recipients and donors. Funds should only be disbursed on the evidence of met targets and audited expenditures."[41] This might be seen as neocolonialism by some, but if implementation is to become more successful and if economies are to grow, then management must be improved. In the private sector, it is consistently argued that more work permits for scarce skills should be granted.

Concentrating efforts on better budget formulation and design is a way forward. Coordinating donors and concentrating their efforts on poverty alleviation is another. There must be consistency in donor policies and approaches. It is also necessary for donors to accept that capacity building is a long-term process that requires persistence and commitment.

6. CONCLUSIONS

Many development strategies thus far have just not worked as hoped. Few of the rural or outer island poverty alleviation projects have successfully achieved their primary objectives of stemming population drift to the urban centers and raising local living standards nor have they delivered expected benefits over the long term. The reasons are many, but the central ones are lack of ownership, management, commitment, supervision, organization and motivation; weak human resources; and inadequate maintenance. While their policies and strategies were not necessarily wrong, the projects were frequently poorly planned and implemented and were often unsustainable. For good implementation there must be funding; good institutions; and sound, effective management. Growth in private sector employment has also been slow. Although governments have in policy statements espoused the private sector as the engine of growth, in only a few cases have those statements been implemented with any vigor.

Table 21

Assessments of Hardship and Poverty

Summary of Governance Issues Raised in Partipatory Consultation Selected PDMCs

Fiji Islands	*PNG*	*Samoa*	*Tonga*	*Vanuatu*
• Political and constitutional instability • Inability to deal with critical issue of sugar industry restructuring • Declining standards of basic service delivery due to out-migration of qualified persons and weakening of governance and management standards • Increasing corruption in public service • Fragile fiscal situation and increasing public debt	• Political instability, corruption and poor standards of governance • Deteriorating law and order situation in urban centres, and some parts of the rural areas • Management and service delivery standards, especially in health and education are generally poor, notably for remote communities • Poverty and hardship are increasing as the social and economic situation worsens • Fragile fiscal situation and increasing public debt	• Governance standards have improved significantly over the last seven years • There is, however, still some scope for further improvements to accountability, transparency and consistency, and in tackilng the few remaining pockets of corruption in the public service • Some issues in regard to tradable land and property rights and secure transactions also need government's attention • Service management and delivery standards, in health and education, are just about adequate but raising standards would yield benefits especially to rural communities where delivery is weakest	• True democratic processes do not exist in Tonga, recent curbs on the media have severely hindered civil society's ability to participate fully in the policy process • Public sector and SOE reforms are proceeding slowly, more vigour is needed in order to establish investor confidence and to help create additional employment opportunities • Access to land, tradable property rights and secure transactions are also generally in need of strengthening • Management and delivery of essential services is generally satisfactory although communities in the more remote islands are somewhat disadvantaged	• Political instability and poor standards • Public sector and SOE reform has stalled, and the fiscal situation is fragile • These factors have led to weak economic growth, low levels of new private sector investment and few employment opportunities being created • Management and service delivery standards, especially in health and education have been poor, notably for remote and outer island communities • Strong and committed leadership, clear Vision and prioritised strategies are required, with a phased and sequenced implementation programme, to address critical emerging issues, these would include:

Table 21 continued

Fiji Islands	*PNG*	*Samoa*	*Tonga*	*Vanuatu*
		• Momentum of recent reforms in public sector and SOEs needs to be maintained and built upon so that full benefits become institutionalised and sustainable over the long tem • Government has had clear vision and strategies statements and has a good record of implementation and achievement • Participatory processes have been used extensively in the formulation of the national strategies, this should be continued	• Government needs to establish clear development priorities and strategies to address needs the people for better standards of heath and education, more economic opportunities and better infrastructure	increasing hardship and poverty, widening inequality, poor standards of educational achievement and general service delivery in rural and outer island areas, little growth in the private sector or in level of employment or other economic opportunities

Table 21 continued

Kiribati	*RMI*	*FMS*	*Tuvalu*
• Underlying political tensions have inhibited the ability to address critical issues of unemployment, environment, land and increasing hardship and poverty • Declining quality of basic services delivery, including health and education, despite increasing investment in sectors • Weak standards of management and governance in some key sectors have hindered serious domestic issues from being addressed • Government maintains strong inclination towards command and control in economic activities, leading to slow growth in private sector (other than micro-level enterprises), little new investment and few moves towards increasing public enterprise reform· • Weakening in fiscal position poses further threats to governance standards and service delivery	• Relatively low levels of efficiency in public service and generally poor standards of service delivery, especially in education and health for both outer islands and urban areas of Majuro and Ebeye • Need to maintain fiscal discipline during period of Compact II to ensure that resources are better managed than under Compact I • Strong leadership and commitment to reform is required in order to ensure that Compact funding wind-downs do not lead to negative economic growth in economy as a whole • Government needs to develop clear statement of national Vision and strategies and to establish phased and sequenced implementation programme to address key development issues in improving education, health, environment and private sector.	• Multi-level national and state government structure is costly and inefficient, and absorbs a relatively large share of resources • Although multi-level structure ensures a high level of participation this has not translated in higher standards of governance • Fiscal management and governance standards generally, have been weak in the past, notably in Chuuk, but in varying degrees in other states also, Compact II will require standards to be raised • Management and service delivery standards, especially in health and education have been generally poor, notably for remoter outer island communities and those located at some distance from state capitals • Neither national nor state governments have clear statements of economic/development vision or	• Recent political instability and declining standards of governance, notably in the lack of transparency and accountability in some government decision making processes, have weakened confidence in Tuvalu's economy· • Public sector and SOE reform has stalled, and the fiscal situation is becoming fragile • Education standards have been in decline and rural communities expressed concerned about the quality of health services • Leadership and management in the delivery of basic services need to be improved • Local government remains weak, and although there is participation by civil society in discussion of legalisation before it goes to parliament little influence is generally brought to bear

Table 21 continued

Kiribati	*RMI*	*FMS*	*Tuvalu*
• Government has a set of national strategies, and now needs to establish a sound and achievable implementation programme to address the critical emerging issues of: increasing hardship and poverty, urbanisation and environmental degradation especially on South Tarawa, declining education standards, increasing unemployment and the need to encourage new private sector investment and employment creation		strategy, consequently interventions are often unfocussed and uncoordinated • Clear Vision and strategy statement is required, with a phased and sequenced implementation programme, to address critical emerging issues at both national and state levels, these would include: increasing hardship and poverty, widening inequality, poor standards of educational achievement, little growth in the private sector or employment	• Urbanisation of Funafuti is creating social issues which government needs to address, including property rights and access • Government needs to develop clear statement of national Vision and strategies and to establish phased and sequenced implementation programme to address key development issues in improving education, health, environment and private sector.

E A Framework for Strategies and Priorities for Poverty Reduction

Governments in the Pacific are faced with what many perceive to be difficult choices. Progress and development mean change. Information, education, and travel all introduce new concepts into society. Change threatens traditional values despite the fact that today's traditions may be yesterday's heresies or innovations. The changes brought about by the introduction of Christianity (now the heart of much of tradition and custom) to Pacific countries in the nineteenth century were far greater than any changes now taking place as a result of economic and social reform. Development inevitably leads to increasing monetization of society, and monetization leads to greater individualism that in turn leads to a weakening of the ties among family members. National strategies need to recognize these dynamics with interventions aimed at reducing poverty while avoiding a one-size-fits-all approach. A new consultative, participatory, conceptual framework for setting and implementing development priorities and strategies that will achieve that goal is suggested.

1. ALLEVIATING POVERTY: THE THREE PILLARS OF ADB's POVERTY REDUCTION STRATEGY

Poverty is multi-faceted; there is no single definition, thus there is no single policy or strategy that will completely alleviate it. ADB has proposed three pillars for comprehensive, integrated poverty reduction strategies aimed at achieving equitable growth and alleviating hardship:

- good governance;
- inclusive social development;
- sustainable, pro-poor economic growth.

These three pillars recognize the breadth of the problems to be addressed and provide a basis for a comprehensive set of strategies (see Box 12). There must be cooperation and balance between governments and the private sector. Policies must be mutually supportive such that each reinforces the other.

Box 12
Three Pillars of the Poverty Reduction Strategy

Good Governance
- Rule of law.
- Accountability and transparency.
- Equitable and acceptable standards of delivery of public services.
- Participation and partnership in policy process.
- Strong leadership, clear vision, and prioritized strategies.

Inclusive Social Development
- Equitable and acceptable standards of delivery of basic services.
- Building human capital through education and skill training (technical, vocational and lifestyle skills).
- Promoting health and nutrition.
- Strengthening social capital.
- Youth and gender issues.
- Inclusion and protection of the disadvantaged.
- Welfare.

Sustainable, Pro-Poor Economic Growth
- Sound macroeconomic policies.
- Fiscal and monetary stability.
- Stable economic environment.
- Enabling regulatory environment for private sector investment and growth.
- Creating employment and economic opportunities.
- International and regional cooperation.
- Sustainable environmental management.

In seeking to promote sustainable pro-poor, economic growth, projects and programs must be designed to create jobs and income-earning opportunities for the poor. These opportunities must be located in poor areas, be they urban or rural, and should allow the poor access to and benefits from investments. Economic growth is the main explanation for Asia's success in reducing poverty, but growth alone is not enough. The challenge remains to spread the benefits of growth more widely, specifically to those areas and

Of the three pillars, good governance is considered to be the single most important, for without good governance it is unlikely that the other two pillars can successfully be established.

people "left behind." As Easterly (2000)[42]stresses, "People respond to incentives." The incentives in the three pillars come from the confidence generated by credible and honest governments; appropriate, good quality education and other basic services; and sound macroeconomic policies and regulatory environments.

Of the three pillars, good governance is considered to be the single most important, for without good governance it is unlikely that the other two pillars can successfully be established. Sound, honest government is the best way to help people out of poverty. Each government has a responsibility to create a balanced regulatory environment that encourages economic growth and the wider provision of goods and services, both in the public and private sectors. The private sector and markets must work to efficiently allocate resources to commercially viable, employment-generating investments. Good governance includes sound, responsive institutions and processes built on strong, visionary leadership and a commitment at the highest levels to give priority to the implementation and achievement of equitable growth strategies. The second pillar supports investments in social services to increase human capital, improve social protection, upgrade social infrastructure, and build social capital in ways that focus on the poor. In particular, initiatives to improve technical skill levels, especially among rural people, to meet the demands of private enterprise must be supported. The third pillar requires growth oriented, employment-creating strategies to broaden and deepen both the domestic and export sectors of PDMC economies. This includes the agricultural, fisheries, and tourism sectors where considerable potential exists for additional production and employment creation in most countries. Changing attitudes toward rural lifestyles, particularly subsistence activities, are, however, threatening to negate efforts to promote greater production in the primary sector.

Porter (1990)[43] argues that even countries with limited factor and resource endowments can overcome these constraints by creating an environment that maximizes the advantages they possess. He argues that a nation can create new factor endowments such as skilled labor, a strong technology and knowledge base, government support and an enabling environment. These can provide the basis for policy reinforcement and the development

[42] Easterly William. 2000. *The Elusive Quest for Growth; Economists' Adventures and Misadventures in the Tropics*. MIT Press

[43] Porter, Michael E. 1990 *The Competitive Advantage of Nations,* New York Free Press

of new comparative advantages. The three pillars of ADB poverty reduction strategies follow this logic.

As mentioned before, new ideas threaten the stability and established interests of the traditional order and the traditional elite who almost invariably wish to preserve the status quo. They may be supported by those who have failed to make progress in the new order. Hindering economic and social reform and the modernization of society may, however, help to perpetuate hardship and to reduce the impact of poverty alleviation strategies. Both macro and micro policies are needed to alleviate poverty. At the macro level, national policy might focus on the broad issues of governance and institution building to improve health or education services and to create an environment conducive to private sector investment. At the micro level, it is necessary to address the specific needs of individual communities. This means small-scale projects to improve water supplies, sanitation, and rural and outer island infrastructure and transport among others.

Formulating strategies for equitable growth and hardship alleviation is just the first step. Implementing the strategies, monitoring their performance and effectiveness, and regularly reviewing and adjusting them to improve overall effectiveness are all critical to success. If domestic growth can be stimulated, incomes will rise throughout the economy. Government revenues will grow and budgets will be strengthened enabling more hardship alleviation strategies to be implemented.

2. THE FRAMEWORK

The previous sections have painted a somewhat gloomy picture of progress in coming to terms with changes required to alleviate poverty and hardship. Is there a better way, a new approach that might improve performance and raise growth rates in the PDMCs? Which sector, which issue, and what investment can best help reduce poverty in which country? What are the priorities and how should actions be sequenced and carried out? How can implementation be improved?

Development thinking has evolved from an early focus on savings and capital investment to the inclusion of human capital, policy, and technical change, to the inclusion of the role of institutions and of good governance. Secure property rights in the broadest sense, those applicable to all resources and not just land, are particularly important to realize investment yield. Steve Pollard and Professor Ronald Duncan reviewed the history and progress of development theory and thinking over the past years and described the conceptual framework in Figure 8 to set priorities and to sequence and char-

acterize all interventions.[44] This conceptual framework has been adopted by some departments of ADB to help guide the formulation of country strategies and the selection, characterization, prioritization, and sequencing of projects and programs.[45] ADB's Pacific Department is one that has employed and developed this framework to guide both poverty research and the formulation of country strategies and programs.[46]

The framework and the conclusions of this paper suggest that civil and social order may be the first "essential" for formulating the institutions that in turn form the basis for a market economy. The effective operation of these institutions is then essential for good governance defined in the broader sense to include institutions and organizations as well as good government. Good governance in turn is essential for effective factor and product markets. With all these building blocks in place, it is then much more possible for public and private investments to produce the yields expected of them, that is, in support of pro-poor growth and poverty reduction. Alternatively, projects and public investments without order, good governance, and strong institutions fail to yield as projected. Similar arguments, and a similar framework, have also been suggested by the World Bank.[47]

Stronger order supports stronger governance and stronger governance can support a more virtuous cycle of progress rather than an ultimately vicious cycle of social and economic decline.

This framework should not be rigorously interpreted as strictly implying that poverty reduction can be assigned to a linear relationship from order to governance through rules and regulations to markets and institutions and so on. All these components exist at any one time in any particular society and economy, and the components are inter-related. Economic decline can eventually lead to civil disorder. What the framework does suggest, however, is that stronger order supports stronger governance and stronger governance can support a more virtuous cycle of progress rather than an ultimately vicious cycle of social and economic decline. The emphasis is on yield and productivity. While new investments are still needed, public action must also address institutional and capacity building, good governance, and order if investments are to yield as intended. Stronger ownership, organization, and management are essential for investments of capital, technology, and skills to yield results.

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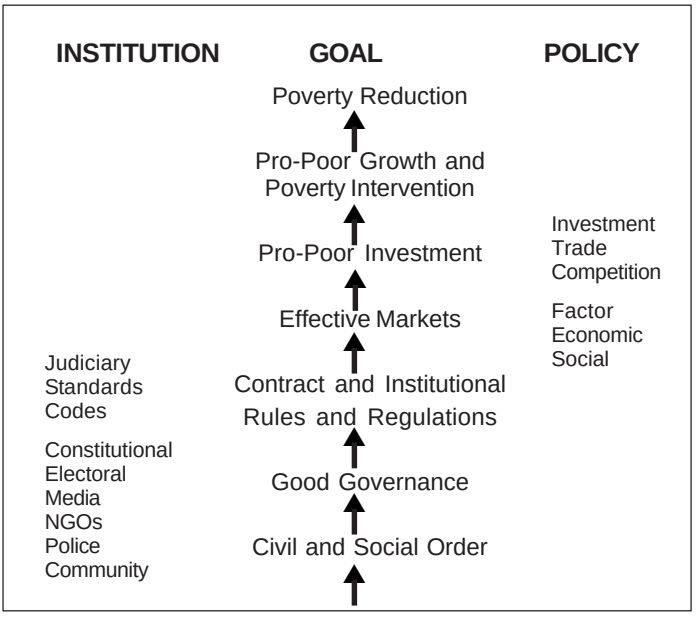
[44] Duncan, Ron and Steve Pollard. 2002. "A Framework for Establishing Priorities in a Country Poverty Reduction Strategy." ERD Working Paper Series No. 15. ADB.

[45] See *Poverty Reduction in Nepal. Issues, Findings, and Approaches*. ADB. March 2002.

[46] Lightfoot Chris and Ryan T, ADB. 2001. *Poverty, is it an issue in the Pacific?* Manila. Pacific DMC strategies are increasingly characterized by a common focus on the improved delivery of basic public goods and services, strengthening the environment for private sector development, and on good governance.

[47] Thomas, V. et. al. 2000. *The Quality of Growth.* The World Bank and Oxford University Press.

Figure 8
Conceptual Framework for Poverty Reduction



Central to the framework and to current development thinking is the argument that institutions and markets need to be strong and effective.

Central to the framework and to current development thinking is the argument that institutions and markets need to be strong and effective. They must actually work to translate the growth potential provided by good governance and institutional order into support for sustainable, productive social and economic activity. Hernando de Soto[48] argues that the creation of capital by the poor is greatly inhibited by the lack of effective systems of private entitlement to land. He estimates that the total value of land and other assets "owned" by the poor in the developing world amounts to around US$9.3 trillion, far greater than the value of foreign aid or foreign investment. However, without the possibility of efficient transfer of these assets and the ability to use

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

them as collateral to raise capital, the assets have little income-generating power. He refers to the capital of the developing world as "dead capital." The same arguments could be made more generally for markets and institutions in the developing world. These conclusions give added weight to the need for land reform in PDMCs to make it easier for this traditional asset to be used as collateral.

Land is indeed an issue high on the list of concerns and priorities of the people. Customary land (about 90% of all land in the PDMCs) is communally owned, and the perception is that everyone therefore has access to it for subsistence purposes. This is not, however, always the case. Most interviewed in the PAH expressed hardship and poverty in terms of not having access to adequate land. People are gradually coming to understand the role of land in a modern developing society and are now seeing traditional land as a resource to be utilized for economic as well as subsistence and social purposes. This is another result of the increasing need for money in society. Many of those consulted agreed that it would be desirable to mobilize land for development without threatening traditional ownership. Accelerated urban migration results in many landless urban poor. It also leads to under-utilization of rural land when the primary owners have moved away. While some land is under-utilized, large rural families may not have access to enough land, and others may not have access to any land at all.

Ambiguous land rights and the resulting difficulties in using land as collateral for loans are major constraints to private sector development.

In most developed countries, the bulk of small businesses are started using loans backed by land. As the private sector study[49] reiterated, land is a major economic issue in the Pacific and a source of internal conflict. Ambiguous land rights and the resulting difficulties in using land as collateral for loans are major constraints to private sector development. The report also notes that land can be a central source of wealth and is particularly important to the rural community as a primary latent asset but only if there is a system of property rights. The problems in land tenure in the Pacific that need to be addressed include:

- ambiguous ownership and boundaries primarily due to of lack of proper recording;
- restrictions on transferability largely resulting from dubious ownership;
- vague definition of different land tenure rights;
- weak (and unrecorded) dispute resolution practices and enforcement.

[49] *Swimming Against the Tide.* Op cit

Several principles need to be observed to gain the confidence and acceptance of customary landowners in designing solutions and enabling land's dead capital value to be unlocked.

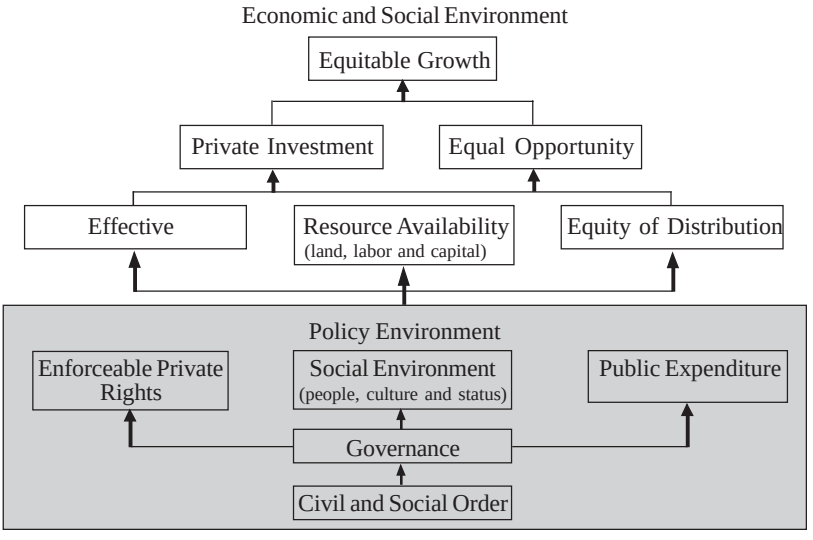
- Governments must clearly specify the fundamental problems to be addressed and must articulate the goals/outcomes of each step as well as the ultimate objectives.
- Governments should announce at the outset that constitutional protections on land will not be altered.
- A policy framework for reform must be designed and agreed upon.
- The process should be stepwise and deliberate.
- The process should be participatory and inclusive based on the community (family, tribe, clan, or village as appropriate) and must involve extensive consultation through a political awareness campaign.
- Existing accepted community organizations such as councils of chiefs should play a central role.
- National political institutions should provide only a framework, facilitation, and recording.
- Robust dispute resolution and appeal mechanisms based on local practice such as the customary reconciliation council should be in place.
- Steps should follow a defined process, and agreements reached should be recorded and considered final.
- Ultimately, participation in the system should be optional for individual landholding groups.

Implementing land reform in the PDMCs will be a slow process, but changes will occur as the economic value of land becomes more widely acknowledged and understood and the demands for greater economic opportunity lead governments to accept the challenge of promoting reform.

During the transition, however, developing countries will continue to suffer from what could be termed "economic anemia" characterized by insecure property rights and noncompetitive or inflexible commercial capital markets and weak labor markets. Economic activity will be dominated by personal or familial relationships often reflecting the weakness of formal markets, mistrust in public sector institutions, and abuse of official rules and regulations. Much of the economic activity will occur in an informal sector that is inadequately supported and poorly regulated. This, in turn, will limit the development of larger enterprises in the formal, private sector. Public institutions may then act for their own benefits rather than serving public needs and demands. In such an environment, economic agents seek short-term returns rather than long-term profits thereby sustaining a system of weak order, weak markets, and riskier, low- yield public investment.

The framework as it has been adopted and adapted by ADB's Pacific Department is presented in Figure 9. This particular adaptation aims to distinguish policy from economic and social environments.

Figure 9
Constraints to Equitable Growth



3. ORGANIZATION

Development and poverty reduction have long been the subject of theory, international debate, and accumulated experience. After some 40–50 years of effort, the challenge is not so much in deciding what should be done. Many examples of best and worst practices provide guidance to governments and institutions. Development agencies, practitioners, and academics not to mention governments themselves generally know what policies and programs should work. Relevant roles and responsibilities for government, business, and civil society are also relatively well understood if not necessarily followed. As Easterly shows, however, many of the panaceas offered

over the years have not delivered the expected benefits and outcomes.[50] As he concludes, it is not so much that the policy prescriptions themselves have necessarily been wrong but rather that the correct incentive environment, that of opportunity and choice and not of finances or taxes, has not been present for government officials, for the public, or for private enterprise. The challenge is to ensure an environment in which appropriate incentives result in consistent, committed implementation of poverty reduction strategies by governments while at the same time fostering ownership on the part of the people.

With regard to economic policy, the "Washington Consensus" generally applies as much to Pacific economies as to any other.[51] The principles of business also apply just as much in the Pacific as anywhere else. As the World Bank has recently recorded, "One size can fit all—in the manner of business regulation. Many times what works in developed countries works well in developing countries, too."[52] Although ADB and other institutions have examined how best policy and practice apply in the Pacific,[53] it is still not followed. Continued weak management of budgets in some countries, continued subsidizing of state-owned enterprises by many, and the prevention of private sector competition by nearly all suggest that the challenge is not so much what to do but rather how to do it. This is especially the case with regard to improving basic social services and to expanding private investment.

Earlier short-term transfers of capital, skills, and technology may have been peripheral to the endemic constraints of anemic or weak institutions including a lack of markets and declining standards of governance. As the conceptual framework for poverty reduction[54] suggests (Figure 8), simple transfers of public funds, skills, and technology cannot yield projected development outcomes in the absence of adequate domestic markets and institutions. The public and private institutions and markets required to sustain service delivery, investment yield, growth, and poverty reduction have yet to be fully established in the PDMCs. There is, therefore, a pronounced need to focus on how to build

Simple transfers of public funds, skills, and technology cannot yield projected development outcomes in the absence of adequate domestic markets and institutions.

[50] Easterly op cit.
[51] The term "Washington Consensus" was invented by John Williamson of the Washington Institute for International Economics in 1990 to define that set of policy reforms which was then seen to be good for the development of Latin American countries.
[52] The World Bank. "Doing Business in 2004. Understanding Regulation. World Bank and Oxford University Press.
[53] Duncan, R., S. Cuthbertson, and M. Bosworth. 1999. *Pursuing Economic Reform in the Pacific.* ADB.
[54] Pollard, Duncan op cit.

systems that support improved productivity in both the public and private sectors.

Are the means to institution and market building well known, well understood, and generally supported by government and by society? The public institutions and markets of the Pacific largely support subsistence and traditional order rather than modern, streamlined systems to deliver public and private services. The challenge to develop the institutions and markets that deliver such essential services is one of developing a modern, independent state. This challenge is made all the more difficult by the very limited domestic tax bases of PDMCs; by entrenched relationships in a small, familiar society; and by the fact that elite groups in power may privately benefit from existing inefficiencies and so have little incentive to push for reform. If tax levels are low, tax audits weak, and tax collection is not enforced, then people and businesses are likely to pay much less attention to the delivery of public services. Poverty alleviation involves raising the productivity of the public sector and creating a healthy environment for private investment for improved delivery of essential public and private goods and services. Widespread education, extensive participation of all interested parties, and the long-term focus of international assistance agencies must build understanding of the need and means to accomplish this and must confront existing organizations and interests that impede progress.

4. DESIGN AND IMPLEMENTATION

Frequently, the elected leadership may not have the full and unconditional support of either government or of a relatively small, familiar society for the changes and liberalizing reforms taking place in the PDMC economies especially if they involve strengthening land registration, privatizing state-owned enterprises, strengthening public service inspections, and supervising and managing the public sector. Often the rationale for and potential benefits of such reforms are not properly explained and/or understood, and they are frequently misrepresented by those who oppose them. This is where greater practical, community participation and public education reinforced by local skill training is needed.[55] With few exceptions,[56] there has been inadequate

[55] This recommendation is supported by the findings and lessons learned from an ADB funded regional project, RETA 6065, entitled: "Assessing Community Perspectives in Governance in the Pacific" that was carried out by the Foundation of the Peoples of the South Pacific International, October 31, 2003

[56] Notable exceptions being the formulation of Samoa's country strategy formulation and the most recent preparation of a poverty reduction strategy in Papua New Guinea. Williamson, J. 1999. "What Should The Bank Think About The Washington Consensus?" Institute for International Economics. Paper prepared as a background to the World Bank 's World Development Report 2000.

consultation outside of central government let alone true participation in country strategy development and implementation. The same strategies are also rarely monitored or evaluated, and in most cases, they may bear little relation to annual budget formulation and implementation. There is both a need and the potential for people to participate in budget, strategy, and program formulation. ADB is increasingly promoting participation,[57] challenging governments to integrate good policies with good politics; it is not always a comfortable fit.

The objectives of the reforms in the Pacific are as valid today as they were in the mid-1990's with their focus on macroeconomic stability, public sector efficiency and effectiveness, and private sector development. When considering strategies and action plans for the next planning period, it is necessary to consider and apply the lessons from past reform efforts. Further actions to improve public sector governance institutions and processes are still needed, but they must be owned and implemented by the PDMCs themselves at a pace appropriate to each country's stage of development and within the constraints of local skills and resources.[58]

Further actions to improve public sector governance institutions and processes are still needed, but they must be owned and implemented by the PDMCs themselves at a pace appropriate to each country's stage of development and within the constraints of local skills and resources.

Assistance from development partners in the region, including ADB, remains critical given the poor economic performance in most countries in the past decades. Those undertaking public sector reforms have to be cognizant of the longer-term nature of capacity building, of the need to generate equitable economic growth to help reduce poverty, and of actions to make governance institutions and processes effective.[59]

Development strategies and programs to date have been comprehensive, perhaps excessively so. Given limited resources, the greater needs of the poor, and the potential for business and the community to play a role in development, there is a need for greater prioritization. An initial step to give clear directions to governments could be based on the priorities of the people as summarized in Appendix 1. The supply and demand for good governance that is the basic building block for poverty reduction has not operated well in the Pacific. A "buy-in" from the people would be a key initiative. Partici-

[57] For instance increased participation has featured in the assessments of poverty and hardship, assistance to the Marshall Islands in participatory policy formulation, assistance to the Government of Nauru in participatory governance, and in the design of regional program to strengthen participatory budgeting.

[58] ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009.*

[59] ADB. 2004. Op.cit.

patory governance in budgeting, tracking service delivery, and reporting on the delivery of public services has all been pioneered elsewhere in the world and should be considered in the Pacific. As with other nations,[60] Pacific societies can be supported in their desires for greater transparency, accountability, and good governance and can be encouraged to express their demands for greater participation.

5. CONCLUSIONS

Sound, honest government that creates a balanced regulatory environment that encourages economic growth and the wider provision of goods and services in both the public and private sectors is the best way to help people out of poverty. The conceptual framework argues that improved delivery of essential public and private goods and services must be derived from more competitive markets and more productive public institutions, which in turn are founded on good governance and civil and social order. The challenge is to ensure an environment in which appropriate incentives result in consistent, committed implementation of poverty reduction strategies by governments while at the same time fostering ownership on the part of the people.

[60] For example see: Filipino Report Card on Pro-Poor Services. The World Bank. E. Ablo and R. Reinikka. "Do Budgets Really Matter? Evidence from Public Spending on Education and Health in Uganda" International Budget Project. "Case Study: Analysis of the Executive Budget. Budget Information Service, South Africa." D. A. Songco. "Accountability to the Poor: Experiences in Civic Engagements in Public Expenditure Management." World Bank. World Development Report 2004. Making Services Work for Poor People

F A Preferred Strategy for a Modern State

This paper has assessed the progress of PDMCs in alleviating hardship and in addressing the emerging issue of poverty. It has also considered the views, perceptions, needs, and priorities of the people, and how far governments have succeeded in responding to these priorities in national strategies and programs. It is time to recommend improvements and reorientation. With the exception of PNG, assessing hardship and poverty did not seek to create new national poverty reduction strategies but rather to validate existing development strategies for their impact on poverty and, through poverty partnerships, to work with governments to improve that impact.

1. PACIFIC REGIONAL PRIORITIES

In Section B.4 and Appendix 1, community priorities in each country were outlined. In Table 22 they are brought together into a regional summary under the broad headings of ADB's three pillars for poverty reduction. These provide a clear guide to what the people in the PDMCs see as important for alleviating hardship.

There is nothing startlingly new in this list; instead, it validates existing strategies. The poor are calling out for more opportunities, but governments continue to stall on implementing reforms. Reforming state-owned enterprises lags for fear of upsetting vested interests and those presently employed, while those who would benefit, i.e., the majority of consumers including the most disadvantaged, are left to pay for continued inefficiency.

The list of people's priorities raises just as many questions as it answers. How should countries encourage participation and raise the status and understanding of the role of women in society? How should they reform land tenure systems and implement sound environmental management? What is the best way to assist in reducing hardship and poverty in the Pacific? It comes down to political will, strong leadership, effective institutions, and a genuine commitment on the part of politicians and officials to heed the real needs of the people.

The priorities of the people include a wide range of poverty and hardship alleviating interventions. Among them are teacher training; adequate school buildings and supplies; staff housing; nurses and adequately supplied and

Table 22

Country Strategies for Equitable Growth and Hardship Alleviation in the PDMCs

The People's Recommended Strategies and Programs[a]

Good Governance	*Inclusive Social Development*	*Sustainable, Pro-Poor Growth*
• Improve quality of governance as well as to improve ethical standards of politicians • Help strengthen leadership and management skills and upgrade skill levels of public servants • Establish national strategies with clear a vision and focus on the outcome of alleviating hardship and poverty • Implement public sector reforms • Strengthen administrative, budget and financial management to ensure sustainability and focus on core functions • Encourage broad-based participation in all levels of decision-making • Support NGOs in their efforts to provide for the poor	• Ensure equitable share of government expenditure, service delivery and public investment • Improve quality and access to basic health and education services • Strengthen management of education and health systems. • Increase spending on nutrition, as well as on primary and preventative health programs • Increase investment in technical and vocational education • Raise the status and understanding of the role of women in society • Develop cooperatively operated social safety nets for those that are overlooked by traditional support systems • Establish framework for effectively managing continued urbanisation • Develop comprehensive population polices covering family planning, internal and external migration, and responses to demographic change	• Strengthen macroeconomic planning and management as well as maintain sound and growth-oriented macroeconomic policies • Continue to implement economic reforms necessary to meet challenges of globalisation, trade liberalisation and the need to attract new investment • Continue SOE reforms • Ensure a fairly regulated, competitive environment in support of both private sector development and associated improvements in public sector productivity • Improve access to credit and economic opportunity, especially in the outer islands/ rural areas • Reform land tenure systems to enable land to be used as collateral for investment • Implement sound environmental management

[a] These were consolidated from the strategies and programs recommended for Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Papua New Guinea, Samoa, Tonga, Tuvalu, and Vanuatu based on the priorities of the people.

Sources: ADB, Discussion Papers (RETA 6002 [ADB. 2002. *Technical Assistance for Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries.* Manila.] & RETA 6047 [ADB. 2002. *Technical Assistance for the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries.* Manila]).

maintained health clinics; water supplies; power; roads and other transport infrastructure; credit, business and vocational skills; and sound macro and private sector environment. Much has been done in many of these areas over the years, but the sustainability and management of the interventions must be improved.

It is also possible to develop a profile of the sort of villages/communities that are more likely to be left behind. They are likely to be in remote rural areas or on outer islands with poor transport and communications. They will be resource poor with limited access to markets, to schools and health facilities, and to economic opportunities. They are also likely to be those in areas with high dependency ratios. In urban areas they may be squatter settlements with poor housing conditions, no secure tenure, and little or no access to land for cultivation for either cash or subsistence farming. Household members are likely to have low levels of education and high levels of unemployment, poor access to urban services especially water and sanitation, and deteriorating family lifestyles. These profiles enable targeting, but consideration must be given to modes of implementation.

Many such villages/communities/islands would be small and would need micro projects to address some of the issues. Donor agencies may not be in a position to handle a plethora of such projects. This points to the advantages to be gained from greater community participation and involvement of NGOs in the design and implementation of poverty alleviation initiatives. The outer island development trust fund concept, epitomized by the Tuvalu Falekaupule Trust Fund, offers a possible model that could be implemented in other PDMCs.

2. CLOSER REGIONAL COOPERATION

Recently there has been much talk of the need for closer economic cooperation and indeed integration among PDMCs. There is no doubt that structural change will have to occur as Pacific Island Countries Trade Agreement (PICTA), Pacific Agreement on Closer Economic Relations (PACER), and World Trade Organization membership increase. These changes will generally be supportive of private sector development. Countries would therefore be better off commencing reforms now instead of trying to catch up later.

Proposals have been made to have a common Pacific currency or to use the Australian dollar as the currency of the region. Currency and economic unions work properly and most efficiently when a number of conditions are met. There should be free movement of labor and capital. Markets, including that for land, must function and be well established, and laws must be consistent and consistently applied. A secure transaction system should be

institutionalized, and countries must be prepared to give up a great deal of their sovereignty to set economic, fiscal, and monetary policies. The region needs to make considerable progress before any of these pre-conditions can be met. To quote Helen Hughes, "(Pacific countries) have ignored the benefits of joining together to share costs of government and international representation and of free trade in goods and services, capital and labour ….. because the Pacific states are not interested in any measures that would rationalise administration and thus deprive them of jealously guarded political and public service jobs."[61]

This is not to say that closer cooperation on economic and social issues is not possible or that such cooperation would not bring significant regional benefits. The PICTA and PACER agreements are springboards toward more economic cooperation and integration and will hopefully act as catalysts for reform in some of the more reluctant countries. Transport and communications are areas where considerable efficiency and cost-effectiveness could be reaped by greater cooperation and by the injection of private sector capital and new technology. Regional cooperation in supplying pharmaceutical needs has already been implemented. More cooperation in setting curriculum standards and in teacher training could help to reverse recent declines in educational attainment in many countries. Cooperation in these areas would indeed help to meet the needs of the poor for better education, better service delivery, and more economic opportunities.

Cooperation would indeed help to meet the needs of the poor for better education, better service delivery, and more economic opportunities.

3. NEXT STEPS

The poor of the Pacific have given their governments very clear and consistent directions for national and international public sector assistance. They have three priorities: (i) governments should improve access and quality of delivery of essential public services; (ii) governments should create an environment in which the private sector can expand commercial opportunities and jobs; and (iii) governments should be more responsive to the needs of the people and should improve standards of governance.

The conceptual framework for poverty reduction is founded on development theory and experience and has been adopted by ADB for application in the Pacific.

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[61] Hughes op. cit.

tion in the Pacific. It argues that improved delivery of essential public and private goods and services must be derived from more competitive markets and more productive public institutions, which in turn are founded on good governance and civil and social order. This amounts to the development of modern state institutions and private markets. This focus has either been overlooked or insufficiently addressed. Earlier development efforts have included attempts to enhance public and private sector performance and productivity, but they did not lead to lasting integration of objective, legal, and managerial checks and balances for the greater public good. Good development policy and practice are well known internationally. Although espoused by the region's leadership, best policy and practice have not been well applied in the Pacific. Public and private institutions remain organized for subsistence activity and tradition, and they may protect the interests of the elite at the expense of poverty reduction. Developing a modern state remains the challenge in the Pacific.

Developing a modern state remains the challenge in the Pacific.

Public and private institutions for poverty reduction, improved primary health care and education, markets, and jobs will not only require finance, technology, and skills. More importantly, fulfilling the needs of the poor of the Pacific will involve social and economic organization at a cost that cannot be measured in money. This requires dealing with many sensitive issues including objective personnel management, land tenure, rule of law, private competition, and other social relations and economic transactions. Enhancing public and private sector productivity confronts traditional order, social sensitivities, and the interests of some elite groups in small, familiar societies. Only the people can decide if they will support such change.

This requires dealing with many sensitive issues including objective personnel management, land tenure, rule of law, private competition, and other social relations and economic transactions.

The first step must be to fully inform and involve the people in decision making. The "knowledge" of poverty reduction has to be disseminated by any and all means. Perhaps the only way to enhance social and economic productivity would be to fully engage civil society, businesses, and NGOs in this process if such an approach would be supported, indeed led, by each government. While principles of development and poverty reduction have been established elsewhere and while the principles of greater participation for market and institutional development may also be known, the specific details for application in the Pacific still have to be fully tried and proven.

The first step must be to fully inform and involve the people in decision making.

Earlier, extensive government engagement in the economy in both state-owned enterprises and commercial operations has led to a lack of private sector-led economic development and performance-oriented services for the poor. Imagine what might have been achieved if these earlier efforts and expenditures had engaged people in understanding, designing, and participating in improved access to primary education and health care for all, to the cooperative development of available land, and to lowering the costs and constraints to private sector investment. This is the way forward.

4. CONCLUSIONS

The poor of the Pacific have given their governments very clear and consistent directions for national and international public sector assistance: (i) governments should improve access to and quality of delivery of essential public services; (ii) governments should create an environment in which the private sector can expand commercial opportunities and jobs; and (iii) governments should be more responsive to the needs of the people and should improve standards of governance. This amounts to the development of modern state institutions and private markets, a focus has either been overlooked or insufficiently addressed. The PICTA and PACER agreements are springboards toward more economic cooperation and integration and will hopefully act as catalysts for reform in some of the more reluctant countries. Fulfilling the needs of the poor of the Pacific requires dealing with many sensitive issues including objective personnel management, land tenure, rule of law, private competition, and other social relations and economic transactions. Only the people can decide if they will support such change.

Appendix 1
Summary of Community Priorities for Hardship Alleviation

Appendix 1

Participatory Assessments of Hardship and Poverty

	Samoa	*Tonga*	*Tuvalu*	*Vanuatu*
Shared Priorities between both urban and rural communities	• Reduction of cost of living • Creation of job opportunities • Strengthening of skills training programs and support systems including access to capital, market, transport, plantation development, and small business management for unemployed youth; • Ensure active community involvement and cooperation with government representatives in all future plans and policy development; • Improve access to education to ensure access to earning opportunities	• Improve access and quality of available basic services and infrastructure particularly in the outer islands such as power, water supply, health, education, and road through regular services maintenance, assignment of qualified health, provision medical supplies, staff, and reduction of service charges; • Broaden community access to skills training for income and lifestyle improvement; • Make land more accessible for people most in need	• Improve/maintain quality of basic services and infrastructure • Expand income earning opportunities • Provide access to housing assistance and home ownership • Provide more opportunities for technical and vocational training for boys and girls • Provide sports and recreational facilities for youth	• Improve access to services and infrastructure; • Improve income sources; • Address social issues particularly kava drinking. • Improve access to education (primary and secondary as well as technical skills for unemployed youths) • Health (particularly information on nutrition and family planning) • Water supply connection • Facilitation of markets for local produce (both local and international)

Appendix 1 continued

	Samoa	*Tonga*	*Tuvalu*	*Vanuatu*
Additional Urban Priorities	• access to housing assistance			• Water supply connection • Establishment of fisheries/ canning factory
Additional Rural Priorities	• accessibility of credit facilities • support for agriculture development in rural areas, including markets, reduced cost of inputs • Improve access to basic services and Infrastructure particularly water supply, education facilities, market, and roads system for identified disadvantaged communities.	• Creation of more income generation opportunities (e.g., marketing arm in the outer islands, transport, equipment, and capital)I • Improve community-level infrastructure such as community hall, causeway, and wharf.	• Improve cargo handling, reduce freight charges and improve shipping services as well as access to markets	• Improve access to agriculture skills (e.g., crop/livestock raising) and increase number of places at Rural Training Centres (RTCs); • Help to resolve land disputes; • Improve rural roads and air strips • Improve rural infrastructure and services including water supply connections, telecommunication facilities and banking and credit services

Appendix 1 continued

	Fiji Islands	*RMI*	*FSM*	*PNG*
Shared Priorities between both urban and rural communities	• More Income generating opportunities • Improved access to basic services and infrastructure • Better water supply • Improved education and health service delivery • Improved roads and transport services, especially for getting produce to markets • Better access to power supplies	• Ensure the provision of basic services, such as solar power and water catchments to all communities; • Improve public confidence in the public education system; ensure adequate qualified and committed teachers; school supplies, and transportation to and from school; • Expanded basic education and training opportunities for youth; • Develop a range of youth services and facilities, including more sporting facilities, after school programs and youth organizations; • Promote new income earning and employment opportunities, which are sensitive to environmental, institutional and cultural issues, including agricultural activities, in rural and urban areas.	• Income generating opportunities (e.g., easy access to markets to sell products, jobs creation, livelihood equipment)) • Improved access to basic services (e.g., health center, school in the community, higher education, transport, power) • More access to family planning and good parenting information • Provision of training/skills/ recreation center • Solving drug & alcohol issues (e.g., stop alcohol importation) • Enforce law on child support • Improved standards of governance and account-ability	• Provide access to employment and income earning opportunities • Encourage development and access of lands to ensure food security and source of income • Develop and improve infrastructure and services particularly water supply, education, health care, transport and market facilities • Provide a social care system for elders, single parents, disabled, and other disadvantaged groups • Institutionalize community consultation in the government processes • Skills training programs and support system including access to capital, market, transport, on small business management • Improve governance and reduce corruption

Appendix 1 continued

	Fiji Islands	*RMI*	*FSM*	*PNG*
		• Strengthen capacity of local government and community organisations in project design, proposal writing and project management; • Provide leadership and management training for Councilors and communities; • Improve information dissemination on available assistance and programs to all levels, including local community organizations.		• Industry orientation to focus on downstream processing and agriculture activities to support food security. • Support promotion of awareness on family planning and consequences of teenage pregnancies • Improve rural service delivery to address increasing migration trend • Extend teacher and health workers' services to include information dissemination. • Strengthen partnership between government, donor, and NGO groups
Additional Urban Priorities		• Investigate public funding and/or loan schemes to support home improvements in the urban areas.		
Additional Rural Priorities	• Improved access to markets	• Provide outer island residents with more regular and frequent field trips;		

Appendix 1 continued

	Fiji Islands	*RMI*	*FSM*	*PNG*
		• Support the development of locally-based handicraft centres (particularly on the outer islands), to include training, financial support and marketing etc • Invest in the necessary infrastructure to support new and existing economic activities, such as regular fieldtrips, improved transportation and telecommunications infrastructure, banking and other financial services to the outer islands. • Enhance levels of consultation between outer island communities and government on policies and programmes • Improve co-ordination between government agencies involved in outer island service delivery (e.g. the Ministries of Internal Affairs, Education, Health, and the Land Grant Scheme administered by the College of the Marshall Islands)		

Appendix 2
Poverty Profiles

Cook Islands
Summary Poverty Profile

1. Poverty Measures (1998 HIES)		**6. Vulnerability Indicators**	
• National Poverty Line (weekly household expenditure)		• CVIP	NA
Head Count Index %	12.0	DMC Rank	NA
Urban Rural Village		• Foreign Grants as % of GDP (2001)	6.5
• Food Poverty Line (rev weekly hh exp)		• Exports as % of GDP (2002)	4.9
Head Count Index %		• Imports as % of GDP (2002)	46.0
• US$1 day Head Count Index %		• Import:Export ratio (2003)	0.12:1
• Poverty Gap Ratio		• Out-migration Significant	Yes
		• Remittances Significant	Yes
2. Development Progress Indicators		**7. Basic Education**	
• HDI (1998)	0.822	• Adult Literacy Rate % (2000)	100.0
PDMC Rank (out of 14)	2	• CGER % (2000/01)	77.4
• HPI (1998)	6.1	• Budget Expenditure on Education % of GDP (2001/02)	5.2
PDMC Rank (out of 14)	2	Primary Education % of total (2000)	50.6
3. Inequality Measures (1998 HIES)		**8. Primary Health and Nutrition**	
• GINI Coefficient		• Life Expectancy at Birth (2002)	71.6
Household Income		Male/Female	69.2/74.2
Per Capita Income		• Infant Mortality Rate (2003)	13.4
• Expenditure Ratio (H25/L25)	3.25	• Pop'n access to safe water % (2000)	100.0
• Average household weekly income		• Population per Doctor (2000)	1,335
H25		• TB cases per 100,000 pop (2002)	55
L25		• Immunization Coverage (DPT) (2001)	92.0
		• Budget Expenditure on Health % of GDP (2001/02)	4.6
		Per capita (2001/02) US$	220

Cook Islands (continued)

Summary Poverty Profile

4. Population and Household		**9. Gender Issues**	
• Population (2001 census)	18,027	• GDI	
• Population Net Growth Rate		PDMC Rank	
Annual average (1991-2001)	-0.3	• Total Fertility Rate (2002)	3.2
• Dependency Ratio %		• Contraceptive Prevalence Rate	53.0
(2001 census)		(1997)	
Working age: 15-59 yrs / 15-64 yrs	68.6/57.8	• Maternal Mortality Rate (2000)	0.0
• Average Household Size (1995)	5.1	• Life Expectancy Gender Gap (F-M)	5.0
Urban Area		• Female Literacy Rate %	100.0
Rural		• Female CGER % (2000/01)	77.3
• Average Household Size (1998	4.4	• Women in paid employment %	34.0
HIES)	4.8	(1996)	
Poor	3.8	• Women in Government	1
Non-Poor		(# of seats), 1996	
5. The Economy		**10. Governance**	30.0
• Real GDP Growth Rate	6.5	• Public Service % Employment	
1995–2002 % pa		(1996)	
• GDP per capita 2002, NZ$	10,537	• Govt Current Exp. % (2001/02)	13.2
Factor Cost (2000 prices)	12,005	Education	
Current Market Prices		Primary	11.7
• Sectoral Share	13.0	Health	2.8
(% GDP at 2000 prices)	9.1	Agriculture, Forestry & Fishing	
Agriculture & Fishing (2002)	77.9	• Private Sector % of GDP (2001)	
Secondary (2002)	1.5	• Participation in Local Govt	No
Tertiary (2002)	0.65470	Budget	
• Inflation (2003) annual average %		• Published Economic Strategy/	Yes
• US$ Exchange Rate per NZ$	7.0	Plan	
(31/12/03)		• Democratically Elected National	
• % of Labor Force in subsistence		Govt	
• Debt Servicing % of GDP		• Democratically Elected Local Govt	Yes
(FY2000)		• Ombudsman	

Federated States of Micronesia
Summary Poverty Profile

1. Poverty Measures (1998 HIES)	
• National Basic Needs Poverty Line (annual per capita expenditure)	US$767.58
Head Count Index – national %	27.9
Yap	14.4
Chuuk	32.9
Pohnpei	29.5
Kosrae	12.3
• Food Poverty Line (annual per capita exp)Head Count Index - national %	US$437.00
• US$1/US$2 day Head Count Index %	5.2/19.7
• Poverty Gap Ratio	51%
2. Development Progress Indicators	
• HDI (1998)	0.569
PDMC Rank (out of 14 PDMCs)	8
• HPI (1998)	26.7
PDMC Rank (out of 14 PDMCs)	10
3. Inequality Measures (1998 HIES)	
• GINI Coefficient HH Income – FSM	0.41
Yap	0.34
Chuuk	0.36
Pohnpei	0.42
Kosrae	0.41
• Average household income per annum	
H20	US$25,996
L20	US$2,923
• Income Ratio (H20/L20)	8.9
• Expenditure Ratio (H20/L20)	4.4
4. Population and Household	
• Population (2003 estimate)	108,000
• Popn Net Growth Rate % pa 1994 - 2003	0.25%
• Dependency Ratio % (2000)	85.0
• Ave. Household Size (2000 census), FSM	6.8
Yap	5.5
Chuuk	7.7
Pohnpei	6.1
Kosrae	7.1
• HH size Poor/Non-Poor	8.4/6.2

5. The Economy	
• Real GDP Growth 1993/94–2001/02 % pa	0.1
• GDP per capita 2001/02	US$2084
Constant 1998 prices	US$2238
Current Prices	
• Sectoral Share (% GDP factor cost 2002)	35.3
	30.1
Agriculture & Fishing	14.5
Secondary	0.0
Tertiary	US$1.0
• Inflation (end 2002) annual average %	28.4
	1.1
• US$ Exchange Rate (31/12/03)	
• % of Labor Force in subsistence (2000)	
• Debt Servicing % of GDP (FY2002/03)	
6. Vulnerability Indicators	
• CVI	NA
PDMC Rank	NA
• Foreign Cash Grants % of GDP – FY 2002	41.8
• Exports as % of GDP – FY 2002	6.9
• Imports as % of GDP – FY 2002	40.2
• Import:Export ratio (2002)	5.8:1
• Out-migration Significant	Yes
• Remittances Significant	No
7. Basic Education	
• Adult Literacy Rate % (2000)	92.4
• CGER % (2000)	
Primary/Secondary	92.3/72.3
• Budget Expenditure on Education	
% of GDP (2001/02)	9.6
per pupil	US$693
8. Primary Health and Nutrition	
• Life Expectancy at Birth (2000 census) Male/Female	67.0
• Infant Mortality Rate (2000)	66.5/67.6
• Pop'n access to safe water % (2000)	40.0
	50
• Population per Doctor (2000)	2277
• TB cases per 100,000 pop (2000)	78.0

Federated States of Micronesia (continued)

Summary Poverty Profile

• Immunization Coverage (DPT) (2000)	83
• Health Expenditure (2001/02)	5.4
% of GDP	US$116
Per capita	
9. Gender Issues	
• Total Fertility Rate (2000)§	4.4
Contraceptive Prevalence Rate % (1998)	45.0
• Maternal Mortality Rate (1999)	274
• Life Expectancy Gender Gap (F-M)	1 year
• Female Literacy Rate % (2000)	91.9
• Female CGER % (2000)	92.9/76.7
Primary/Secondary	33.1
• Women in paid employment % (2000)	0/14
• Women in Govt (# of seats) (2004)	

10. Governance	
• % Employment (2000) Public Service	49.8
• Govt. Current Expenditure % (2001/02)	17.6
	9.8
Education	65.3
Health	No
• Private Sector % of GDP (2001/02)	No
	Yes
• Participation in Govt. Budget	Yes
• Published Economic Strategy/Plan	No
• Democratically Elected National Govt.	
• Democratically Elected State/Local Govt.	
• Ombudsman	

Fiji Islands
Summary Poverty Profile

1. Poverty Measures (1990/91 HIES)	
• National Poverty Line (weekly household expenditure)	F$83.00
Head Count Index %	25.5
Urban	27.6
Rural Village	22.4
• Food Poverty Line (rev weekly hh exp)	F$54.55
Head Count Index %	9.92
• US$1 day Head Count Index %	5.0
• Poverty Gap Ratio	0.32
2. Development Progress Indicators	
• Global HDR (2001)	0.754
HDR Rank (out of 175 countries)	81
• HDI (1998)	0.667
PDMC Rank (out of 14 PDMCs)	3
• HPI (1998)	8.5
PDMC Rank (out of 14 PDMCs)	4
3. Inequality Measures (1990/91 HIES)	
• GINI Coefficient	
Household Income	0.46
Per Capita Income	0.49
• Income Ratio (H20/L20)	9.8
• Average household weekly income	
H10	F$164.70
L10	F$11.10
4. Population and Household	
• Population (2002 estimate)	802,000
• Population Net Growth Rate Annual average (1990 – 2000)	0.6%
• Dependency Ratio % (1996)	68.0
• Average Household Size (1996 census)	5.2
Urban Area	5.3
Rural	5.0
• Average Household Size (HIES)	5
Poor	4.1
Non-Poor	6.0
5. The Economy	
• Real GDP Growth Rate 1990–2000 % pa	2.8
• GDP per capita 2001	US$1315
Factor Cost (1989 prices)	US$1920
Current Market Prices	
• Sectoral Share (% GDP factor cost 2001)	16.6
	26.6
Agriculture & Fishing	56.8
Secondary	1.6
Tertiary	2.00
• Inflation (end 2002) annual	22
average %	3.0
• US$ Exchange Rate (31/12/02)	
• % of Labor Force in subsistence (1996)	
• Debt Servicing % of GDP (FY2001)	
6. Vulnerability Indicators	
• CVI	8.888
PDMC Rank (out of 7 PDMCs)	3
• Foreign Grants as % of GDP –	13.2
2001	34.8
• Exports as % of GDP – 2001	51.5
• Imports as % of GDP – 2001	1.48:1
• Import:Export ratio	Yes
• Out-migration Significant	No
• Remittances Significant	
7. Basic Education	
• Adult Literacy Rate % (2000)	93.2
• CGER % (1996)	81
• Budget Expenditure on Education	
% of GDP (2002)	5.3
Primary Education % of total	50.8
8. Primary Health and Nutrition (1996)	
• Life Expectancy at Birth	US$ 66.6
Male/Female	64.5/68.7
• Infant Mortality Rate (2001)	16.2
• Pop'n access to safe water %	77
(1996)	4029
• Population per Doctor (1999)	0.2
• TB cases per 100,000 pop (2000)	
• Immunization Coverage (DPT)	
(2001)	95
• Budget Expenditure on Health (2002)	

Fiji Islands (continued)

Summary Poverty Profile

***8.* Primary Health and Nutrition (1996)** *contd.*	
% of GDP	2.7
Per capita (2002)	70
9. Gender Issues	0.755
• GDI	1
PDMC Rank	3.3
• Total Fertility Rate (1996)	43.7
• Contraceptive Prevalence Rate (2001)	29.0
• Maternal Mortality Rate (2001)	4.2
• Life Expectancy Gender Gap (F-M)	91.2
• Female Literacy Rate %	83
• Female CGER % (1996)	3
• Women in paid employment % (2002)	
• Women in Govt (# of seats) (2002)	14/70

10. Governance	
• Public Service % Employment (1996)	22
• Govt Current Expenditure % (2002)	17.1
Education	8.7
Primary	8.6
Health	3.6
Agriculture, Forestry & Fishing	75
• Private Sector % of GDP (2001)	No
• Participation in Local Govt Budget	Yes
• Published Economic Strategy/Plan	Yes
• Democratically Elected National Govt	Yes
• Democratically Elected Local Govt	Yes
• Ombudsman	

Kiribati
Summary Poverty Profile

1. Poverty Measures (1996)	
• South Tarawa Poverty Line (A$)	750
Head Count Index %	51
• Outer Island Poverty Line (A$)	201
Head Count Index %	50
• US$1 day 1993 PPP for 1996	A$540
Head Count Index %	38
• Poverty Gap Ratio	
2. Development Progress Indicators	
• HDI (1998)	0.515
PDMC Rank (out of 14 PDMCs)	10
• HPI (1998)	12.6
PDMC Rank (out of 14 PDMCs)	8
3. Inequality Measures (1996 HIES)	
• GINI Coefficient	NA
• Income Ratio (H20/L20)	
South Tarawa	5.7
Outer Islands	20.5
• Average per capita expenditure A$ pa	
H20 South Tarawa	1765
L20 South Tarawa	309
H20 Outer Islands	1952
L20 Outer Islands	95
4. Population and Household (2000 Census)	
• Population	84,494
• Population Net Growth Rate	
Annual average (1995 – 2000)	1.7
• Dependency Ratio % (2000)	76.0
• Average Household Size	6.7
South Tarawa	8.1
Outer Islands	5.9
• Average Household Size	
Poor South Tarawa (Below PL)	11.7
Non-Poor S Tarawa (Above PL)	7.7
5. The Economy	
• Real GDP Growth Rate 1991 – 2000	3.70
• GDP per capita 2000	
Constant 1991 Prices	US$386
Current Prices	US$500
• Sectoral Shares (as % of GDP 2000)	
Agriculture & Fishing	13.0
Secondary	5.3
Tertiary	81.7
• Inflation 2001 %	6.0
• US$ Exchange Rate (31/12/01)	A$1.7
• % of Labor Force in subsistence	570.0
• Debt Servicing as % of GDP	0.5
6. Vulnerability Indicators	
• CVI	5.082
PDMC Rank (out of 7 PDMCs)	7
• Foreign Grants as % of GDP – 2000	24.3
• Exports as % of GDP – 2000	12.8
• Imports as % of GDP – 2000	85.6
• Export Import ratio	1:8.5
• Out-migration Significant	No
• Remittances Significant	Yes
7. Basic Education	92
• Adult Literacy Rate % (1995)	121.3
• CGER % (2000)	
• Expenditure on Education (2001)	20.5
As % of GDP	620
Per Pupil A$	
8. Primary Health and Nutrition	62.8
• Life Expectancy at Birth (2000)	58.2/67.3
Male/Female	43
• Infant Mortality Rate	76
• Pop'n with access to safe water %	3,700
• Population per Doctor	39.0
• Reported TB cases per 100,000 pop	72
• Immunization Coverage (DPT)	12.7
• Expenditure on Health (2001)As % of GDPPer capita A$	122
9. Gender Issues (2000)	
• GDI	NA
PDMC Rank	NA
• Total Fertility Rate (1995)	4.5
• Contraceptive Prevalence Rate %	28
• Maternal Mortality Rate	56
• Life Expectancy Gender Gap (F-M)	9.1
• Female Literacy Rate % (1995)	91

Kiribati (continued)

Summary Poverty Profile

• Female CGER %	127.1	Agriculture & Fishing 2001 %	4.2
• Women in paid employment %	37	• Education exp on Primary (2001)	47
• Women in Govt (# of seats) (2004)	2/42	• Private Sector % of GDP	45
		• Public Sector Employment	25
10. Governance		• Participation in Local Govt Budget	Yes
• Public Sector % Formal Employment (2000)	68.3	• Published Economic Strategy/Plan	Yes
		• Democratically Elected National Govt	Yes
• Government Recurrent Expenditure			
Education 2001 %	23.4	• Democratically Elected Local Govt	Yes
Health 2001 %	16.1	• Ombudsman	No

Marshall Islands
Summary Poverty Profile

1. Poverty Measures	
• National Poverty Line	Not yet
Head Count Index %	available
• US$1 day 1993 PPP in 1999	US$1.19
Head Count Index - Outer Islands	65%
• Poverty Gap Ratio	Not yet
• Poverty Severity Index	available
2. Development Progress Indicators	
• HDI (1998)	0.563
PDMC Rank (out of 14 PDMCs)	9
• HPI (1998)	19.5
PDMC Rank (out of 14 PDMCs)	9
3. Inequality Measures (1999)	
• GINI Coefficient	N/A
• Household Income Ratio (H25/L25)	
National	22:1
Outer Islands	20:1
• Average HH Income – National	
H25	US$27,821
L25	US$1,258
• Average HH Income – Outer Islands	
H25	US$9,876
L25	US$499
4. Population and Households (1999 Census)	
• Population (‘000), 1999/2002 est.	50.9/53.1
• Population Net Growth Rate	
Annual average % 1988 - 99	1.5
• Dependency Ratio %	82.2
• Average Household Size (census)	7.8
Urban Areas	8.1
Outer islands	7.4
• Average Household Size	
Poor	11+
Non-Poor	< 8
5. The Economy	
• Real GDP Growth 97/98–00/01 % pa	0.6
• GDP per capita 2000/01	US$1187
Constant 1991 Prices	US$1945
Current Prices	
• Sectoral Shares	13.8
(as % of GDP 2000/01)	16.0
Agriculture & Fishing	69.0
Secondary	1.7
Tertiary	US$1
• Inflation end 2001 %	20.0
• US$ Exchange Rate (31/12/01)	
• % of Labor Force in subsistence (1999)	25.5
• Debt Servicing % of GDP (2000/01)	
6. Vulnerability Indicators	
• CVI	N/A
PDMC Rank	N/A
• Foreign Grants % of GDP – 2000/01	59.9
• Exports % of GDP - 2000/01	10.0
• Imports % of GDP - 2000/01	48.1
• Import:Export ratio - 2000/01	4.8 :1
• Out-migration Significant	Yes
• Remittances Significant	No
7. Basic Education	
• Adult Literacy Rate % (1999)	98.3
• CGER % (2001)	81.7
Primary/Secondary %	105/47.1
• Expenditure on Education (2000/01)	
% of GDP	11.3
Per Pupil all schools	US$522
8. Primary Health and Nutrition (1999)	
• Life Expectancy at Birth	67.5
Male/Female	65.7/69.4
• Infant Mortality Rate (‘000 births)	37.0
• Pop’n with access to safe water %	82
• Population per Doctor (2002)	1770
• TB cases per 100,000 pop (2001)	134
• Immunization Coverage (DPT) (2000)	80%
• Expenditure on Health (2000/01)% of GDP	5.8
Per capita 2000/01	US$204
9. Gender Issues	
• GDI	N/A
PDMC Rank	N/A
• Total Fertility Rate (1999)	5.7
• Contraceptive Prevalence % (2000)	37

Marshall Islands (continued)

Summary Poverty Profile

• Maternal Mortality Rate (per 100,000 births, 2000)	0.0	Education	21.0
• Life Expectancy Gender Gap (F-M)	3.7 years	Health	10.8
• Female Literacy Rate %	98.4	Agriculture & Fishing	4.7
• Female CGER % (1999)	72	• Primary Education expenditure (2000/01) % of total	43.0
• Women in paid employment %	30.6	• Private Sector % of GDP	64.0
• Women in Govt (# of seats) (2004)	1/33	• Participation in Local Govt Budget	No
		• Published Economic Strategy/Plan	Yes
10. Governance		• Democratically Elected National Govt	Yes
• % of Formal Employment (1999) Public Service		• Democratically Elected Local Govt	Yes
• Current Expenditure % (2000/01)	24	• Ombudsman	No

Nauru

Summary Poverty Profile

1. Poverty Measures	
• National Poverty Line	
Head Count Index %	
Urban	
Rural	
• Food Poverty Line	
Head Count Index %	
• US$1 day Head Count Index %	
• Poverty Gap Ratio	
2. Development Progress Indicators	
• HDI (1998)	0.663
PDMC Rank (out of 14)	4
• HPI (1998)	12.1
PDMC Rank (out of 14)	7
3. Inequality Measures	
• GINI Coefficient	
• Income Ratio (H20/L20)	
• Average household weekly income	
H20	
L20	
4. Population and Household	
• Population (2003 estimate)	12,100
• Population Net Growth Rate	
Annual average (1990–2000)	2.0
• Dependency Ratio % (2002)	68.0
• Average Household Size (1992 census)	10.0
Urban Area	
Rural	
• Average Household Size (HIES)	
Poor	
Non-Poor	
5. The Economy	
• Real GDP Growth Rate 1990–2000 % pa	35,144
• GDP per capita 1996, A$	
Constant (1989 prices)	
Current Market Prices	
• Sectoral Share (% GDP at 1989 prices)	
Agriculture & Fishing	
Secondary	
Tertiary	0.7494
• Inflation (end 2003) annual average %	8
• US$ Exchange Rate per A$ (31/12/03)	
• % of Labor Force in subsistence	
• Debt Servicing % of GDP	
6. Vulnerability Indicators	
• CVI	NA
PDMC Rank	NA
• Foreign Grants as % of GDP	
• Exports as % of GDP (1996)	7.9
• Imports as % of GDP (1996)	7.0
• Import:Export ratio	0.9:1
• Out-migration Significant	No
• Remittances Significant	No
7. Basic Education	
• Adult Literacy Rate %	69.9
• CGER % (1998/99)	
• Budget Expenditure on Education	
% of GDP	45.6
Primary Educ. % of total (2000)	
8. Primary Health and Nutrition	
• Life Expectancy at Birth (2002)	62.7
Male/Female	59.7/66.5
• Infant Mortality Rate (1999)	25.0
• Pop'n access to safe water %	
• Population per Doctor (1995)	650
• TB cases per 100,000 pop (2002)	30.0
• Immunization Coverage (DPT) (2001)	95.0
• Budget Expenditure on Health (2001)	6.6
% of GDP	521
Per capita US$	
9. Gender Issues	
• GDI	3.9
PDMC Rank	
• Total Fertility Rate (2002)	0.0
• Contraceptive Prevalence Rate	6.8
• Maternal Mortality Rate (1994)	
• Life Expectancy Gender Gap (F-M)	
• Female Literacy Rate %	71.4

Nauru (continued)

Summary Poverty Profile

• Female CGER % (1998/99)		Agriculture, Forestry & Fishing	
• Women in paid employment %	0/18	• Private Sector % of GDP	
• Women in Govt (# of seats) (2004)		• Participation in Local Govt Budget	No
10. Governance		• Published Economic Strategy/Plan	Yes
• Public Service % Employment		• Democratically Elected National Govt	Yes
• Govt Current Expenditure %			
Education (2000/01)	7.0	• Democratically Elected Local Govt	No
Primary	3.2	• Ombudsman	
Health (2001)	9.1		

Palau

Summary Poverty Profile

1. Poverty Measures	
• National Poverty	
Head Count Index %	
Urban	
Rural	
• Food Poverty Line	
Head Count Index %	
• US$1 day Head Count Index %	
• Poverty Gap Ratio	
2. Development Progress Indicators	
• HDI (1998)	0.861
PDMC Rank (out of 14 PDMCs)	1
• HPI (1998)	10.8
PDMC Rank (out of 14 PDMCs)	6
3. Inequality Measures	
• GINI Coefficient	
• Income Ratio (H20/L20)	
• Average household weekly income	
H20	
L20	
4. Population and Household	
• Population (2003 estimate)	
• Population Net Growth Rate	20,304
Annual average (1990–2000)	
• Dependency Ratio % (2000 census)	2.4
• Average Household Size (2000	41.4
census)	4.6
Urban	4.8
Rural	4.2
• Average Household Size (HIES)	
Poor	
Non-Poor	
5. The Economy	
• Current GDP Growth 1990–2000 %	0/16
pa [a]	4.3
• GDP per capita US$, 2001	
Constant (June 2000 prices)	
Current Market Prices	6,039
• Sectoral Share (% GDP current,	6,157
2001)	4.0
Agriculture & Fishing	
Secondary	12.6
Tertiary	83.3

• Inflation (2001) annual average %	2.1
• US$ Exchange Rate (31/12/03)	1.0
• % of Labor Force in subsistence (2000)	8.4
• Debt Servicing % of GDP (FY2001/02)	
6. Vulnerability Indicators	
• CVI	NA
PDMC Rank	NA
• Foreign Grants as % of GDP (FY2001/02)	17.4
• Exports as % of GDP (FY2001/02)	18.3
• Imports as % of GDP (FY2001/02)	82.3
• Import:Export ratio	5:1
• Out-migration Significant	No
• Remittances Significant	
7. Basic Education	
• Adult Literacy Rate % (2001)	98.0
• CGER % (2000/01)	96.0
• Budget Expenditure on Education	
% of GDP (FY2001/02)	5.2
Primary Education % of total (2000)	33.7
8. Primary Health and Nutrition	
• Life Expectancy at Birth	70.5
(2000 census) Male/Female	66.6/74
• Infant Mortality Rate (2001)	.5
• Pop'n access to safe water %	16.7
(2000)	83.6
• Population per Doctor (2001)	935
• TB cases per 100,000 pop (2002)	130
• Immunization Coverage (DPT)	86.0
(2001)	
• Budget Expenditure on Health	5.9
% of GDP (FY2001/02)	388
Per capita (FY2001/02) US$	
9. Gender Issues	
• GDI	1.5
PDMC Rank	28.9
• Total Fertility Rate (2000 census)	0.0
	7.9

Palau (continued)

Summary Poverty Profile

• Contraceptive Prevalence Rate (1998)	96.2	• Govt Current Expenditure %	14.2
• Maternal Mortality Rate (1998)	37.9	Education (FY2001)	
• Life Expectancy Gender Gap (F-M)		Primary	16.3
• Female Literacy Rate %		Health (FY2001)	11.5
• Female CGER % (2000/01)	0.5	Agriculture (FY2001)	
• Women in paid employment % (2000)		• Private Sector % of GDP (2001)	
• Women in Govt (# of seats) (2004)		• Participation in Local Govt Budget	Yes
		• Published Economic Strategy/Plan	Yes
10. Governance		• Democratically Elected National Govt	No
• Public Service % Employment (2000)	29,2	• Democratically Elected Local Govt	
		• Ombudsman	

[a] Real GDP and growth rate could not be computed prior to 2000, as CPI was established only in June 2000.

Papua New Guinea

Summary Poverty Profile

1. Poverty Measures (1996 DHS)	
• National Poverty Line (kina per adult equivalent per year)	461
Head Count Index %	37.5
Urban	16.1
Rural	41.3
• Food Poverty Line (kina per adult equivalent per year)	302
Head Count Index %	17.0
• US$1 day Head Count Index %	31.0
• Poverty Gap Ratio %	33.0
2. Development Progress Indicators	
• Global HDR (2001)	0.548
HDR Rank (out of 175 countries)	132
• HDI (1998)	0.314
PDMC Rank (out of 14 PDMCs)	14
• HPI (1998)	52.2
PDMC Rank (out of 14 PDMCs)	14
3. Inequality Measures (1996 DHS)	0.484
• GINI Coefficient	12.6
• Income Ratio (H20/L20)	
• Average household annual consumption (kina per adult equivalent, real prices)	2,127
H25	258
L25	
4. Population and Household	
• Population (2003 estimate, in millions)	5.617
• Population Net Growth Rate %	3.2
Annual average (1990 – 2000)	73.5
• Dependency Ratio % (2000)	5.1
• Average Household Size (2000 census)	6.0
Urban	5.0
Rural	6.6
• Average Household Size (1996 DHS)	5.4
Poor	
Non-Poor	

5. The Economy	
• Real GDP Growth Rate 1990–2000 % pa	4.8
• GDP per capita 2002, Kina	1,740.7
Constant (1998 prices)	9
Current Market Prices	2,586.2
• Sectoral Share (% GDP at 1998 prices)	5
Agriculture & Fishing (2002)	31.4
Secondary (2002)	33.0
Tertiary (2002)	35.6
• Inflation (end 2003)	8.4
annual average %	0.31000
• US$ Exchange Rate per Kina (31/12/03)	67.4
• % of Labor Force in subsistence (2000)	10.0
• Debt Servicing % of GDP (2002)	
6. Vulnerability Indicators	
• CVIP	6.308
DMC Rank (out of 7 PDMCs)	6
• Foreign Grants as % of GDP – 2002	6.2
• Exports as % of GDP – 2002	62.1
• Imports as % of GDP – 2002	33.7
• Import:Export ratio	0.6:1
• Out-migration Significant	No
• Remittances Significant	No
7. Basic Education	
• Adult Literacy Rate % (2000)	56.2
• CGER % (1999/2000)	54.0
• Budget Expenditure on Education % of GDP (2002)	2.3
Primary Education % of total (2000)	65.5
8. Primary Health and Nutrition (1996)	
• Life Expectancy at Birth	54.0
Male/Female	54.6/53
• Infant Mortality Rate	.5
• Pop'n access to safe water %	73.0
• Population per Doctor	42.0
• TB cases per 100,000 pop (2002)	17,210
• Immunization Coverage (DPT) (2001)	543

Papua New Guinea (continued)

Summary Poverty Profile

• Budget Expenditure on Health	48.0	**10. Governance**	
% of GDP (2002)	1.3	• Public Service % Employment	
Per capita (2000) US$	19.0	• Govt Current Expenditure % (2002)	10.0
		Education	
9. Gender Issues (1996)		Primary	5.7
• GDI (2001)	0.544	Health	2.3
Global Rank (out of 144 countries)	106	Agriculture (1999)	
• Total Fertility Rate	4.8	• Private Sector % of GDP (2001)	Yes
• Contraceptive Prevalence Rate	25.9	• Participation in Local Govt Budget	Yes
• Maternal Mortality Rate	370.0	• Published Economic Strategy/Plan	Yes
• Life Expectancy Gender Gap (F-M)	-1.1	• Democratically Elected National Govt	Yes
• Female Literacy Rate % (2000)	50.9	• Democratically Elected Local Govt	Yes
• Female CGER % (1999/2000)	50.8	• Ombudsman	
• Women in paid employment % (2000)	5.3		
• Women in Govt (# of seats) (2004)	1/109		

Samoa

Summary Poverty Indicators

1. Poverty Measures (2002 HIES)	
• Basic Needs Poverty Line	SAT 37.49
(per capita weekly expenditure) -	
National Head Count Index %	20.3
Apia	SAT 41.09
Head Count Index %	23.0
Savaii	SAT 31.90
Head Count Index %	15.9
• Food Poverty Line	
(per capita weekly exp) -National	SAT24.68
Head Count Index % - National	7.6
Head Count Index % - Apia	5.6
Head Count Index % - Savaii	9.8
• US$1 day (1993 PPP in 2002)	
Head Count Index %	5.5
• Poverty Gap Index	6.6
2. Development Progress Indicators	
• HDI (2001)	0.775
Global Rank (out of 175 countries)	70
• HDI (PHDR 1998)	0.590
PDMC Rank (out of 14 PDMCs)	6
• HPI (PHDR 1998)	8.6
PDMC Rank (out of 14 PDMCs)	5
3. Inequality Measures (2002)	
• GINI Coefficient – National	0.43
Apia	0.40
Savaii	0.41
• Expenditure Ratio (H20/L20)	8.1
• Average Per Capita Weekly Exp	
H20	SAT1348.35
L20	SAT166.27
4. Population and Household	
• Population (2001 Census)	176,848
• Population Net Growth Rate	
Annual average (1991 – 2001)	0.9
• Dependency Ratio % (2001)	90.0
• Average Household Size	7.7
(2001 Census)	7.3
Apia Urban Area	7.8
Savaii	7.0
• Average Household Size	5.8
(2002 HIES)	9.1
Poor	
Non-Poor	

5. The Economy	
• Real GDP Growth Rate	
1995–2001 % pa	4.7
• GDP per capita 2001	US$1140
Constant 1994 Prices	US$1376
Current Prices	
• Sectoral Shares	17.4
(as % of GDP 2001)	24.8
Agriculture & Fishing	57.8
Secondary	4.0
Tertiary	.2816
• Inflation (end 2001) %	49
• US$ Exchange Rate (31/12/01)	1.9
• % of Labor Force in subsistence (2001)	
• Debt Servicing as % of GDP (FY2001/02)	
6. Vulnerability Indicators	
• CVI	7.371
PDMC Rank	5
• Foreign Grants as % of GDP –	10.8
2001	6.2
• Exports as % of GDP – 2001	52.3
• Imports as % of GDP – 2001	8.5:1
• Import:Export ratio	Yes
• Out-migration Significant	Yes
• Remittances Significant	
7. Basic Education	
• Adult Literacy Rate %	96
• CGER %	86
• Current budget expenditure on Education (FY2001/02) % of GDP	4.9
	570
Per Pupil all schools SAT (FY1999/00)	
8 Primary Health and Nutrition (2001)	
• Life Expectancy at Birth pop	68.4
(1997/98) male/female	65.4/71
• Infant Mortality Rate (1000 births)	.9
• Pop'n with access to safe water %	17
• Population per Doctor	90
• Reported TB cases per 100,000	3,150
pop	22

Samoa (continued)

Summary Poverty Indicators

• Immunization Coverage (DPT)	95
• Expenditure on Health (FY2001/02)	4.0
As % of GDP	195
Per capita SAT (FY2001/02)	
9. Gender Issues	
• GDI	NA
PDMC Rank	NA
• Total Fertility Rate (2000)	4.3
• Contraceptive Prevalence Rate %	31
• Maternal Mortality Rate (per 100000 births, 2000)	30
• Life Expectancy Gender Gap (F-M)	6.5
• Female Literacy Rate %	96
• Female CGER %	88
• Women in paid employment %	37
• Women in Govt (# of seats) (2004)	3/49

10. Governance	
• % of Formal Employment (2001)	
Public Service	22
SOEs	10
• % of Government Current Expenditure	22.6
Education (FY 2001/02)	18.8
Health	5.9
Agriculture & Fishing	85
• Private Sector % of GDP (2001)	NA
• Public Service Pay (% median wage)	No
• Participation in Local Govt Budget	Yes
• Published Economic Strategy/Plan	Yes
• Democratically Elected National Govt	No
• Democratically Elected Local Govt	Yes
• Ombudsman	

Solomon Islands

Summary Poverty Profile

1. Poverty Measures	
• National Poverty Line	
Head Count Index %	
Urban	
Rural	
• Food Poverty Line	
Head Count Index %	
• US$1 day Head Count Index %	
• Poverty Gap Ratio	
2. Development Progress Indicators	
• Global HDR (2001)	0.632
HDR Rank (out of 175 countries)	123
• HDI (1998)	0.371
PDMC Rank (out of 14 PDMCs)	13
• HPI (1998)	49.1
PDMC Rank (out of 14 PDMCs)	13
3. Inequality Measures	
• GINI Coefficient	
• Income Ratio (H20/L20)	
• Average household weekly income	
H20	
L20	
4. Population and Household	
• Population (2003 estimate)	457,000
• Population Net Growth Rate %	
Annual average (1990–2000)	
• Dependency Ratio % (1999)	2.9
• Average Household Size	81.6
(1999 census)	6.3
Urban Area	
Rural	
• Average Household Size (HIES)	
Poor	
Non-Poor	
5. The Economy	
• Real GDP Growth Rate 1996–2002 % pa	-3.4
• GDP per capita, 2002 (SDB)	586.4
Constant (1985 prices)	3437.7
Current Market Prices	
• Sectoral Share	
(% GDP at 1985 prices)	33.3
Agriculture & Fishing (2002)	8.3
Secondary (2002)	58.3
Tertiary (2002)	3.9
• Inflation (end 2003) annual average %	0.13590
• US$ Exchange Rate per SBD (31/12/03)	1.0
• % of Labor Force in subsistence	
• Debt Servicing % of GDP (1999)	
6. Vulnerability Indicators	
• CVI	8.398
PDMC Rank (out of 7 PDMCs)	4
• Foreign Grants as % of GDP –	7.1
2002	25.5
• Exports as % of GDP – 2002	28.6
• Imports as % of GDP – 2002	1.1:1
• Import:Export ratio (2002)	No
• Out-migration Significant	No
• Remittances Significant	
7. Basic Education (1999 census)	
• Adult Literacy Rate %	76.6
• CGER %	56.3
• Budget Expenditure on Education	
% of GDP (2001)	8.0
Primary Education % of total	
8. Primary Health and Nutrition (1999)	
• Life Expectancy at Birth	61.1
Male/Female	60.6/61.6
• Infant Mortality Rate	66.0
• Pop'n access to safe water %	68.5
• Population per Doctor	9,513
• TB cases per 100,000 pop (2001)	52.0
• Immunization Coverage (DPT) (2001)	78.0
• Budget Expenditure on Health	5.9
% of GDP (2001)	8.0
Per capita (1996) US$	
9. Gender Issues (1999 census)	
• GDI (National HDR)PDMC Rank	0.596
• Total Fertility Rate	4.8

Solomon Islands (continued)

Summary Poverty Profile

• Contraceptive Prevalence Rate	7.0	Primary	
• Maternal Mortality Rate (1997)	209	Health	11.3
• Life Expectancy Gender Gap (F-M)	1	Agriculture	3.4
• Female Literacy Rate %	69.0	• Private Sector % of GDP (2001)	
• Female CGER %	54.3	• Participation in Local Govt Budget	Yes
• Women in paid employment %	14.6	• Published Economic Strategy/Plan	Yes
• Women in Government (# of seats)	1/49	• Democratically Elected National Govt	Yes
			Yes
10. Governance		• Democratically Elected Local Govt	Yes
• Public Service % Employment			
• Govt Current Expenditure % (2002) Education	20.4	• Ombudsman	

Timor Leste

Summary Poverty Profile

1. Poverty Measures (2001 TLSS)	
• National Poverty Line	
Head Count Index %	39.7
Urban	25.0
Rural	44.0
• Food Poverty Line	
Head Count Index %	39.5
• US$1 day Head Count Index %	20.0
• Poverty Gap Ratio %	11.9
• Poverty Severity Index %	4.9
2. Development Progress Indicators	
• HDI (1999	0.395
PDMC Rank (out of 14 PDMCs)	12
• HPI (1999)	49.0
PDMC Rank (out of 14 PDMCs)	12
3. Inequality Measures (2001 TLSS)	
• GINI Coefficient	0.354
Urban	0.371
Rural	0.323
• Income Ratio (H20/L20)	6.58
• Average monthly consumption per capita ('000 rupiah)	
H20	916.1
L20	95.9
4. Population and Household	
• Population (2003 estimate)	830,000
• Population Net Growth Rate	
Annual average (1990–2001)	0.6
• Dependency Ratio % (2001)	82.2
• Average Household Size (2001)	5.1
Urban	4.9
Rural	5.2
• Average Household Size (HIES)	
Poor	
Non-Poor	
5. The Economy	
• Real GDP Growth Rate 1995–	2.4
2001 % pa	478.0
• GDP per capita (2001 proj.), US$	
Constant (1996 prices)	
Current Market Prices	21.3
• Sectoral Share	28.8
(% GDP at 1996 prices)	49.8
Agriculture & Fishing	20.0
(2000 proj.)	0.0001
Secondary (2000 proj.)	18
Tertiary (2000 proj.)	
• Inflation (CPI Dili, 2000) annual ave. %	21.2
• US$ Exchange Rate per rupiah (31/12/03)	
• % of Labor Force in subsistence (2001)	
• Debt Servicing % of GDP	
6. Vulnerability Indicators	
• CVI	NA
PDMC Rank	NA
• Foreign Grants as % of GDP	
• Exports as % of GDP	
• Imports as % of GDP	
• Import:Export ratio	
• Out-migration Significant	Yes
• Remittances Significant	No
7. Basic Education (2001)	
• Adult Literacy Rate %	43.0
• CGER %	56.1
• Budget Expenditure (CFET) on Education (2002)	
% of GDP	4.1
Primary Education % of total	54.0
8. Primary Health and Nutrition (2001)	
• Life Expectancy at Birth	57.4
Male/Female	55.6/59.2
• Infant Mortality Rate	80.1
• Pop'n access to safe water %	50.0
• Population per Doctor	NA
• TB cases per 100,000 pop (1999)	5,743
• Immunization Coverage (DPT)	
• Budget Expenditure (CFET)	9.0
on Health	1.6
% of GDP (2002)	7.3
Per capita (2002) US$	

Timor Leste (continued)

Summary Poverty Profile

9. Gender Issues (2001)		**10. Governance**	
• GDI	0.347	• Public Service % Employment	
PDMC Rank		• Govt Expenditure, %	
• Total Fertility Rate (1999)	3.8	(CFET FY2002)	25.0
• Contraceptive Prevalence Rate	7.0	Education	13.5
• Maternal Mortality Rate (1999)	420	Primary	9.0
• Life Expectancy Gender Gap (F-M)	3.6	Health	
• Female Literacy Rate %		Agriculture, Forestry & Fishing	Yes
• Female CGER %	42.8	• Private Sector % of GDP (2001)	Yes
• Women in paid employment %	55.1	• Participation in Local Govt	Yes
• Women in Govt (# of seats) (2003)	23/88	Budget	Yes
		• Published Economic Strategy/Plan	
		• Democratically Elected National Govt	
		• Democratically Elected Local Govt	
		• Ombudsman	

Tonga

Summary Poverty Profile

1 Poverty Measures (2000/01 HIES)	
• National Basic Needs Poverty Line (annual household expenditure)	T$8061
Head Count Index – national %	
Nuku'alofa	22.3
Rest of Tongatapu	23.6
Outer Islands	23.4
• Food Poverty Line (annual hh exp)	22.1
Head Count Index – national %	T$3867
• US$1/US$2 day	5.1
Head Count Index %	4.0/12.6
• Poverty Gap Index	7.7
2. Development Progress Indicators	
• HDI (1998)	0.647
PDMC Rank (out of 14 PDMCs)	5
• HPI (1998)	5.9
PDMC Rank (out of 14 PDMCs)	1
3. Inequality Measures (2000/01 HIES)	
• GINI Coefficient	0.42
Household Income	0.36
Household Expenditure	9.7
• Income Ratio (H20/L20)	6.9
• Expenditure Ratio (H20/L20)	T$851
• Average household weekly income	
H20	.20
L20	T$88.14
4. Population and Household	
• Population (2002 estimate)	101,00
• Population Net Growth Rate % pa	0
• Dependency Ratio % (1996)	0.3
• Average Household Size	88.0
(1996 census)	6.0
Urban Area	6.2
Rural	6.0
5. The Economy	
• Real GDP Growth 1990/91–2001/02 % pa	2.3
• GDP per capita 2001/02	US$11
Factor Cost (1995/96 prices)	30
Current Market Prices	US$13
• Sectoral Share	60
(% GDP factor cost 2002)	27.7
Agriculture & Fishing	15.8
Secondary	56.5
Tertiary	9.7
• Inflation (end 2002) annual	0.4590
average %	27.6
• US$ Exchange Rate (31/12/02)	3.0
• % of Labor Force in subsistence (1996)	
• Debt Servicing % of GDP (FY2002/03)	
6. Vulnerability Indicators	
• CVI	10.349
PDMC Rank	2
• Foreign Cash Grants % of	0.7
GDP – 2001	5.1
• Exports as % of GDP – 2001	55.1
• Imports as % of GDP – 2001	10.7 : 1
• Import:Export ratio (2001)	Yes
• Out-migration Significant	Yes
• Remittances Significant	
7. Basic Education	
• Adult Literacy Rate % (2001)	99
• CGER % (1996)	95
• Budget Expenditure on Education	
% of GDP (2001/02)	5.2
per pupil	US$235
8. Primary Health and Nutrition	
• Life Expectancy at Birth	68.0
(1996 census)	66/70
Male/Female	11.3
• Infant Mortality Rate (2000)	84.6
• Pop'n access to safe water %	2175
(1996)	21
• Population per Doctor (2000)	95
• TB cases per 100,000 pop (2000)	
• Immunization Coverage (DPT)	
(2001)	3.5
• Health Expenditure (2001/02)	US$48
% of GDP	
Per capita (2001/02)	

Tonga (continued)

Summary Poverty Profile

9. Gender Issues	
• Total Fertility Rate (2000)	4.3
• Contraceptive Prevalence Rate % (2000)	32.8
• Maternal Mortality Rate (1996)	118.3
• Life Expectancy Gender Gap (F-M)	4
• Female Literacy Rate %	100
• Female CGER %	95
• Women in paid employment % (1996)	37.4
• Women in Govt (# of seats) (2004)	0/30
10. Governance	
• % Employment (1996) Public Service	17.7
Other SOEs	5.5
• Govt Current Expenditure % (2002/03)	17.1
Education	52.0
Of which Primary	11.5
Health	3.5
Agriculture, Forestry & Fishing	66
• Private Sector % of GDP (2001/02)	No
• Participation in Local Govt	Yes
Budget	No
• Published Economic Strategy/Plan	No
• Democratically Elected National Govt	Yes
• Democratically Elected Local Govt	
• Ombudsman (created 2001)	

Tuvalu
Summary Poverty Profile

1. Poverty Measures (1994 HIES)	
• Basic Needs Poverty Line	
(A$ weekly hh inc)/ Head Count	84.24/29.3
Index %	126.9/23.7
National	53.35/23.4
Funafuti	A$1.44
Outer Islands	17.2
• US$1 day (1993 PPP at end 1994)	
Head Count Index %, National	9.4
Funafuti	22.9
Outer Islands	13.3
• Poverty Gap Index (Incidence x	10.1
Depth)	9.9
National	NA
Funafuti	
Outer Islands	
2. Development Progress Indicators (1998)	
• HDI	0.583
PDMC Rank (out of 14 PDMCs)	7
• HPI	7.3
PDMC Rank (out of 14 PDMCs)	3
3. Inequality Measures (1994 HIES)	
• GINI Coefficient: National	0.43
Funafuti/Outer Islands	0.37/0.39
• HH Per Capita Income Ratio	
(H25/L25)	8.4
National Funafuti/Outer Islands	7.8/7.4
• Ave Weekly HH per capita	7.87
Income (A$) L25 (Poor),	11.12/6.60
National Funafuti/Outer Islands	38.37
H75 (Non-Poor),	50.0329.58
National Funafuti/Outer Islands	
4. Population and Household	
• Population (2002 census	9492
preliminary)	
• Population Net Growth Rate	0.4
Annual average % 1991 – 2002	90.0
• Dependency Ratio % (1991)	6.2
• Average Household Size	7.0
(1994 HIES)	5.8
Funafuti	4.7
Outer Islands	8.8
• Aveerage Household Size	
(1994 HIES)	
L25 (Poor)	
H 75 (Non-Poor)	
5. The Economy	
• Real GDP Growth Rate	
1990–2002 % pa	4.8
• GDP (Factor Cost) per capita 2002	
Constant 1988 Prices	US$1037
Current Prices	US$1519
• Sectoral Shares (% of GDP 1998)	
Primary	13.4
Secondary	24.6
Tertiary	62.0
• Inflation (end 2002) annual	3.5
average %	
• US$ Exchange Rate (31/12/02)	0.5556
• % of Labor Force in subsistence	62.5
(1991)	<1
• Debt Servicing as % of GDP	
6. Vulnerability Indicators	
• CVI	NA
PDMC Rank	NA
• Foreign Grants as % of GDP –	23
2002	3
• Exports as % of GDP – 1998	58
• Imports as % of GDP – 2001	1:20
• Export:Import ratio	Increasing
• Out-migration Significant	Yes
• Remittances Significant	
7. Basic Education	
• Adult Literacy Rate %	95
• CGER % (1998)	87
As % GDP	29.6
Per Pupil all schools (2001)	US$1834
8. Primary Health and Nutrition	
• Life Expectancy at Birth (1991)	67
Female/Male	70/64
• Infant Mortality Rate (2002)	19.2
• Pop'n with access to safe water %	95
(1994)	1600
• Population per Doctor (2002)	Nil
• Reported TB cases per 100,000	99
pop	

Tuvalu (continued)

Summary Poverty Profile

• Immunization Coverage (DPT) (2002)	7.4
• Expenditure on Health (2001)	US$115
% of GDP	
Per capita (2001)	
9. Gender Issues	
• GDI	NA
PDMC Rank	NA
• Total Fertility Rate (2002)	2
• Contraceptive Prevalence Rate % (2002)	31.5
• Maternal Mortality Rate	NA
• Life Expectancy Gender Gap (F-M)	6
• Female Literacy Rate %	95
• Female CGER %	75
• Women in employment % (2003 TNPF)	35
• Women in Govt (# of seats) (2004)	0/15

10. Governance	
• Public Sector % Formal	55.6
Employment	43.5
Public Service (TNPF est 2003)	12.1
SOEs (TNPF est 2003)	22.2
• Share in Govt Current Exp %	5.5
(2001)	30
Education	Yes
Health	Yes, but
• Private Sector % GDP (1998)	out of
• Participation in Local Govt Budget	date
• Published Economic Strategy/Plan	Yes
• Democratically Elected National	Yes
Govt	No
• Democratically Elected Local Govt	
• Ombudsman	

Vanuatu

Summary Poverty Profile and Indicators

1. Poverty Measures)	
• National Poverty Line	
• Food Poverty Line	
• US$1 day/capita (1993 PPP) =	
H/H monthly income	Vt19,125
% H/H with income < this	40
(1998 HIES)	51
% rural H/H	
2. Development Progress Indicators	
• Global HDI (2001)	0.568
Global Rank (out of 175 countries)	128
• Pacific HDI (1998)	0.425
PDMC Rank (out of 14)	11
• Pacific HPI (1998)	46.4
PDMC Rank (out of 14)	11
3. Inequality Measures	
• GINI Coefficient	
• Income Ratio (H25/L25)	31 : 1
• Average HH Monthly Income (1998 HIES)	
H25	Vt185,000
L25	Vt5,925
4. Population and Household (1999 Census)	
• Population	186,678
• Annual Ave Growth Rate % pa	2.7
1989 – 99	4.2
Urban growth rate % pa	91.4
1989 – 99	65.2/99.9
• Dependency Ratio %– National	5.1
Urban/Rural	4.9 / 5.2
• Average Household Size	
Urban/Rural	5.2 / 4.9
• Average Household Size (1998 HIES)	
Poor/Non-Poor	
5. The Economy	
• Real GDP Growth Rate 1995–2000 % pa	Vt83,610
• GDP per capita 2000	US$585
Constant 1983 Prices	Vt162,370
Current Prices	US$1137
• Sectoral Shares (as % of GDP 2000)	18.0
Agriculture & Fishing	11.7
Secondary	70.3
Tertiary	2.5
• Inflation (end 2001) %	135
• US$ Exchange Rate (31/12/01)	68
• Rural Labor Force in subsistence % (1999)	4.5
• Debt Servicing as % of GDP (FY2002)	
6. Vulnerability Indicators	
• CVI	13.295
PDMC Rank	1
• Foreign Grants as % of GDP – 2000	1.2
• Exports as % of GDP – 2000	11.4
• Imports as % of GDP – 2000	34.6
• Import:Export ratio	3:1
• Out-migration Significant	No
• Remittances Significant	No
7. Basic Education	
• Adult Literacy Rate % (1999)	75
Urban %	90
Rural %	69
• Current budget expenditure on Education	
% of GDP (FY2001)	5.5
Per Pupil all schools Vt (FY2001)	
8. Primary Health and Nutrition (2001)	
• Life Expectancy at Birth (1999)	67.3
• Infant Mortality Rate 1999 (per 1000 births)	26
• Pop'n with access to safe water (piped) %	44.2
Urban / Rural	76.3/34.7
• Population per Doctor	10,800
• Reported TB cases per 100,000 pop	70
• Immunization Coverage (DPT) %	75
• Expenditure on Health (FY2001)	2.8
% of GDP	Vt4,780
Per capita (FY2001)	

Vanuatu (continued)

Summary Poverty Profile and Indicators

9. Gender Issues	4.8	**10. Governance**	
• Total Fertility Rate (1999)	15.0	• % of Formal Employment (2001)	
• Contraceptive Prevalence Rate % (1998)	68	Public Service	26
		SOEs	
• Maternal Mortality Rate (per 100000 births, 1998)	3.4	• Share in Govt Current Expenditure % (2001)	7
• Life Expectancy Gender Gap (F-M)	50	Education /of which primary	
		Health	26.4/40
• Female Literacy Rate % (1999)	110	Agriculture & Fishing	12.4
• Female CGER primary 6 – 11 years % (1999)	35	• Private Sector % of GDP (2000)	3.6
	1/52	• Public Service Wages	85.4
• Women in paid employment %	Nil	(% of median wage)	N/A
• Women in Govt (# of seats) (2004)	1.5	• Participation in Local Govt Budget	No
		• Published Economic Strategy/Plan	
		• Democratically Elected	Soon
		National Govt	Yes
		• Democratically Elected Local Govt	Yes
		• Ombudsman	Yes

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