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GOOD GOVERNANCE, ADMINISTRATIVE REFORM AND SOCIOECONOMIC REALITIES: A SOUTH PACIFIC PERSPECTIVE

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The contribution of AusAID to this series is acknowledged with appreciation.

This paper examines good governance and administrative reform issues in 12 South Pacific Island countries.[1, 2] The paper concludes that to be effective, reform measures must specifically relate to the country's geography, history, society and economy, and should not blindly follow other countries.

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

SOCIOECONOMIC CHARACTERISTICS

The United Nations Development Programme's (UNDP) human development index is a good indicator of a country's development status. Only five Pacific Island countries are included in this index of 175 countries (UNDP 1997). Of these five, Fiji ranked 46th, Western Samoa 96th and the other three ranked between 122nd and 128th. Comparatively, nine of the 11 Caribbean countries ranked within the first 60 countries. Two Indian Ocean countries ranked 52nd and 61st. In 1996, five of the Carribean countries

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ranked amongst the first 60 countries. Comparatively, the position of all Pacific Island countries except Fiji slipped backwards in 1997 (UNDP 1996).

Eleven of the 12 Pacific Islands were occupied by colonial powers for a long time. Eight of them are now independent; of the remaining three, Niue and Cook are self-governing territories in free association with New Zealand (NZ), and Tokelau remains the full responsibility of the NZ Government. Population density in many Pacific Islands is very high, for example 466 persons per square kilometre in Nauru, 346 in Tuvalu, 156 in Tokelau and 131 in Tonga. Colonial linkages provided some opportunities to migrate, particularly to New Zealand. The massive restructuring of New Zealand's economy severely affected unskilled migrant island workers, and the future does not hold much promise either (Walker 1996). This has forced many islanders to return to their native land. Between 1991 and 1994 more workers of Samoan and Tongan nationality left New Zealand than arrived (Appleyard and Stahl 1995). Tightening of immigration laws by host countries including New Zealand has reduced migration opportunities.

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

Pacific Island countries recorded some growth in gross national product during 1992–94, but in real terms growth rates were either small or negative. In some countries, a high level of out-migration masks the effects of changes in per-capita income. The balance of payments situation during the 1985–95 decade deteriorated in all countries except Solomon Islands and Western Samoa. A high level of timber export from Solomon Islands, which is responsible for an improved balance of payments situation, has raised concerns about the environmental, social and economic impact of non-sustainable logging practices (AusAID 1996a). Western Samoa’s success is attributed to good economic management led by the recovery of agro-business and strong performance by the tourism sector (AusAID 1996b).

GOOD GOVERNANCE AND PUBLIC ADMINISTRATION

‘Good governance’ and ‘public administration reform’ do not mean as some researchers (Cole 1992) tend to imply ‘small government.’ Governance practices and administrative structures are neither geography, history or culture neutral. Many liberal economists who advocate small government agree with this notion. For example, Hyde, a well known market-oriented liberal economist in Australia rightly argued

> ‘…that what strikes an American liberal as intolerable is perfectly tolerable to a Swedish conservative…comparisons which ignore generations of accumulated political and economic habits are not very useful’ (Hyde 1982).

Good governance practice means various things to various people, and the perception differs between developing and some developed countries. Root, in his analysis of the rise of East Asia, found that the concept evades definition

(Root 1996). However, differences aside, there are certain elements which form its core: governments should be owned by citizens at large and be effective in economic, social and political areas. A participant at a World Bank Conference in 1991 succinctly put this issue

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

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

While good governance evades definition, symptoms of poor governance are almost universal, although differences may exist in their detailed interpretations. These are: firstly, failure to make a clear separation between public and private interests; hence a tendency to divert public resources for private benefit (leads to the growth of corrupt practices in public life); secondly, failure to establish a predictable framework for law and government behaviour conducive to development (encourages arbitrariness in the application of rules and laws); thirdly, excessive rules, regulations, licensing requirements etc, which impede the functioning of markets (encourages corruption and rent seeking; discourages competition); and fourthly, priorities inconsistent with development (resulting in misallocation of resources, and excessively narrowly-based or non-transparent decision making). While there may be doubts on their universal validity, broadly speaking

> '…when they [symptoms of poor governance] are sufficiently severe and occur together…they create an environment hostile to development' (Word Bank 1992).

Given the diversity of nations, there cannot, nor should there be, a single model for good governance practices and public administration structure (UN General Assembly 1996). This is important to Pacific Island countries as traditional values and customs continue to exert considerable influence and power in shaping their social, government and administrative structures (Harden 1985). These values and customs should not be discarded outright, but be given due consideration in reform measures to ensure that they are acceptable to the community and are practical. Many policy initiatives and programs failed to achieve the desired objectives of lifting the performance of Pacific Island economies or improving government functioning because essential features of these societies were not factored into new policies and programs. Hence, in spite of significant economic aid, the real situation has not changed much and has led to the frustration of donor countries as became clear from a statement by a former Australian Minister as soon as he was out of the government. He commented '...domestic policies of the recipient country...' should be taken into consideration in determining where to provide aid (Bilney 1996). Referring to Australia's significant aid assistance to Papua New Guinea he said 'I think $50 million would be a reasonable amount for Papua New Guinea...This is a country, which let me say–I am allowed to say it now–is absolutely and appallingly corruptly run.'

In spite of the social cost of aligning with super powers, island leaders used their 'strategic location' to obtain significant financial assistance from them during the cold war (Connell 1988). The situation changed dramatically with the end of the cold war. A recent report acknowledges this (South Pacific Commission 1996) but politicians in the South Pacific, except for very few, are yet to fully grasp and understand the consequences of

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this dramatic change in the international political situation. These countries cannot afford to look to either their former colonial masters (Opa 1994) or the super powers to bail them out of their economic difficulties any more. Policies and programs underpinning the reform agenda therefore should be what Hyde (1982) calls 'appropriate government', which ensures increased economic growth, an essential precondition for security, liberty, dignity and self-fulfilment.

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

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

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

REFORMS IN PUBLIC ADMINISTRATION

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

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

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

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

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

LEGITIMACY OF GOVERNMENTS

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

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

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

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

ACCOUNTABILITY AND PUBLIC SECTOR MANAGEMENT

The distinction between the government and administration (ie policy makers and bureaucracy) in Pacific Island countries is either blurred or non-existent. The small size of electoral constituencies, and the outlaying of large sums to get elected—in the process incurring debts to their supporters—make it practically impossible for ministers not to get involved in trivial matters, which inadvertently could, and often do, lead to maladministration or inappropriate government decision. Inability to maintain this distinction indirectly encourages decisions based on tribal or similar other loyalties. A similar situation exists in Africa and has contributed to the maladministration and development of corruption there. Ekeh (in May 1996) suggested that the colonial experience in Africa had produced 'a unique historical configuration.' He distinguished two public realms in post-colonial Africa: a 'primordia' public realm, governed by 'primordial groupings, ties, and sentiments' and a colonial-derived 'civic' public realm. Most educated Africans are members of both these public realms. He rightly observed that the unwritten law of the dialectics was that it was legitimate to rob the 'civic' public in order to strengthen the 'primordial' public. This precludes impartial and effective application of government's policies. The situation in most Pacific Islands is broadly similar to those described by Ekeh.

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

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

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

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

Multilateral agencies such as the World Bank and the UNDP have a better chance of success in expediting this development process. Until recently the record of these agencies was not very encouraging. However, belatedly they have moved to reach much deeper into developing economies and societies. For example, although the World Bank charter precludes it from direct involvement in policy matters, it nevertheless, through conditionality, has found the '...means to achieve the micro-level changes in attitude and mentalities that that underwrite the macro level construction of liberal economies and democratic states' (Macdonald 1995). Its recent insistence that corrupt practices will not be tolerated in administering Bank-funded projects[3] will also assist.

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

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

Non-government organisations have already made some impact in Vanuatu, Solomon Islands and Papua New Guinea. Politicians and the bureaucracy in these countries find it increasingly difficult to ignore them. Even in the Solomon Islands, where non-government organisations have been at the forefront of criticising the country's unsustainable forestry policy they are believed to have had a significant influence in raising people's awareness of this problem before the last election. In social and gender issues non-government organisations similarly have played an important advocacy role in Fiji.

Non-government organisations, therefore, can be important facilitators in initiating and achieving administrative reforms in cooperation with the community. However, they must ensure

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that their stand on issues is substantive lest governments and bureaucracy find grounds to ignore their contributions without any difficulty. Non-government organisations need to be altruistically motivated otherwise the possibility of them being used as proxies for 'token consultation' by clever governments and bureaucracy will remain high.

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

In 1985, government sector expenditure as a percentage of gross domestic product (GDP) was 100 per cent in Tuvalu, more than or near to 50 per cent in Vanuatu, Kiribati, Cook Islands and Western Samoa, and in the other Pacific Islands it was about 30 per cent. Expenditure, however, was not matched by revenue, particularly taxation revenue—taxes, compared to other developing countries, were low. Only in Western Samoa were taxes above 30 per cent of the GDP, in the others they were 20 per cent or less. The fiscal deficit was very high in a number of countries; 1994 figures indicate that the situation worsened in Cook Islands and Western Samoa, and remained critical in Papua New Guinea.

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

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

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

This lack of discipline provided opportunities to unscrupulous businessmen to venture into business practices which are either questionable in international law (providing accommodating bank legislation for tax avoidance) or detrimental to national interests on a variety of grounds. The recent discovery that some businessmen established a 'telephone-sex' business by using Tuvalu's international telephone lines is an example which put the government in an embarrassing situation (Island Business 1997).

THE FUTURE

The World Bank perceives good governance with sound development management practice (World

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

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

The thrust of these reform measures included: improving the policy and regulatory environment including reforming public services; encouraging capital formation, investment, and promoting foreign-investment; divesting selective state-owned enterprises and enhancing competitiveness.

IMPROVING THE POLICY AND REGULATORY ENVIRONMENT

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

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

To improve the political environment governments need to establish a transparent, innovative and flexible policy framework (Thistlewaite and Davis 1996) with active community participation. A transparent process will enable communities to understand what complex economic and political issues governments are required to consider in the long-term interest of their countries. Absolute transparency is required to ensure that any nexus between unscrupulous politicians, bureaucracy and business does not thwart effective community participation. Even in developed countries where well laid procedures and accountability principles exist transparency requirements often cannot be totally satisfied. While discussing transparency in

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developed economies, Rattigan and Carmichael found

> 'It is not possible to superimpose effective transparency arrangements on the existing bureaucracies in most countries, given their established symbiosis with particular interest groups' (1996:17).

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

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

CAPITAL FORMATION AND INVESTMENT

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

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

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

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

DIVESTING SELECTED STATE-OWNED ENTERPRISES AND ENHANCING COMPETITIVENESS

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

CONCLUSION

Good governance and administrative reform issues are not environment free. Location, size of the economy, market configuration, community perceptions and social and political history are all determining factors. In the current euphoria of adopting good governance practices and reforming public administration, these should not be ignored. The experience of other countries assists, but unique features of Pacific Islands must be the ultimate determining factors. In this context Higgins' profound statement is worth remembering

> 'Leaders must reconfirm or reinterpret the existing ideology, or create an integrated ideology, according to need, and then design institutions to fit' (Higgins and Downing 1979).

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

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

NOTES

[1]This paper has been submitted to the *International Journal of Social Economics.*

[2] Papua New Guinea, Fiji, Solomon Islands, Vanuatu, Tuvalu, Kiribati, Tokelau, Niue, Cook Islands, Tonga, Western Samoa and Nauru.

[3]Wolfensohn, J., 1997. The World Bank President, in an interview in April, Washington, DC.

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