Economics Division Working Papers

South Pacific

Is there a need for a Pacific islands development bank?

James Mak and Seiji Finch Naya

95/1

Research School of Pacific and Asian Studies ANU

Enquiries
The Editor, Working Papers
Economics Division
Research School of Pacific and Asian Studies
The Australian National University
Canberra 0200
Australia

Tel (61-6) 249 4700
Fax (61-6) 257 2886

The Economics Division encompasses the Department of Economics, the National Centre for Development Studies and the Australia-Japan Research Centre from the Research School of Pacific and Asian Studies, the Australian National University. Its Working Paper series is intended for prompt distribution of research results. This distribution is preliminary work; work is later published in refereed professional journals or books. The Working Papers include work produced by economists outside the Economics Division but completed in cooperation with researchers from the Division or using the facilities of the Division. Papers are subject to an anonymous review process. All papers are the responsibility of the authors, not the Economics Division.

economics Division Working Papers

South Pacific

Is there a need for a Pacific islands development bank?

James Mak and Seiji Finch Naya

95/1

Research School of Pacific and Asian Studies ANU

Published by the National Centre for Development Studies

Printed in Australia by Better Printing Service,
1 Foster Street, Queanbeyan, NSW, 2620.

The Economics Division acknowledges the contribution made by the Australian Agency for International Development towards the publication of this working paper series.

ISBN 0 7315 1961 2

ISSN 1038-412X

Key to symbols used in tables

n.a.	**Not applicable**
..	**Not available**
-	**Zero**
.	**Insignificant**

James Mak is Professor of Economics and **Seiji Finch Naya** is Chairman of the Department of Economics, University of Hawaii at Manoa, Honolulu. This paper was commissioned by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) for the Expert Group Meeting on Economic Performance and Prospects of Pacific Island Economies (Phase II) on 18-22 July 1994 in Port Vila, Vanuatu. The authors gratefully acknowledge the research assistance of Clarita B. Barretto, graduate assistant, in their Department. We are indebted to Paul McCabe (Asian Development Bank, Pacific Regional Office) and other participants in the Expert Group Meeting in Port Vila for helpful comments. The views expressed herein are those of the authors and do not necessarily reflect the views of the United Nations or the Government of any of the countries or territories mentioned in the study.

abstract

Since the 1970s studies have been conducted to determine whether or not the Pacific islands region would benefit from a regional multilateral lending institution. At present a sizeable number of people believe that the current mulitalteral institutions such as the World Bank and the Asian Development Bank are limited in their ability to address the specific needs of the Pacific island countries. These institutions tend to cater more for the needs of large developing economies than those of the small and fragmented Pacific island states. This paper argues for the establishment of a Pacific Island Development Fund, a new multi-purpose regional development institution, to channel aid funds from new and old donors into programs to enhance economic development and cooperation among Pacific island states and territories. The aims of the new institution would be to promote private sector development, to implement appropriate policy/structural reforms, to use aid more efficiently, and to develop human resources and increase indigenous capacity in policy analysis and development management. To achieve the last aim, it is proposed that a Pacific Islands Capacity Building Program be formed under the Development Fund. Although sound policies are necessary for growth, it is only when policy reforms are indigenously generated and therefore can be claimed by local agents as their own, that policy reforms can be sustainable.

Published by the National Centre for Development Studies

Printed in Australia by Better Printing Service
1 Foster Street, Queanbeyan, NSW, 2620.

The Economics Division acknowledges the contribution made by the Australian Agency for International Development towards the publication of this working paper series.

ISBN [illegible]
ISSN [illegible]

n.a. Not applicable
.. Not available
[illegible]
Insignificant

James Mak is Professor of Economics and [illegible] Department of Economics, University of Hawaii [illegible] was commissioned by the United Nations [illegible] and the Pacific (ESCAP) for the Expert Group Meeting on [illegible] and Prospects of Pacific Island Economies (Phase II) on 18-22 July 1994 in Port Vila, Vanuatu. The authors gratefully acknowledge the research assistance of Clarita B. Barretto, graduate assistant, in their Department. We are indebted to Paul McCabe (Asian Development Bank, Pacific Regional Office) and other participants in the Expert Group Meeting in Port Vila for helpful comments. The views expressed herein are those of the authors and do not necessarily reflect the views of the United Nations or the Government of any of the countries or territories mentioned in the study.

is there a need for a Pacific islands development bank?

When people speak of the dynamic Asia-Pacific region with its impressive growth and rising economic interdependence, they almost never include the Pacific islands despite their central location in the Pacific. Frequently, talk of the coming 'Pacific Century' likewise overlooks the Pacific island economies. The institutions in the Asia-Pacific promoting regional economic cooperation, such as the Pacific Basin Economic Council (PBEC), the Pacific Trade and Development Conference (PAFTAD), and the Pacific Economic Cooperation Conference (PECC), pay very little attention to the problems of the Pacific Island nations.[1] Even the Asia-Pacific Economic Cooperation (APEC) forum, which held an unprecedented informal leadership summit in 1993 and is spearheading the effort to make the vision of an Asia-Pacific Economic 'Community' a reality, only included Papua New Guinea in 1993.[2]

We believe that there are three basic reasons why Pacific island countries are bypassed in such discussions. First, the size of the Pacific islands group is small in terms of population and economic strength (Tables 1 and 2). There are less than 6 million people in the Pacific islands, representing less than 0.5 per cent of the total GDP and population in the Asia-Pacific region. Papua New Guinea is the largest, both in terms of land area and population, while Tokelau is the smallest. Pacific island land areas vary from 462,243 km^2 to 10 km^2, and populations range from 3.7 million to 1,800 people. Second, the Pacific islands are remarkably diverse culturally, politically and economically. Given their small size, diversity, and the large distances between them, they are not recognised as a cohesive group. Third, in sharp contrast to the economic dynamism of the Asian developing countries, the Pacific islands for the most part have shown little economic vitality. Per capita incomes in many of these island economies have declined since the 1980s (Table 2). Tonga and Western Samoa would have suffered severely were it not for sizable emigration. In addition, economic growth rates fluctuate widely. For example, Papua New Guinea which has more than

Table 1 **Geographic and demographic indicators**

	Land area (km^2)	Sea area ('000 km^2)	Population 1992 Number ('000)	Density (per km^2)	Growth 1980–92 (per cent)
Cook Islands	237	1,830	18.4	78	0.2
Micronesia (FS)	701	2,978	106.1	151	3.1
Fiji	18,272	1,290	753.0	41	1.4
French Polynesia	3,521	5030	207.0	59	2.8[b]
Kiribati	690	3,550	75.6	110	2.4
Marshall Islands	181	2,131	50.0	276	3.9
Nauru	21	320	9.3[a]	443[a]	2.3[c]
New Caledonia	19,103	1,740	175.0	9	2.1[b]
Niue	259	390	2.5[a]	10[a]	-5.3[c]
Papua New Guinea	462,243	3,120	3,700.0	8	1.8[b]
Solomon Islands	27,556	1,340	340.2	12	3.5
Tokelau	10	290	1.8[a]	180[a]	1.5[c]
Tonga	747	700	104.7	140	1.4
Tuvalu	26	900	10.2[a]	392	4.1[c]
Vanuatu	12,190	680	155.0	13	2.5
Western Samoa	2,935	120	165.4	56	0.5

[a] Population referred is 1990.

[b] Population growth 1985–92.

[c] Population growth 1973–90.

Sources: South Pacific Economic and Social Database, National Centre for Development Studies, The Australian National University;
World Bank, *World Bank Atlas*, 1994;Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries*, 1993.

60 per cent of the total Pacific islands' population achieved an average annual GDP growth of 1 per cent during the decade of the 1980s but has exhibited growth buoyancy in recent years at 8.5 per cent in 1992 and 14.4 per cent in 1993 (Figure 1), mainly due to the Kutubu oil field reaching full capacity.

The Pacific island economies encounter many handicaps in their efforts to achieve sustained economic development. These obstacles include the lack of resources in many countries, poor soil fertility, wide geographic dispersion, great distances to markets, frequent natural disasters, inadequate infrastructures, rapid population growth, scarcity of skilled labour, and small domestic markets. Most of the small Pacific islands are beset with persistent economic problems: increasing fiscal deficits (which are substantially financed by external grants or concessionary loans), domestic resource gaps and limitations on indigenous capacities—skills, knowledge and institutions.

All these factors prevent sustainable economic growth. Some believe that a regional development bank tailored to the needs of these island economies would go a long way towards overcoming these obstacles.

The purpose of this paper is to evaluate the need for a multilateral regional development bank for the Pacific islands. The principal conclusion is the recommendation to establish a Pacific Islands Development Fund (PIDF). This Fund is envisioned to be broader and more encompassing than the traditional long-term multilateral lending institution. The proposed PIDF would have the role of a development finance institution and, at the same time, serve as a resource centre and clearing house of development strategies and project studies in the Pacific islands. The focus of its operations would be the granting of short-term technical assistance, by providing policy-making and development management advice to member governments and private institutions requiring expert services. In the long-term, it would seek to develop the indigenous human resources—policy analysts and economic managers—needed to ensure sustainability of policy reforms.

Table 2 **Economic indicators of selected Pacific island countries**

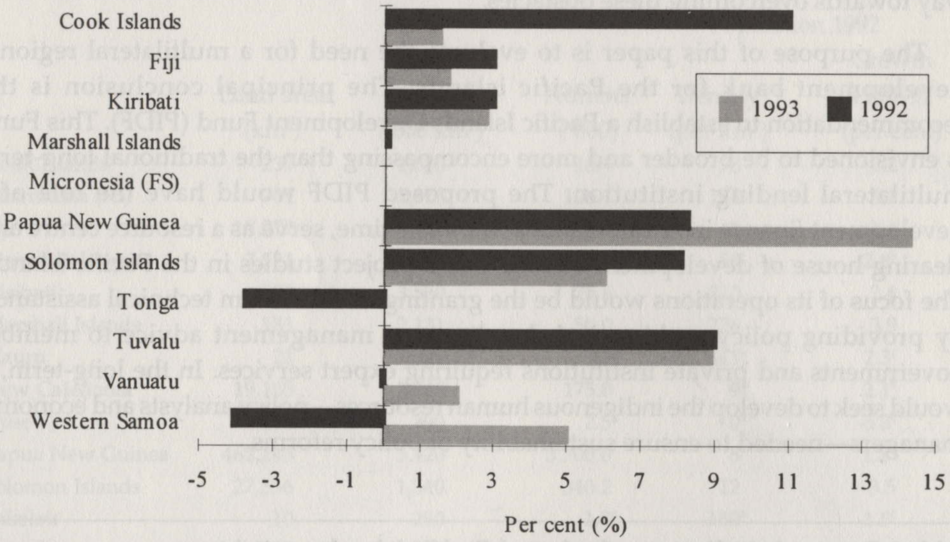
	GNP per capita 1992 (US$)	Real GNP per capita growth 1985–92 (per cent)	Aid per capita 1990 (US$)	Inflation rate 1993 (per cent)	1993 Exports (US$ million)	Trade Balance (US$ million)
Cook Islands	..	..	710	4.1[a]	..	-53 (1992)
Fiji	2010	2.6	62	5.2	392	-172 (1993)
French Polynesia	..	..	1330	0.2[b]	..	-693 (1989)
Kiribati	700	-1.1	279	7.0	4	-22 (1993)
Nauru	..	..	..	...	..	66 (1989)
New Caledonia	..	..	1796	1.1[b]	..	-91 (1989)
Niue	..	..	2800	5.7[b]	..	..
Papua New Guinea	950	-0.1	107	4.5	2638	1287 (1993)
Solomon Islands	710	2.7	136	5.9	127	14 (1993)
Tokelau	..	..	2778	..	..	...
Tonga	1350	-0.1	301	3.0	10	-40 (1993)
Tuvalu	..	..	588	1.5	..	7 (1993)
Vanuatu	1220	0.5	335	2.5	..	-49 (1992)
Western Samoa	940	-0.1	311	1.4	8	-72 (1993)

[a] 1992.

[b] 1990.

Sources: South Pacific Economic and Social Database, National Centre for Development Studies, The Australian National University; World Bank, *World Bank Atlas*, 1994; Asian Development Bank, *Asian Development Outlook*, 1994.

Figure 1 **Pacific islands GDP growth rate (per cent)**



Source: Asian Development Bank, *Asian Development Outlook*, 1994.

Development of the multilateral lending institutions

Founding of multilateral lending institutions

Since the founding of the International Bank for Reconstruction and Development (IBRD, hereafter called the World Bank) in 1944, there has been a proliferation of regional multilateral development banks. The architects at Bretton Woods conceived of the World Bank as a multilateral long-term lending institution to provide capital for countries with low savings rates but high rates of return on investment due either to the devastation of World War II or because a country was developing. The World Bank was to substitute for a well-functioning private capital market since it was believed that such a market would not emerge in the immediate post-war environment. In essence, the World Bank would compensate for the market failure in long-term private lending (Krueger 1989).

Following the establishment of the World Bank, the Inter-American Development Bank was established in 1959 by the US and 20 Latin American countries. The African

Development Bank (AfDB) was established in 1963 by 33 African countries to promote the integration of the economies of African nations.3 The Asian Development Bank (ADB) was founded in 1966 with 31 member countries, of which 14 were non-regional members. The Caribbean Development Bank (CDB) was founded in 1970 to cater to ten developing island countries in the Caribbean as well as eight additional island groups. The European Bank for Reconstruction and Development (EBRD) was established in 1991 with 55 countries, of which 23 are Central and East European countries. The EBRD's main mission is to foster the transition of the latter countries, including the form Soviet Union, to market-oriented economies and to ease the process of their integration into the international economy.

Concerned by the potential reduction and termination of US aid, in 1989 a group of US-affiliated Pacific island governments established the Pacific Islands Development Bank (PIDB) with headquarters in Guam (PIDB 1992). The purpose of PIDB is 'to contribute to the acceleration of the process of economic and social development of the member states, individually and collectively, and to promote economic cooperation among them' (Article 1). Ten governments each committed US$1 million in capital fund contributions to initiate the bank's operations. However, as of July 1993 only 6 of the 11 members—Chuuk, Commonwealth of the Northern Marianas, Palau, Pohnpei, Yap and Guam—had made capital contributions (totalling US$1.4 million).[4] The PIDB is not a region-wide development bank and its financial viability is still in doubt.

Although the respective roles of the regional development banks and the World Bank were not clearly articulated, Krueger (1989:6) notes that there was at least the presumption that the regional banks would focus their activities on projects where proximity and knowledge of local conditions would give them comparative advantage in cost and expertise relative to the World Bank. For instance, in the Asia-Pacific region, it has been noted that the World Bank extends more program loans and balance-of-payment loans than the Asian Development Bank, which remains principally a project bank (Wilson 1987:365). The ADB's charter describes the Bank's area of operation as 'principally for the financing of specific projects' (Article 14) and until the mid-1980s, over 90 per cent of its money was lent for projects (Wilson 1987:373). In recent years, that percentage has fallen; in 1993, it was 78 per cent.

The Pacific islands and the Asian Development Bank

Three economic rationales were given for the establishment of the ADB

- to attract additional funds to the Asian region
- to finance projects and facilities which were not at present financed or adequately financed through existing sources or agencies
- to act as a focal point or stimulus for regional economic cooperation.

The aim was for the ADB to be a symbol of Asian regional cooperation. At the inception of ADB, there were serious doubts that Asian governments with their many differences and even hostilities would be interested in supporting a regional economic institution.

Western Samoa was a founding member of ADB. A procession of Pacific island countries joined the ADB shortly after its founding—Fiji (1970), Papua New Guinea (1971), Tonga (1972), Solomon Islands (1973), Kiribati (1974), Cook Islands (1976) and Vanuatu (1981). Of the 13 independent or self-governing Pacific island countries, 11 are currently members of the ADB; the additional members include the Marshall Islands, the Federated States of Micronesia, and Tuvalu, which became the latest Pacific island member in 1993. Only Nauru and Niue have not joined. Nauru considered joining the ADB but, with one of the highest per capita incomes in the world, it would have been asked to be a donor rather than a borrower (Wilson 1987:268). For Niue—with a population of only 2,500—its membership and associated costs would likely have exceeded the potential benefits received (Cole and Thompson 1981:41). Thus, the ADB is regarded as the Pacific region's principal multilateral development finance institution.

A few Pacific island countries are also members of the World Bank: Fiji, Kiribati, Solomon Islands, Tonga, Vanuatu, Western Samoa, Marshall Islands, and the Federated States of Micronesia. Both the World Bank and ADB have given substantial loans, credits and technical assistance to their Pacific island member countries. There seems to be tacit agreement on the division of labour between the World Bank and the ADB for co-financed loans in the South Pacific. The minuscule size of the operations in the Pacific combined with the distance from Washington DC pose an even greater handicap for the World Bank than for the ADB. As a result, the ADB takes the lead role in selecting, processing, and administering ADB-World Bank co-financed loans in the Pacific (Wilson 1987:267-8). To maintain closer contact with its Pacific member countries, the ADB has set up a regional office in Port Vila, Vanuatu.

A regional development bank for the Pacific?

Is there a need for yet another multilateral lending institution in the region? It is a relevant question since the region has not been self-sustaining despite special and preferential treatment from the ADB (Naya 1992). With less than 0.5 per cent of the population in the Asia-Pacific region, Pacific island member states have received about one-tenth (or US$70.2 million out of total US$711.6 million cumulatively (in the 1967–93 period) of all the technical assistance dispensed by the ADB to its developing member countries. Collectively, they have received three and a half times more aid per capita from the ADB than other members (Wilson 1987:265). The World Bank (1991:84) believes there is no need for yet another bank. It argues that a Pacific regional bank would only strain already scarce administrative resources. The World Bank considers that Pacific island countries are already well served by regional organisations and institutions. Thus, if there is a need for greater regional economic cooperation, one should first determine if the need can be met by existing institutions.

Nevertheless, a sizeable number of people believe that current multilateral institutions such as the World Bank and the ADB are limited in their ability to address the specific needs of the Pacific island countries. These large multilateral institutions focus on loans for projects and program funding. They also have components for policy lending, especially the World Bank which has emphasised structural adjustment programs. In contrast, technical assistance grants in total dollars have been very small. The World Bank and the ADB have demonstrated their usefulness in raising capital; with small donor seed money, they have successfully borrowed on world capital markets. Thus, these multilateral banks have developed into complex institutions, with complicated administrative apparati from resident directors to managers and professionals, including economists, engineers and financial analysts. With high fixed costs, they have a problem of indivisibility. They tend to focus on large projects, which have the characteristics of public goods, rather than on self-financing enterprises. And thus, they tend to cater more to the needs of large developing economies than those of the small and fragmented Pacific islands.

Review of recommendations of past studies

During the past 20 years, several studies have been conducted to determine the need for a separate multilateral lending institution to promote growth and regional economic cooperation among the Pacific island states.

The first study dates back to 1970 (Cole and Thompson 1981:24-5). In that year, at a Technical Meeting on Coordination of Economic Development sponsored by the South Pacific Commission (SPC), it was suggested that a survey be conducted to determine if there was a need for a regional bank for the South Pacific. The Tenth South Pacific Conference adopted the resolution. Subsequently the United Nations Development Programme (UNDP), after consultation with the World Bank and the ADB, undertook a preliminary examination of the need for establishing a South Pacific Regional Development Bank. The UNDP published its report in May 1972. This was followed by a second UNDP study which determined that the South Pacific countries did have a 'net external capital gap' which could form the basis for 'bankable development loans' and concluded that a regional development bank could be a viable institution. Its creation, however, would depend on political decisions rather than financial feasibility.

In 1977, at the request of the South Pacific Conference Secretariat, R.V. Cole of the Australian National University again analysed the issue and concluded that 'because of a shortage of investment capital,' there was a role in the region for a South Pacific Development Fund which would, among other things, 'mobilise financial resources and make credit available to the developing island nations, especially the smaller ones' (Cole and Thompson 1981:26).

The issue was studied once again by R.V. Cole and G.J. Thompson in 1981 for the South Pacific Commission and the South Pacific Bureau for Economic Co-operation. The following principles/criteria were used in that study to determine the need for a Pacific Islands development bank.

- The founding principle should be additionality, which means that essentially the bank must generate new sources of financial capital from outside the Pacific region.
- The proposed bank must avoid duplication or conflict with existing bilateral and multilateral aid arrangements.
- The proposed bank should be a Pacific islands initiative, managed, controlled and administered by and for Pacific islanders themselves.
- There must be benefits to all participating island countries and territories, but a special emphasis and concern for the smaller and more vulnerable countries in the Pacific.

After extensive consultations with island governments, UN agencies, the ADB, and representatives of the European Community and other countries with Pacific interests, the authors concluded that 'a regional development bank with the characteristics of a bank would not be appropriate for the region at this time' (Cole and Thompson 1981:iv). Their report noted that while grants and concessionary loans will remain highly important sources of development finance, 'the sources are however well-identified and there seems to be no major shortfall in funds for development projects and programmes as such' (p. 21).

The 1981 report did note that 'there remain a number of problems for Pacific development not treated by the existing array of multilateral, regional and bilateral arrangements' (p.4). It noted that in many Pacific islands, especially among the smaller island countries, there were significant gaps which could be filled by initiatives undertaken jointly by Pacific island countries. For instance, some Pacific island states, particularly the smaller ones, were not members of existing multilateral international organisations like the World Bank, the ADB, and the IMF. The maintenance of vital transportation and communication links, new energy development suitable for Pacific island conditions, financing for small or experimental projects, and technical advisory services also presented opportunities for new approaches and institutional arrangements. While none of these gaps was judged to be large, in combination they suggested possibilities for a 'multi-purpose approach which would not duplicate or compete with the present programs or bilateral and multilateral aid' (p. 23). The report concluded with the recommendation for the establishment of a Pacific Islands Fund (pp. 43-65).

The Pacific Islands Fund (PIF) was seen as a mechanism for donor countries wishing to provide more aid on a regional rather than bilateral basis. It could also be a vehicle for donor countries to provide aid to Pacific island countries without undertaking comprehensive bilateral aid programs in the region. The proposed PIF would

- provide special loans either too small or too risky for existing lenders (with smaller countries having first claim on the Fund), as well as guarantees for selected regional or national projects where the governments of the countries were unwilling to provide the guarantees
- provide technical assistance on financial and resource mobilisation, as well as managerial, legal, marketing, and engineering advice of special and immediate interest to Pacific islands
- provide regional infrastructure development through disaster relief funds and operating assistance in transport and communication
- establish a regional price stabilisation fund, particularly for copra.

Weak economic performance in the Pacific

Whether there is a need for another multilateral development bank or fund, or perhaps some other institution, to help the Pacific island countries embark on sustained economic development depends on the reasons for their weak economic performance. Can the poor performance during the 1980s be attributable to the scarcity of investment funds? The Pacific island countries have had low or negative domestic savings ratios, but high gross investment ratios (Table 3; see also Kioa 1993:116 for earlier data). Investment ratios in the Pacific islands have generally exceeded 25 per cent of gross domestic product (GDP), comparing favourably with other developing countries in the Asia-Pacific region (ESCAP 1993:74).

Except in Fiji, high volumes of foreign aid have played a major role in accounting for the high rates of gross domestic investment. Bilateral flows have comprised most (a little over 80 per cent) of the ODA received by Pacific island countries (Figure 2). Australia has been the largest supplier of bilateral flows, accounting for 49.4 per cent of total ODA and 56.5 per cent of total net financial flow (Figure 2).[5] Japan emerged as the second largest supplier of bilateral flows and private flows.

Compared to other Asia-Pacific developing countries, Pacific island countries rely more heavily on bilateral than multilateral aid. Assistance from multilateral lending agencies accounts for only a small, though rising, percentage of total official development assistance (ODA) to the Pacific island countries. For instance, the ADB's

Table 5 **Pacific islands net financial flows by source, 1991**

	Australia		Japan		New Zealand		UK		ADB		EEC		IDA/IBRD		Other		Total
	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mil
Cook Islands	1.8	7.9	2.7	11.9	8.8	38.8	-	-	1.5	6.6	-	-	-	-	7.9	34.8	22.7
Fiji	16.3	23.5	36.1	51.9	2.8	4.0	-2.8	-	4.3	6.2	0.2	0.3	-3.0	-	9.8	14.1	63.7
Kiribati	3.2	15.9	7.3	36.3	2.1	10.4	3.2	15.9	0.7	3.5	2.2	10.9	-	-	1.4	7.0	20.1
Nauru	0.3	1.8	14.7	89.6	-	-	-	-	-	-	-	-	-	-	1.4	8.5	16.4
Niue	0.8	9.0	-	-	8.1	91.0	-	-	-	-	-	-	-	-	-5.9	-	3.0
PNG	519.9	74.6	21.3	3.1	3.4	0.5	25.8	3.7	77.3	11.1	16.2	2.3	33.0	4.7	-9.0	-	687.9
Solomon Is.	7.3	18.4	12.5	31.5	1.7	4.3	11.9	30.0	-0.2	-	4.3	10.8	2.0	5.0	-0.6	-	38.9
Tokelau	-	-	-	-	4.0	90.9	-	-	-	-	-	-	-	-	0.4	9.1	4.4
Tonga	7.5	38.1	3.4	17.3	2.8	14.2	0.1	0.5	2.2	11.2	0.4	2.0	1.0	5.1	2.3	11.7	19.7
Tuvalu	1.6	26.2	0.5	8.2	1.4	23.0	0.8	13.1	-	-	-	-	-	-	1.8	29.5	6.1
Vanuatu	8.8	11.4	31.0	40.1	2.2	2.8	9.5	12.3	6.1	7.9	4.6	5.9	4.0	5.2	11.2	14.5	77.4
West. Samoa	9.2	15.4	13.2	22.1	4.2	7.0	-	-	14.5	24.3	6.8	11.4	7.0	11.7	4.7	7.9	59.8
Total	576.7	56.5	142.7	14.0	41.5	4.1	48.5	4.8	106.4	10.4	34.7	3.4	44.0	4.3	25.4	2.5	1019.9

Note: Net disbursements made to Cook Islands, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, and Western Samoa.

Source: OECD, 1993. *Geographical Distribution of Financial Flows to Developing Countries*, Paris.

Table 4 **Pacific islands net official development assistance (ODA) by source, 1991**

	Australia		Japan		New Zealand		UK		ADB		EEC		IDA/IBRD		Other		Total
	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mil	%	US$mi	%	US$mil
Cook Is.	1.8	13.3	0.5	3.7	8.8	65.2	-	-	1.5	11.1	-	-	-	-	0.9	6.7	13.5
Fiji	20.5	45.9	8.2	18.3	2.8	6.3	2.7	6.0	-	-	1.4	3.1	-	-	9.1	20.4	44.7
Kiribati	3.2	15.9	7.3	36.3	2.1	10.4	3.2	15.9	0.7	3.5	2.2	10.9	-	-	1.4	7.0	20.1
Nauru	0.3	75.0	0.1	25.0	-	-	-	-	-	-	-	-	-	-	-	-	0.4
Niue	0.8	8.5	-	-	8.1	86.2	-	-	-	-	-	-	-	-	0.5	5.3	9.4
PNG	262.3	65.9	42.3	10.6	3.4	0.9	3.0	0.8	54.0	13.6	11.5	2.9	-1.0	-	21.6	5.4	397.1
Solomon Is.	9.3	26.0	10.8	30.2	1.7	4.7	5.5	15.4	-0.2	-	4.3	12.0	2.0	5.6	2.2	6.1	35.6
Tokelau	-	-	-	-	4.0	90.9	-	-	-	-	-	-	-	-	0.4	9.1	4.4
Tonga	7.6	39.2	3.4	17.5	2.8	14.4	0.1	0.5	2.2	11.3	-0.1	-	1.0	5.2	2.3	11.9	19.3
Tuvalu	1.6	30.2	0.5	9.4	1.4	26.4	0.8	15.1	-	-	-	-	-	-	1.0	18.9	5.3
Vanuatu	8.8	16.7	5.8	11.0	2.2	4.2	8.8	16.3	6.1	11.6	4.6	8.7	4.0	7.6	12.7	24.1	52.8
West. Samoa	9.2	16.3	10.0	17.7	4.2	7.4	-	-	14.5	25.7	6.8	12.1	7.0	12.4	4.7	8.3	56.4
Total	325.4	49.4	88.9	13.5	41.5	6.3	23.9	3.6	78.8	12.0	30.7	4.7	13.0	2.0	56.8	8.6	659.0

Note: Net disbursements made to Cook Islands, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, and Western Samoa.

Source: OECD, 1993. *Geographical Distribution of Financial Flows to Developing Countries*, Paris.

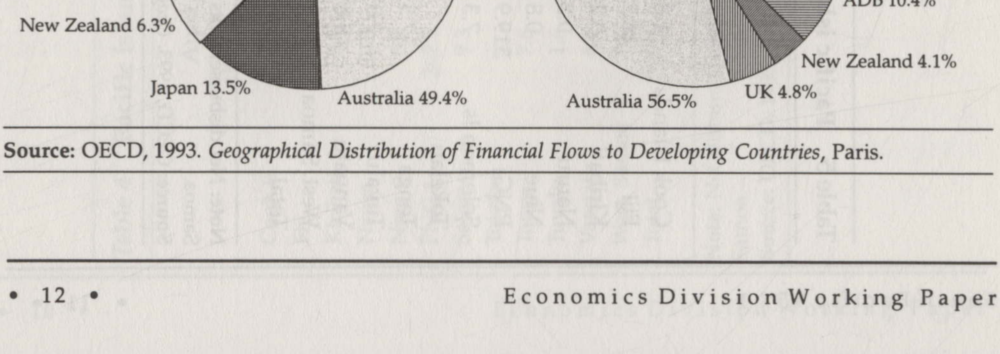
share in total ODA increased from 5.6 per cent in 1988 to 12 per cent in 1991. The World Bank and International Development Agency (IDA) accounted for another 2 per cent in 1991, not a substantial increase in its 1988 share of 1 per cent (Elek 1993:58).

By international standards, Pacific island countries receive some of the highest per capita inflows of foreign aid. In 1990, they ranged from a low of US$62 per person in Fiji to US$2,800 per person for Niue (Table 2). Aid dependence is particularly high among the smaller Pacific island countries such as Niue and Tokelau. Emigrant remittances comprised another significant source of investment finance for some countries—notably the Cook Islands, Tonga and Western Samoa.

In many Pacific island economies the constraint on investment growth does not appear to be on the supply side but rather on the demand side. Pacific island economies face increasing problems of absorbing additional project aid due to limits on administrative and implementation capacity stemming in part from an acute shortage of skilled personnel and a lack of complementary operations and maintenance funds (Elek 1993:59). In sum, the weak economic performance of the Pacific island countries cannot be attributed principally to the lack of investment funds. If this conclusion is valid, it weakens the case for yet another traditional regional multilateral lending institution in the Pacific.

The situation in the Pacific islands confirms that high domestic investment ratios are not a sufficient condition for economic growth. The coexistence of high investment ratios with poor economic performance suggests the problems lies in the inefficient use of capital due to other binding constraints to growth in the Pacific.

Figure 2 **Pacific islands net ODA and net financial flows by source, 1991** (per cent)



Source: OECD, 1993. *Geographical Distribution of Financial Flows to Developing Countries*, Paris.

Table 3 **Savings–investment gap for selected Pacific island countries, average for 1987–91** (per cent of GDP)

	Gross investment	Domestic savings	Foreign aid
Fiji	16.2	18.1	4.9
Kiribati	26.5	-55.8	57.4
Marshall Islands	32.3	-51.0	82.5
Solomon Islands	30.5	-6.1	20.8
Tonga	27.4	-10.0	20.4
Vanuatu	34.8	11.5	31.1
W. Samoa	31.3	-5.1	35.7

Source: Halapua, S., 1993. Sustainable Development: from ideal to reality in the Pacific islands. Paper prepared for the Fourth Pacific Islands Conference of Leaders, Tahiti, French Polynesia, 24-26 June.

It has been suggested that poor economic performance during the 1980s can be attributed to their small size, remoteness, and openness. The evidence to support that hypothesis is not strong since comparable island countries in the Caribbean and the two Indian ocean economies (Maldives and Mauritius) achieved much higher rates of economic growth during the same period (World Bank 1991:6 and Lim 1993:47-8). Another argument which has been advanced to explain the slower economic growth in the Pacific islands is that natural disasters (i.e. droughts and cyclones) and the price elasticities of the primary exports of the Pacific island economies result in export earning instability. Instability of export earnings is detrimental to economic growth (McGregor et al. 1992:24), however, export earnings volatility was no greater in the Pacific than in the small island countries in the Caribbean and Indian Ocean (World Bank 1991:22; Lim 1993:49). Lim (1993) argues that of all the explanations relying on exogenous factors to explain the slower economic growth of the Pacific island economies, only natural disasters have credible empirical support.

There is growing consensus that the weak performance of the Pacific island economies during the 1980s was not due to a poor hand dealt by nature, but was largely the result of failure to implement appropriate structural reforms. Lim (1993:51) argues that the abundance of foreign aid has not encouraged the adoption of policies conducive to economic growth. Easy access to aid has financed oversized government bureaucracies and unprofitable government enterprises and discouraged development of the private sector and financial institutions (see also Kioa 1993).

The disappointing performance of the Pacific island economies stands in sharp contrast to the robust performance of their Asian neighbours. During the 1970s and 1980s the Asia-Pacific region enjoyed the highest rates of economic growth in the world. Asian developing economies as a whole averaged more than 6 per cent real economic growth in the 1980s, compared to 3 per cent for other developing economies (Mak and Naya 1993:100).

The enviable economic performance of the Asian countries—particularly those in East and Southeast Asia—is based upon four underlying factors. First, these countries pursued market-oriented, outward-looking strategies which imposed discipline on the domestic economy through international competition and market forces. The emphasis has been on trade, complemented by human resource development and high savings and investment rates. Reducing official barriers to trade has had the effect of integrating the regional economies into the world economy. Trade liberalisation and rapid growth in the region have been proceeding for some time now, led at first by Japan and then by the newly industrialising economies (Hong Kong, Taiwan, China, and South Korea), ASEAN countries (Indonesia, Malaysia, Singapore, Thailand, and the Philippines), and China in what has become known as the 'flying geese' pattern of development.

Second, although the private sector served as the engine of growth and the implementer of the development vision, the government played a large role in 'letting markets work' and 'getting prices right' (James et al. 1994). The governments in these countries—whether economically small (e.g. Korea) or large (e.g. Singapore)—have not been weak; in fact, the government role has been crucial in creating incentives conducive to the working of the private sector and not 'crowding out' private investment. Asian economies also greatly benefited from efficient, professional, and disciplined bureaucracies enabling public–private sector cooperation to be growth stimulating rather than growth inhibiting (Naya and Meier 1989).

Third, trade expansion in the region has been based on the spirit of the GATT and the most favoured nation principle. Liberalisation has been nondiscriminatory and worldwide. Fourth, private, non-official barriers to trade have been overcome. Despite official discriminatory policies, a rapid increase of trade has followed when private barriers were overcome. Thus, the success of the Asian countries can be traced to their willingness to embrace outward-looking policies and private-sector led growth. Such policies were also successfully tried by Fiji after 1987, prompted by the country's deteriorating economic performance following two military coups (Elek et al. 1993). But most Pacific island economies lag far behind the performance levels of their Asian neighbours. Could a new multilateral development institution for the region help to bring the Asia-Pacific economic dynamism to the Pacific islands?

The case for a Pacific Islands Development Fund (PIDF)

The following aims will be critically important if the Pacific islands are to achieve long-term sustainable economic growth.

- using aid more efficiently
- promoting private sector development
- implementing appropriate policy / structural reforms
- developing human resources and increasing indigenous capacity in policy analysis and development management.

We suggest that a new, multi-purpose regional development institution be established in the Pacific to channel aid funds from new and old donors into programs to enhance economic development and cooperation among the Pacific island states and territories and achieve these four aims. The mandate for the new institution would be broader than the charter of the ADB.

Improving the efficiency of aid use

The weak economic performance in the Pacific islands despite high rates of domestic investment reflects the relatively low productivity of investment and aid in the Pacific. To raise the efficiency of aid use in the Pacific, the World Bank (1991:79-80) has recommended measures for aid reform which impose significantly higher costs on donors and hence might not be implemented.

- Donors should give greater emphasis to the policy environment. More effective development planning will be the starting point in the process of using aid better. Development planning practices can be improved and simplified through governments allocating a higher priority to the macroeconomic, strategic, and policy components.
- Donors should give concerted assistance to strengthen the capacity for project identification, preparation, and implementation.
- Donors should pay much closer attention to the issue of recurrent cost financing. Both donors and recipients must find a solution to inadequate overhead and management expenditures.
- Donors should develop viable mechanisms to channel a larger proportion of aid to the private sector.
- The donor community must continue to place special emphasis on human resource development.
- There needs to be better aid coordination between donors and recipients.

Instead, we propose that island governments establish a multilateral Pacific Islands Development Fund (PIDF) which would combine aspects of both a development bank and development finance institution. The latter has the advantage of borrowing lump sums and distributing the funds to smaller borrowers and specific projects. It could also be a conduit for bilateral donors—both new and old—to channel aid funds to Pacific island countries through loans and grants. As a development fund for the Pacific, it will need to be flexible enough to deal with small borrowers dispersed over a wide area. The envisaged PIDF differs from existing development banks in that technical assistance will be its major task rather than a supplement to other functions. The provision of technical assistance would be tailored toward building indigenous capacity for policy analysis and development management.

There are a number of reasons why a multilateral institution might dispense aid more efficiently than bilateral donors (Lee 1991:33-4). First, a multilateral institution should have a more informed and comprehensive view of overall economic conditions in the receiving countries than individual donor countries. Second, decisions of a multilateral institution are less likely to be influenced by the political manipulations of both donors and recipients. While donors' views may still remain important in dispensing aid, the weight of individual donor's views is lessened by the consensus approach of decision-making in a multilateral institution. Third, cost per dollar of aid dispensed through a multilateral institution is likely to be lower than through bilateral aid to the extent that a multilateral institution is in a better position to take advantage of scale economies in aid administration and the elimination of duplicate efforts. Fourth, by pooling resources, a multilateral institution can undertake projects and programs too large for individual donors. As in the proposed PIF of Cole and Thompson (1981), the proposed PIDF could be a mechanism for donor countries who wish to dispense aid on a regional rather than bilateral basis. It could also be a vehicle for donor countries to provide aid without undertaking comprehensive bilateral aid programs in various Pacific island countries, and resulting in more aid dollars flowing into the region. We believe that a new multilateral institution would be better suited to perform this function than a traditional development bank.

Promoting private sector development

Despite high rates of gross investment in Pacific island countries, the private sector, especially small emerging businesses, face difficulties in gaining access to capital (ESCAP 1993:125-6). The proposed PIDF could work more closely with existing national development finance institutions to strengthen lending policies and provide resources and technical assistance to train staff and improve overall efficiency. The PIDF could also augment and complement the activities presently provided by the South Pacific Project Facility to promote private sector development in the Pacific.

National development finance institutions have been important players in private sector development in the Pacific. They channel external development funds, often obtained from multilateral finance institutions, to private business development. They are mainly involved in medium and long-term lending and provide clients with some project management advice. They are an excellent conduit channelling external funds to private sector development in the Pacific. The World Bank, however, has noted that donor experiences with development finance institutions in the Pacific have been disappointing. Weak lending policies and a high degree of politicisation have eroded financial discipline and saddled governments with unsound portfolios (World Bank 1991:50). Almost all of these institutions have suffered from high delinquency rates (ESCAP 1993:128). There is little outsiders can do about politicisation problems. In this regard, the proposed PIDF would have a role to play. The PIDF, being a multilateral financial institution, would be largely free of political interests and could work closely with the national development finance institutions to allocate funds with greater weight given to development criteria. The PIDF should also have a more comprehensive, well-informed view of overall economic and sectoral conditions in the Pacific island countries, thus allowing it to serve as resource centre and clearing house for the development programs and projects in the region.

The PIDF could also coordinate work with the South Pacific Project Facility (SPPF). The establishment of the SPPF in 1990 is a significant regional initiative by the International Finance Corporation (IFC) to promote private sector development in the Pacific (South Pacific Project Facility 1992). The SPPF, initially designed to operate for a five-year period ending in July 1994, is expected to continue. It is supported by donor governments including Australia, Canada, Japan, India, and New Zealand.

The SPPF provides advisory services to private entrepreneurs in the South Pacific island countries in the preparation of viable projects. These services include helping entrepreneurs prepare the market, technical and feasibility studies needed for raising financing for projects. The SPPF also identifies promising South Pacific entrepreneurs and assists them in organising, diversifying and expanding their businesses. The Facility supports projects with individual total investment costs in the range of US$0.25 to US$5.0 million, but may consider smaller projects. The Facility also can provide help to South Pacific island country governments wanting to privatise public sector enterprises. The Facility, however, does not provide project financing itself; rather, it works with entrepreneurs during the whole cycle of project preparation until funding is secured. With some kind of linkage with the PIDF, a financing scheme may be worked out so that SPPF-assisted projects could be eligible for financing by PIDF.

To date, the biggest problem with the SPPF appears to be its high cost. By 1992, it helped 7 projects (mainly in Fiji and Tonga) secure funding totalling US$2.7 million, ranging in size from US$100,000 to US$8.4 million. With an annual operating budget in excess of US$1 million (excluding the fees for the Indian consultants which were paid for by the Government of India), the amount of funds secured for the 7 projects comes close to its operating budgets for the two years. By coordinating technical expertise and thus reducing consultants' costs and other administrative expenses, the

PIDF and SPPF could work out a mutually beneficial arrangement to maximise their exposure in the region while reducing costs by preventing duplication of effort.

Implementing appropriate policy reforms

The 1980s have taught us the importance of macro and microeconomic policies in affecting economic growth. Krueger (1989:9) noted that 'a country's economic policies are an important determinant of its overall rate of economic growth, and these policies cannot be ignored in assessing the probable future rates of return on new lending, be it project or program-based.' It is now widely acknowledged that inward-looking policies such as shielding domestic import-substituting industries, unrealistic exchange rates, and quantitative restrictions on imports and exchange controls, retard economic growth. Growth cannot be sustained in the absence of macroeconomic (i.e. price) stability.

By and large, Pacific island countries have pursued conservative fiscal and monetary policies, thus avoiding serious inflation, balance of payments crises, and external debt problems (McGregor et al. 1992:30; World Bank 1991:25). Their success in maintaining macroeconomic stability during the 1980s was to a large extent explained by the availability of generous external grants enabling them to restrain fiscal deficits without resorting to extensive internal and external borrowing.

On the other hand, the World Bank (1991:44) notes that some of the Pacific island member countries adopted centralised systems of wage-setting which resulted in downward wage rigidities in the Pacific, resulting in rising labour costs. Compounding the problem of wage rigidities has been the adoption of inward-looking policies on trade and investment. Key elements of this policy include the use of quantitative restrictions, punitive tariffs, domestic administration of commodity prices and direct engagement by governments in commercial activities. Foreign investment is also discouraged by excessive regulations (World Bank 1991:45).

Developing human resources and capacity building

Pacific island governments have received an abundance of reform recommendations. The problem is that it is outsiders who are telling them what they must do and Pacific islanders are not necessarily convinced that these recommendations are appropriate for them (see Halapua 1993). Policy initiatives should come from islanders themselves. Thus it is important to strengthen the capacity of Pacific island governments in the areas of policy analysis and development management. It has been recognised that while sound policies are necessary, to be effective these policies must be sustainable. Policy sustainability in the Pacific islands requires a strong sense of Pacific island ownership, and there is no better way to foster this sense of ownership than entrust the development and implementation of these policies to Pacific islanders themselves.

Achieving this goal will require a substantial expansion in the capacity of Pacific islanders to provide economic research and management. This will require a large-scale, concerted, and coordinated effort by both donor and Pacific island economies. In response to similar needs in sub-Saharan Africa, an African Capacity Building Initiative was established in 1988. The PIDF could help spearhead such an effort in the Pacific islands.

To this end, we propose that a Pacific Islands Capacity Building Program (PICBP) be formed under the proposed PIDF. The PICBP should set the following goals.

- to build institutions or rehabilitate and improve selected national institutions in the various Pacific island countries by providing technical assistance in building or strengthening professional policy analysis and development management skills
- to mobilise financial and technical resources for increased investment in human capital and capacity building institutions
- to create a forum for full and active participation by Pacific islands representatives in the design and implementation of capacity-building programs
- to strengthen or create government policy units in the office of the head of state and other critical government offices such as central banks, ministries of finance, trade, and economic planning
- to provide fellowships to support selected Pacific island scholars/students in their research and training needs
- to expand in-service training and work experiences for Pacific Island professionals
- To strengthen local consulting firms, professional associations, and other non-official organisations.

The establishment of a PICBP will improve human resource capabilities and institutions in the region as well as develop the critical mass of policy analysts and economic managers who will manage the development process and ensure sustainability of policy reforms.

The need for a new regional development institution

Many of these objectives defined for the PIDF are already incorporated in the work programs of various existing institutions. Among these existing institutions, the ADB is best suited to assume the responsibilities identified in this paper. In 1992, the ADB South Pacific Regional Office submitted an issues paper to the Head Office in Manila evaluating the potential value of establishing a Small Pacific Islands Fund (SPIF) within the ADB (Akana 1993). The ideas incorporated in the SPIF are similar to those proposed here.[6] The ADB's Development Policy Office in its report to the management (ADB

1992) rejected the idea that the Bank should set up a separate Small Pacific Islands Fund and argued that the special needs of the Pacific islands member countries 'can be met through existing modalities' within the Bank. The fact that similar ideas being proposed in this paper have been earlier rejected at the ADB does not preclude the presence of compelling reasons why a new institution should be pursued to become a reality. Many believe that it is difficult enough to coordinate the work of the existing institutions.

We offer several reasons for the establishment of a 'new' regional development institution such as the PIDF. First, the lack-lustre economic performance of the Pacific island countries suggest that existing efforts have not met the need for development assistance and capacity building, particularly among the smaller countries. Second, the existing institutions are not well informed on what the other institutions are doing. Efforts to improve coordination among them are frustrated by rent seeking behaviour; that is, each institution has incentives to increase its own market share. Third, a new institution, with well defined objectives, could direct more focus to the specific needs identified here. Fourth, a number of Pacific island states such as Guam, the Commonwealth of the Northern Marianas, American Samoa, Tahiti, New Caledonia, Tokelau, and Wallis and Futuna cannot gain access to the services of most international multilateral institutions including the World Bank, the IMF and the ADB.

Conclusion

In light of the analysis of the causes for weak economic performance of Pacific island countries compared with the dynamic Asian countries in the Asia-Pacific region, and after carefully reviewing previous efforts to establish regional development financial institutions, we propose that a PIDF, a multilateral development fund, be established to foster capacity building in the Pacific island countries. The constraint on the development of the Pacific islands is not funding alone but lies in each country's (in)ability to

- use aid efficiently
- promote private sector development
- implement appropriate policy reforms
- develop human resources to build the capacity for policy analysis and development management.

The proposed PIDF can address these needs in a way that no existing institution can.

Technical assistance provided in the past has failed to build the necessary skills and institutions, and technologies have not been effectively transferred; thus lasting capacities were not developed. It is therefore necessary for the proposed PIDF to focus on capacity building—on creating or strengthening existing institutions capable of building a critical mass of policy researchers, analysts, and economic managers who can formulate sound policies and make good business decisions. In addition, the PIDF should encourage more effective utilisation by Pacific island governments of these human resources as well as the grant money earmarked to support or strengthen these kinds of institutions. Although sound policies are necessary for growth, they are not sufficient for sustained economic development. Only when policy reforms are indigenously generated, and can be claimed by local agents as their own, can policy reforms be sustainable.

In sum, building the capacity for indigenous policy analysis and management in the Pacific islands could be a lasting legacy of the PIDF. For only when Pacific islanders can articulate, analyse, and implement their development goals, can Pacific island nations gain control of their economic destiny.

Notes

[1] These Asia-Pacific institutions are working mechanisms and linkages for economic cooperation in the region. The PBEC was established in 1967 involving meetings of business people and bankers; the PAFTAD, first met in 1968, is a gathering of scholars; and the PECC, established in 1980, is a non-official consultative body with a tripartite participation of government officials, business leaders, and academics. The APEC is the first body with official government representation and its first ministerial meeting, at the initiative of Australian Prime Minister Hawke, was held in Canberra in November 1989.

[2] The 'community' envisioned by the APEC nations is very different from that of the European Union (see Naya and Iboshi 1994a).

[3] Since then it has grown to become the African Development Bank Group consisting of three separate institutions that cooperate extensively. In addition to the AfDB, the African Development Fund was created in 1972 to enable non-regional members to participate in the activities of the AfDB; and the Nigerian Trust Fund (NTF) was organised by the Nigerian Government in 1976 to contribute to Africa's development efforts, especially among the less developed countries (Delphos 1992).

[4] The remaining five members of the PIDB are American Samoa, Federated States of Micronesia (Nat'l), Hawaii, Kosrae, and the Marshall Islands.

[5] Net financial flows (or receipts) include ODA plus other official flows, and private flows.

[6] We were unaware of the existence of the paper at the time of our writing. We are grateful to Paul McCabe for bringing it to our attention.

References

Akana, A., 1993. *The Small Pacific Islands Fund, Evolution and Issues*, Asian Development Bank, Manila..

Asian Development Bank, 1994. *Annual Report, 1993*, Asian Development Bank, Manila.

________, 1994. *Asian Development Outlook, 1994*, Asian Development Bank, Manila.

________, 1992. *Key Indicators of Developing Asian and Pacific Countries*, Asian Development Bank, Manila.

________,1993. *Small Pacific Islands Fund*, Issues Paper, Asian Development Bank, Manila.

Cole, R.V. and Tambunlertchai, S. (eds), 1993. *The Future of Asia-Pacific Economics, Pacific Islands at the Crossroads?*, National Centre for Development Studies, The Australian National University, Canberra.

________ and Thompson, G.J., 1981. Proposals for a Pacific Islands Fund, An Evaluation, 7 July.

Delphos, W.A., 1992. 'The African Development Bank Group', *Global Trade*, 112(6):25.

Development Bank for Pacific Islands, 1988. *Pacific Magazine*, July/August, 13(4):15.

Elek, A., 1993.'The South Pacific Economies in a Changing International Environment,' in R.V. Cole and S. Tambunlertchai (eds), *The Future of Asia-Pacific Economics, Pacific Islands at the Crossroads?*, National Centre for Development Studies, The Australian National University, Canberra:56-81.

________, Hill, H. and Tabor, S., 1993. 'Liberalization and diversification in a small island economy: Fiji since the 1987 coups', *World Development*, 21(5):749-69.

ESCAP, United Nations, Economic and Social Commission for Asia and the Pacific, 1993. *Pacific Island Countries: Pacific island countries' economic performance and selected issues in policy management and adjustment*, United Nations, New York.

Halapua, S., 1993. Sustainable Development: from ideal to reality in the Pacific islands. Paper prepared for the Fourth Pacific Islands Conference of Leaders, Tahiti, French Polynesia, 24-26 June.

James, W., Naya, S. and Meier G., 1989. *Asian Development: economic success and policy lessons*, University of Wisconsin, Milwaukee.

Kioa, S., 1993.'Impact of external resource inflow on the South Pacific island economies,' in R.V. Cole and S. Tambunlertchai (eds), *The Future of Asia-Pacific Economics, Pacific Islands at the Crossroads?*, National Centre for Development Studies, The Australian National University, Canberra:108-34.

Krishnamurti, R., 1977. *ADB-The Seeding Days*, Asian Development Bank, Manila.

Krueger, A., 1989. 'The role of multilateral lending institutions in the development process,' *Asian Development Review*, 7(1):1-20.

Lee, J.S., 1991. External Finance and the Role of Multilateral Financial Institutions in South Asia: changing patterns, prospects and challenges, Asian Development Bank, Manila.

Lim, David, 1993.'Relevance of East Asian development experiences to the South Pacific,' in R. V. Cole and S. Tambunlertchai (eds), *The Future of Asia-Pacific Economics, Pacific Islands at the Crossroads?*, National Centre for Development Studies, The Australian National University, Canberra:33-55.

Mak, J. and Naya, S., 1993. 'Economic Co-operation: Asia Pacific and the Pacific islands,' in Cole, R.V. and S. Tambunlertchai (eds), *The Future of Asia-Pacific Economics, Pacific Islands at the Crossroads?*, National Centre for Development Studies, The Australian National University, Canberra:100-7.

McGregor, A., Sturton M. and Halapua, S., 1992. *Private Sector Development, Policies and Programs for the Pacific Islands*, East-West Center, Honolulu.

Naya, S. and Iboshi, Pearl Imada, 1994. A post-Uruguay Round agenda for APEC: promoting convergence of North American and Asian views. Paper prepared for the Conference APEC: challenges and opportunities, Singapore, 19-24 June.

_______ and McCleery, Robert, 1994. Relevance of Asian Development Experiences to African Problems, International Centre for Economic Growth, San Francisco.

Pacific Islands Development Bank, 1992. Hawaii Presentation, 7 October.

The South Pacific Project Facility, 1992. *Report on Operations for the 12 Months ended December 31, 1992*, The South Pacific Project Facility.

Wilson, D., 1987. *A Bank for Half the World, The Story of the Asian Development Bank, 1966-1986*, Asian Development Bank, Manila.

World Bank, 1991. *Pacific Island Economies, Toward Higher Growth in the 1990s*, World Bank, Washington, DC.

_______, 1994. *The World Bank Atlas*, World Bank, Washington, DC.

Recent publications

Economics Division Working Papers

ISSN 1038-412x

Development issues

DI 95/1 *State enterprise reform and macroeconomic stability in transition economies*, Frances Perkins and Martin Raiser, 46pp.

DI 94/7 *Changing sources of international comparative advantage: a Bayesian estimation of the trade dependence model*, Ligang Song, 40pp.

DI 94/6 *Financial deregulation and trade expansion*, Suiwah Leung, 30pp.

DI 94/5 *Banco solidario S.A.: micro-enterprise financing on a commercial scale in Bolivia*, Alexander Agafonoff, 32 pp.

DI 94/4 *The subsidiarity principle and decentralisation: perspectives drawn from Australia's federal experience*, Cliff Walsh and Christine Fletcher, 30pp.

DI 94/3 *Intra-industry trade among Asia-Pacific economies: a case study in econometric analysis*, Ngo Huy Duc, 22pp.

DI 94/2 *Development and the environment: global expectations and economic essentials*, David Robertson, 34pp.

DI 94/1 *Development administration and human resource management*, Michael Hess, 28pp.

East Asia

EA 95/4 *The Hong Kong/China connection: trade and the wool industry*, Won Tun-Oy and Sung Yun-Wing, 52 pp.

EA 95/3 *The Korean wool textile industry: recent events*, Young-il Park, 24pp.

EA 95/2 *Export perfomance and enterprise reform in China's coastal provinces*, Frances Perkins, 32pp.

EA 95/1 *Productivity performance and priorities for the reform of China's state-owned enterprises*, Frances Perkins, 34pp.

EA 94/4 *How successful is China's trade reform: an empirical assessment*, Zhang Xiaoguang, 30pp.

EA 94/3 *Human capital formation and the growth of the steel industry in East Asia*, Jong-Soon Kang, 48pp.

EA 94/2 *Australia's Asia–Pacific connections*, Hal Hill, 38pp.

EA 94/1 *Reform, internationalisation and macroeconomic instability in China*, Ross Garnaut and Guonan Ma, 26pp.

EA 93/6 *Reforming a centrally planned foreign trade system: the Chinese experience*, Zhang Xiao Guang, 40pp.

EA 93/5 *Expanding the scope of human capital theory: explaining wages in the Chinese rural industrial sector*, Bob Gregory and Xin Ming, 28pp.

South Asia

SA 94/2 *Foodgrains policy in Bangladesh*, Umme Salma and Peter G. Warr, 46pp.

SA 94/1 *India's economic reforms: towards a new paradigm*, Ric Shand and K.P. Kalirajan, 56pp.

Southeast Asia

SEA 95/1 *Indonesia's industrial policy and performance: 'orthodoxy' vindicated*, Hal Hill, 42pp.

SEA 94/6 *Changing sources of international comparative advantage*, Ray Trewin and Thomas Tomich, 28pp.

SEA 94/5 *The economy and the countryside in Vietnam: the relevance of rural development policies*, Adam Fforde and Steve Seneque, 40pp.

SEA 94/4 *The institutions of transition from central planning: the case of Vietnam*, Adam Fforde, 22pp.

SEA 94/3 *Incentives for exports: the case of the Philippines*, Helen Cabalu, 42pp.

SEA 94/2 *The development experience of the*

Philippines: a case of what not to do, Helen Cabalu, 40pp.

SEA 94/1 *Labour market developments in Indonesia during the New Order,* Chris Manning, 48pp.

SEA 93/6 *Costs and benefits of water supply technologies in rural Indonesia: evidence from Nusa Tenggara Barat,* Frances Perkins, 40pp.

SEA 93/5 *Indonesian health policy into the twenty-first century: the role of demand,* Lorraine Corner and Yulfita Rahardjo, 34pp.

South Pacific

SP 95/2 *The Pacific tuna: towards policies that support sustained investment,* Stephen Pollard, 20pp.

SP 95/1 *Is there a need for a Pacific Islands Development Bank?,* James Mak and Seiji Finch Naya, 30pp. approx.

SP 94/2 *Women and development in Papua New Guinea,* Beatrice Avalos, 24pp.

SP 94/1 *The implications of population growth for Tuvalu,* Habtemariam Tesfaghiorghis, 26pp.

SP 93/9 *Saving behaviour in Vanuatu,* T.K. Jayaraman, 30pp.

SP 93/8 *An analysis of Papua New Guinea's medium term strategy for sustainable growth,* John Asafu-Adjaye, 22pp.

Working papers are A$8.00 each

Asian-Pacific Economic Literature

H.W. Arndt (editor)

ISSN 0818-9935

Vol. 9, No. 1, May 1995

Policy issues

APEC beyond Bogor: an open economic association in the Asian Pacific region, Andrew Elek

Literature survey

Industry policy in East Asia, Heather Smith

Literature survey update

Financial development in Asia: some analytical issues, Maxwell Fry

Annual subscriptions (for 2 issues)

Institutional price	A$100
Developing country/personal price	A$50

Asia-Pacific Profiles 1995

Asia-Pacific Economics Group

Ross Garnaut and Peter Drysdale

A comprehensive source of data on the region, including key economic indicators, foreign investment.

- 420 pages with up-to-date statistics on GDP growth, prices, inflation rates, export and import trends, trade flows, capital flows, social and political indicators, savings and investment, for
- China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Papua New Guinea and the South Pacific, Philippines, Singapore, Taiwan, Asia, East Asia, Thailand, Vietnam, Australia and New Zealand. For the first time, in 1995 a profile was written on India.

Within Australia	A$500
Overseas	US$500

Pacific Policy Papers

ISSN 0817-0444

PPP 13 *Strategies for Melanesian Agriculture for 2010: tough choices,* Euan Fleming and J. Brian Hardaker, 1994, 162pp. ISBN 0 7315 1931 0 A$25.00

PPP 12 *Women's Education and Economic Development in Melanesia,* Ken G. Gannicott and Beatrice Avalos, 1994, 50pp. ISBN 0 7315 1920 5 A$10.00

PPP 11 *Planning the Future: Melanesian cities in 2010,* John Connell and John P. Lea, 1993, 172pp. ISBN 0 7315 1694 X A$25.00

PPP 10 *The Future of Asia-Pacific Economies: Pacific islands at the crossroads?* Rodney V. Cole and Samsak Tambunlertchai (eds), 1993, 360pp. ISBN 0 7315 1678 8 A$25.00

PPP 9 *Pacific 2010: challenging the future,* R.V. Cole (ed.), 1993, 152pp. ISBN 0 7315 1671 0 A$25.00

Pacific Issues Papers

Pacific 2010: strategies for Vanuatu, 1994, 28pp. ISBN 0 7315 1949 3

Pasifik 2010: Vanuatu rod blong fiuja, 1994, 18pp. ISBN 0 7315 1950 7

Pacific 2010: the future, a matter of choice, 1994, 50pp. ISBN 0 7315 1928 0 A$10.00

Pacific Economic Bulletin

Rodney V. Cole and Maree Tait (eds)

ISSN 0817-8038

Vol. 9, No. 2 December 1994

Contents • *Current trends in the South Pacific*, Janaline Oh • *Timber contracting in Melanesia: a system in need of change*, Ron Duncan • *Remittances and savings in migrant-sending countries*, Richard P.C. Brown and John Foster • *Is there a need for a Pacific Islands Development Bank?*, James Mak and Seiji Finch Naya • *The politics of economic policy stability in the Pacific islands*, Peter Larmour • *Policy discipline from outside?*, Savenaca Siwatibau

Subscriptions (2 issues, postage paid)

Australia	A$25.00
All other countries	US$20.00
Single issues	A$12.50
Back issues	A$10.00

***Pacific Economic Bulletin* Vol. 10(1)**
Special issue on the
Papua New Guinea economy

National Centre for Development Studies

Books

NC 8 *The Thai Economy in Transition*, Peter Warr (ed.), 1993, Cambridge University Press, Sydney, 488pp. ISBN 0 521 38186 x A$65.00

NC 7 *The European Community and the Developing World*, Enzo R. Grilli, 1992, Cambridge University Press, Sydney, 408pp. ISBN 0 521 38511 3 A$65.00

NC 6 *Disarray in World Food Markets: a quantitative assessment*, Rodney Tyers and Kym Anderson, 1992, Cambridge University Press, Sydney, 470pp. ISBN 0 521 35105 7 A$59.95

NC 5 *The China-Hong Kong Connection: the key to China's open door policy*, Yun-Wing Sung, 1991, Cambridge University Press, Sydney, 198pp. ISBN 0 521 38245 9 A$45.00

NC 4 *New Silk Roads*, Kym Anderson (ed.), 1992, Cambridge University Press, Sydney, 272pp. ISBN 0 521 39278 0 A$59.50

NC 2 *Achieving Industrialization in East Asia*, Helen Hughes (ed.), 1988, Cambridge University Press, Sydney, 396pp. ISBN 0 521 35129 4 A$65.00

Chinese Students' Conference Proceedings

CPRO 5 *Chinese and East Asian Economies in the 1990s*, Papers presented at the annual conference of the Chinese Economic Association at the Australian National University, 30 November to 1 December 1993, Guonan Ma, Xin Meng and Shujuan Lin (eds) 1994, 220pp. ISBN 0 7315 1937 X A$15.00

CPRO 4 *Chinese Economy in Transition*, Papers from a workshop of the Chinese Students' Society for Economic Studies (Australia) held at the University of Adelaide, 12-13 November 1993, Yanrui Wu and Xhaohe Zhang (eds), 1994, 180pp. ISBN 0 7315 1703 2 A$15.00

Volumes are also available for 1989, 1990 and 1992.

Australia–Japan Research Centre

Monographs

AJRC 22 *Corporate Links and Foreign Direct Investment in Asia and the Pacific*, Edward KY Chen and Peter Drysdale, HarperEducational 1995 318pp. paperback ISBN 0 06 312178 6 A$44.95

AJRC 21 *Asia Pacific Regionalism: readings in international economic relations*, Ross Garnaut and Peter Drysdale (eds), A-JRC/HarperEducational Publishers, Sydney, 452pp. ISBN 0 06 3121 40 9 A$39.95

AJRC 20 *Wool in Japan: structural change in the textile and clothing market*, Christopher Findlay and Motoshige Itoh (eds), A-JRC/HarperEducational Publishers, 1994, 206pp. tables, figures, bibliography, index, paperback ISBN 0 06 312162 X A$34.95

AJRC 19 *A Life in Economic Diplomacy*, Saburo Okita, A-JRC, 1993, 194pp. photographs, index
ISBN 0 86413 14 0 hardback A$29.95

AJRC 18 *Pacific Dynamism and the International Economic System*, C.Fred Bergsten and Marcus Noland (eds), 1993, 400pp.
ISBN 0 88132 196 6 $35.95

AJRC 17 *Pacific Coal Trade in the 1990s: energy or environmental priorities*, Paul Parker (ed.), 154 pp.
ISBN 0 86413 139 9 A$25.00

AJRC 16 *International Adjustment and the Japanese Firm*, Paul Sheard (ed.), 1992, 272pp.
ISBN 1 86373 418 X paperback A$29.95
ISBN 1 86373 417 1 hardcover A$44.95

AJRC 15 *Economic Reform and Internationalisation: China and the Pacific region*, Ross Garnaut and Liu Guoguang (eds), 1992, 418pp.
ISBN 1 86373 335 3 paperback A$29.95
ISBN 1 86873 328 0 hardcover A$44.95

Pacific Economic Papers

ISSN 0728-8409

PEP 241 *US trade policy towards the Asia Pacific region in the 1990s*, John Kunkel, 1995, 32pp.

PEP 240 *A simple model of main bank monitoring in Japan*, Luke Gower, 1995, 20pp.

PEP 239 *The impact of economic reform on technical efficiency: a suggested method of measurement*, Peter Drysdale, KP Kalirajan, Shiji Zhao, 1995, 28pp.

PEP 238 *Price flexibility in Japan, 1970–92: a study of price formation in the distribution channel*, Kenn Ariga and Yasushi Ohkusa, 1994, 28 pp.

PEP 237 *Political economy of the large-scale retail store law: transforming 'impediments' to entering the Japanese retail industry*, Takashi Terada, 1994, 32pp.

PEP 236 *A microeconomic model of Japanese enterprise bargaining*, Akira Kawaguchi, 1994, 36 pp.

PEP 235 *Building a multilateral security dialogue in the Pacific*, Liu Jiangyong, 1994, 40 pp.

PEP 234 *Changing patterns of world trade and development: the experience from the 1960s to the 1980s*, Ligang Song, 1994

PEP 233 *Taiwan's industry policy during the 1980s and its relevance to the theory of strategic trade*, Heather Smith, 1994

PEP 232 *Why is Japanese working time so long? Wage working time contract models*, Akira Kawaguchi, 1994

Annual subscription rate for twelve issues

Individuals	A$60
Institutions	A$100
Cost for single issues	A$15
Cost for single issues for students	A$10

Orders

Books, journals and working papers are available from

Bibliotech
Reply Paid 440
Canberra ACT 0200 Australia
(FAX order follows)

To place a standing order for series or journals, write 'SO' in the quantity column and we will invoice you. Postage and packing charges are added to orders as follows

Australia	1st book $4.80, each additional book A$3.00
Asia/Oceania (airmail)	1st book A$7.80, each additional book A$4.00
Elsewhere (airmail)	1st book A$11.70, each additional book A$8.50

National Centre for Development Studies
Research School of Pacific and Asian Studies
The Australian National University

FAX ORDER

Fax number: (+61-6) 257 5088
To: **Bibliotech, ANUTECH Pty Ltd**
Attention: **Manager**

From:

Organisation:

Telephone:

Fax:

Address:

Code	Author/short title of publication/series	Qty	Price/copy	Total price
			Postage/packing	
			Total	

Charge my
Mastercard ☐ Visa ☐ American Express ☐ Bankcard ☐

Number .... Expiry date ....

Name .... Signature ....

Please make cheques payable to Bibliotech
To pay by cheque or bankdraft please forward to:
Reply Paid 440 Bibliotech Canberra ACT 0200 Australia

Economics Division Working Papers are divided into streams

- **Development Issues**
- **East Asia**
- **South Asia**
- **Southeast Asia**
- **South Pacific**

Working Papers A$8.00 plus postage

Order from:

Reply Paid 440
Bibliotech
ANUTECH Pty Ltd
Canberra 0200
Australia

Tel (61 6) 249 5662
Fax (61 6) 257 5088

Economics Division
Research School
of Pacific and
Asian Studies
The Australian
National University
Canberra 0200
Australia

ISSN: 1038-412X