

The Pacific limits to growth

by Steve Pollard

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Gusts of wind before Cyclone Pam hit Vanuatu in 2015 (Salvation Army IHQ/Flickr/CC BY-ND 2.0)

Most Pacific Island countries (PICs) had heady aspirations of self-sufficiency at independence, but the overall outcome after four or more decades has **commonly** been less self-sufficiency and a greater dependency on aid. The repeatedly low ratings recorded in individual project **evaluations** undertaken by development partners reflect the overall macroeconomic paradox of relatively high per capita levels of aid and low rates of economic growth. More and more expenditure on infrastructure and other public investments, loans, grants, and training and advisory programs have not yielded the promised development outcomes. Some of these same poor investments have been renewed every five to ten years despite their lack of viability. PIC development would appear to be caught in something of a catch-22, where poor development outcomes sustain the need for continued development assistance that frequently continues to under-deliver.

While PIC development aspirations must be tempered by the size of the overall challenge, including the consequences of disasters and climate change, there are individual **examples** of successful development throughout the Pacific. The real development challenge would therefore appear to be in sustaining, replicating and otherwise building upon these individual successes.

There are many reasons for disappointing results. Some theorists postulate that the PICs' difficult geography, and the impacts of regular disasters, can only lead to poor development outcomes. Others point to cultural impediments. The continuance of development programs might imply that the PICs just need more; more investment, skills, knowledge, and more time. It has also been argued that stronger institutions and better policies could lift development outcomes, whatever the physical, social, cultural, and educational endowments. Indeed, investments will most likely always yield less without the right policy incentives. And policies cannot deliver the desired outcomes without supportive institutional settings, including political support for good governance. Below, I highlight both key challenges that confront PICs in their quest for growth, and responses that are available to address these challenges.

They include:

Political capture

Challenge: Political capture of the policy and institutional process, political and social opposition to better policy, and the inevitable trade-offs between differing economic, social, cultural, environmental, and other development objectives. The nature of the isolated, small and close-knit communities throughout the Pacific may intensify these challenges, which are common to many countries.

Positive model: The example of Samoa gives hope that a way forward can be found. It has taken years, but through a gradual strengthening of public finance management, audit, debt management, and years of participatory strategy formulation, the government has managed to build donor confidence in its governance structures. Stakeholders, including development partners, have signed on to a “Joint Policy Action Matrix” whereby donor budget support is provided to underpin the implementation of further policy reforms (see [here](#)). Other PICs are now trying to replicate this effort.

Public awareness

Challenge: The lack of public awareness of the importance and potential of better policies and stronger institutions also applies to all countries. One of the few recommendations Acemoglu and Robinson make in *Why Nations Fail* in support of institutional development is to support participation. This has historically worked well in the PICs (see examples from the [Marshall Islands](#), [Fiji](#), [Nauru](#), [Samoa](#) and [Vanuatu](#)).

Positive model: Enhanced advocacy at regional and national levels is required, and special mention should be made here of the beneficial work of the Pacific Institute of Public Policy.

Challenge: Improving policy and supporting institutions can often take many years, perhaps decades; the short-term nature and changing focus of international development assistance can compound domestic constraints.

Positive model: Australia’s “Governance for Growth” program and the multi-donor funded Private Sector Development Initiative stand as good examples for the provision of development assistance. However, the region needs a Public-Sector Development Initiative underpinned by an honest and [realistic dialogue](#) between partners and PIC governments on [what is possible](#) and how development assistance could best assist.

Limited capacities

Challenge: Limited executive capacities, both in breadth and depth, in PICs; although professional social, cultural, environmental, and economic policy and planning skills do exist throughout the region, few PICs have the critical mass of these resources to replicate all these skills in one centralised national planning office.

Positive model: A solution may involve the establishment of a policy planning committee rather than a central office; such executive Development Sub-committees served many PIC governments well in the years soon after independence.

Challenge: While there is now a plethora of information from census, demographic and health surveys, household income and expenditure surveys, employment surveys and provident funds there is often limited capacity to analyse and use the data as evidence to underpin and back up policy.

Positive model: An institutional strengthening project assisted the Samoa Bureau of Statistics to build capacity to use all these sources to maintain the only quarterly GDP estimates in the region; the need to report on the SDGs adds to the urgency of building statistical capacity in the region. Making data available to researchers would also help to improve the evidence base for PIC governments, at little additional cost.

The need for simpler methodologies

Challenge: Weak links between policy, planning and budget processes, limited evidence-based analyses and the lack of prioritisation all follow from all the above concerns; and very few PIC planning offices have the capacity to conduct time-consuming, complex and heavily qualified cost-benefit analyses.

Positive model: Alternative approaches and methodologies could include: (i) A one-page design and monitoring framework for each sector to replace lengthy discourses in the form of sector plans; (ii) simple “traffic-light” assessments of proposed investment contributions to major development objectives; and (iii) simple monitoring and evaluation frameworks linking policies, plans and budgets, all using the same outputs and outcomes.

Overcoming the challenges and pursuing the positive models outlined here will likely require decades of combined support from both domestic governments and development partners. Without this support, growth and development will continue to be limited.

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With all due deference to the book 'Limits to Growth' by Dennis Meadows, Donella Meadows, Jørgen Randers and William W. Behrens III. This blog is a development of 'Making aid to Pacific Island countries more effective', a paper presented at the 2017 Pacific Update. The paper was authored by David Abbott, Tony Hughes, Garry Wiseman and Stephen Pollard.

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