Governance in the Pacific

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Starting Point: Countries differ greatly in terms of social organisation

I. Communal (common ownership, i.e., no individual property ownership; hierarchial power structure)
II. Dictatorial/Feudal/Kingships (privileged property ownership)
III. Capitalist (freedom of individuals to own property)

Do these social organisations differ in terms of performance? Yes. Capitalist societies far outperform others because of the freedom to appropriate the gains from individual initiative.

Do they differ in terms of institutions, i.e., ‘rules’ of society? Yes

Constitutional/electoral rules
Judicial rules (dictatorial vs independent judiciary)
Protection of property rights, contract enforcement (difference largely in terms of the impartiality of enforcement)

What do we see in the Pacific in terms of social organisations?

Pacific island countries are a mix of communal/capitalist and communal/dictatorial societies; mainly communal in the rural areas with a small capitalist urban overlay.

Turning to Governance: Is it just bad economic management or ‘bad government’ more broadly?

Or is it mostly corruption (grand corruption)?

Or mainly difficulties arising from the ‘clash’ of social organisations, or inappropriate institutions for the social organisations in the PICs?

Let’s look at these in turn:

I. Poor economic management. Usually shows up in terms of large fiscal deficits. May be due to poor management skills or corruption (‘over-tendering’ the main means of transferring public money to private hands). It is often hard to tell the difference between the two. Sanctions against politicians and bureaucrats for misbehaviour are rarely applied.

Mismanagement of state-run financial enterprises (provident funds, trust funds, development banks) or public utilities. Bad management of provident funds and trust funds is often in the form of on-shore investment of the
provident and trust funds (i.e., no risk diversification). But this problem may be due to political intervention. Development banks often not subject to good prudential supervision, which results in poor lending practices. Again, hard to differentiate between bad management and corruption.

None of these instances of bad governance has anything to do with culture (‘Pacific Way’), or a clash of social organisations or inappropriate institutions. Pure and simple, it is either poor skills or misappropriation of public funds by their trustees.

How can these problems be overcome?

Poor skills – training; but there must also be a heightening of expectations on the part of the public for good public services (and should find culturally-acceptable ways of rewarding good public service). The public should be informed of the budget allocations to the different areas and have the expectation that they should see the budgeted services delivered.

Corruption – transparency and accountability must be enhanced. Again, there must be heightened public expectations about transparency and accountability. The media can play an important role in enhancing transparency and enforcing accountability (it should be free of political interference, which is not the case in all PICs). However, despite the free media in Fiji and PNG, there appears to be limited public attention on the major financial scandals and instances of bad bureaucratic performance. There is the world-wide political practice of diverting attention through the use of political, ethnic, or other arguments.

There is a good deal of academic literature examining the question: ‘Why do we continue to elect corrupt politicians?’

However, this is the wrong question!

The politicians and bureaucrats respond to the incentives and sanctions that they face. There is increasing research evidence that access to ‘pots of gold’ from certain natural resources (oil, minerals, logs, fish) create incentives for political effort to gain control over them. As a result, these types of economies are very slow to move to what might be called ‘competitive industrialisation’, i.e., neutral policies that allow a country to exercise its comparative advantage. Resource-poor countries have no choice but to move in this direction.

Unfortunately, aid is just another ‘pot of gold’, and faces the same problem of political activity to gain control over it. Such activity is often hidden because of the ‘fungibility’ of aid.

However, there have been a few success stories with resource-rich countries (Botswana, Chile, Malaysia). The really important research is to learn what incentive structures are in place that lead to such success. These countries still have ruling elites and considerable political intervention and corruption, but their actions lead to benefits for all society. Aid will not be successful until we have the answer to this question.
There is still the question of the appropriateness of institutions in the PICs. Many of the existing institutions have been imported from mature, capitalist societies. Trying to fit these within a largely communal social organisation may be causing some of the governance problems that the countries are experiencing. There is need for research on the best institutional and governance designs for each of the PICs. We need to understand how people in the PICs understand concepts such as governance, transparency, accountability, and corruption.