

**Dev Net 2016**

**THE PACIFIC ISLANDS:  
NEW THINKING FOR A  
NEW DEVELOPMENT ERA**

***Robert Picciotto***

# **The Pacific Island Countries (PICs) face unique and diverse development challenges**

No other region in the world faces  
so many development constraints  
or evokes so many contrasting  
views about economic and social  
policy directions

# The PICs are small, remote and scattered...

- Except for PNG (8.2m people) they are very, very small: from 2,000 (Niue) to 867,000 people (Fiji)
- The average PIC is the 197th most remote country in the world (out of 218)
- 4,300 atolls and islands cover a land area of only 0.5 m sq. km scattered over 180 m sq. km of ocean

## ... which translates into massive geographical disadvantages

- **Smallness** = narrow markets; weak competition; no economies of scale; vulnerability to price cycles; scarce land; high share of government expenditure to GNP
- **Remoteness** = unreliable, costly, delayed trade; fragmented cargoes; high storage costs
- **Fragmentation** = isolation; high internal communication and transaction costs

# **To top it all, the region is very exposed to natural disasters**

- Since 1950, they have affected 9.2 m people causing about 10,000 deaths and costing around US\$3.2 b
- Population pressure and climate change will increase vulnerability to floods, droughts, tropical cyclones, tsunamis, earthquakes and volcanic eruptions

# Extraordinary diversity: no one size fits all...

- About 1,200 distinct languages are spoken
- GDP per capita ranges from \$1,700 (Kiribati) to \$16,300 (Palau).
- Out of nine PICs ranked by the UN in their Human Development Index, two are in the low category; three in the middle category and four in the high category

# The post 2015 SDGs, while unwieldy, are relevant to the PICs

- **Environmental sustainability threats:** resource depletion; declining bio-diversity; damage to coast lines; ecosystems endangered ... and potentially catastrophic sea level rise looming in five PICs
- **Social sustainability threats:** ‘youth bulges’; limited employment opportunities; sundry natural resource curses, rising inequality; governance dysfunctions

# **Economic and social performance has been disappointing**

- 10 of the 14 PICs did not achieve most of the Millennium Development Goals
- This implies a backlog of unfinished business in health, education and gender...
- ... while facing up to a rise in non-communicable diseases, an education quality crisis and accelerated climate change



# Dealing with the backlog

- **Health:** NCDs are now the leading cause of death due to excessive tobacco and alcohol use; physical inactivity; and poor diets
- **Education:** poor literacy and numeracy outcomes; management and coordination problems; untrained teachers; irrelevant curricula; weak labour market linkages
- **Status of women:** low levels of political representation; poor working conditions; violence; sexually transmitted diseases; poor access to land and property rights

# **Better disaster preparedness is also needed**

Warning systems should be strengthened and preventive and adaptive measures taken requiring investments in agriculture, coastal protection, flood protection and water resources management as well as compliance with stricter building standards

# Traditional sectors offer untapped opportunities

- *Agriculture*: diversification of farming systems; emphasis on sustainable use; tree crops
- Research based, sustainable *social forestry*
- *Pacific fisheries*: sustainable management; regional cooperation; aquaculture
- *Tourism*: potential for transformative economic growth
- *Mining*: stricter compliance with social and environmental safeguards

# Policies matter too ... but which policies?

- **The standard neo-liberal model:** no tariffs or trade restrictions; small government; individual land ownership; privatized public enterprises; relaxed labour regulations; etc.
- This *laissez faire* policy mix would have adverse social consequences and, being export led, may not work in these small, remote and vulnerable island economies

# Three other policy vectors need consideration

- More *migration* acting as a safety valve to population pressure would also generate much needed remittances
- Harnessing *foreign direct investment* (FDI) under appropriate regulatory frameworks has so far been a missed opportunity
- Improved *aid effectiveness* would generate rich dividends: it currently amounts to \$469 per capita per year

## These coping mechanisms have inspired alternative policy mixes

- **MIRAB:** “keep the Migrants moving; the Remittances networks functioning; the Aid flowing and the Bureaucrats operating”
- **SITE:** use weather, smallness, and remoteness as assets for transformative tourism
- **PROFIT:** use PICs’ jurisdictional and diplomatic assets to create profitable links favouring P (people); R (resource management); O (overseas engagement); FI (finance); and T (transportation)

# Each PIC is a special case: pick and choose?

- The policy mix should take account of each PIC's historical, cultural, political, and environmental circumstances
- Better governance, and stronger accountability on both sides of the development cooperation relationship would make a difference
- Exploration of **alternate pathways** to prosperity should also have its place

# Four alternate pathways that add up to a new model: SEDIS

- Pathway#1: mobilize Social investing
- Pathway#2: promote small and medium Enterprises
- Pathway#3: explore Deep sea mining opportunities
- Pathway#4: invest in Information Services



# Pathway #1: Social investing

- Pacific values emphasize respect for nature, local action, and community solidarity
- Strengthened relationships between Pacific social enterprises and impact investors would channel resources towards social goals
- Innovative funding of market led social interventions brings together charitable foundations, ethical investors, and social entrepreneurs, e.g. through *Pacific Impact Bonds*

## Pathway #2: Small and Medium Enterprises

- Globalization, technological change and increased labour costs in Pacific Rim countries may open opportunities for light manufacturing - taking advantage of manufacturing process 'unbundling'
- This implies flexible labour markets; decline in the cost of doing business; better vocational training; and public private partnerships

## Pathway #3: Deep sea mining

- Improved technologies and global demand for gold and rare earths have created strong investor interest
- The rewards are large but so are the risks: destruction of ocean floor habitats; sediment; pollution; impact on fisheries; etc.
- Responsible deep sea mining will require a sophisticated regulatory regime and highly specialized technical expertise

# Pathway #4: Invest in Information Services

- Ride the IT wave through easy access to technology; competition; and strategic investments in submarine cables, e-government and targeted applications
- Emulate other developing countries and specialize in cost efficient back office services, call centres, etc.

**THANK YOU FOR YOUR  
ATTENTION..**

**Questions or comments?**