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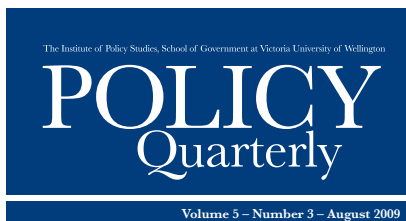
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Editorial Note

In September 2000, at the dawn of this new millennium, 189 world leaders gathered at the United Nations in New York and adopted the *Millennium Declaration*. The leaders resolved to:

spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want.

More specifically, the leaders committed their nations to fulfilling the following objectives:

- To halve, by the year 2015, the proportion of the world's people whose income is less than US\$1 a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water.
- To ensure that, by the same date, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling and that girls and boys will have equal access to all levels of education.
- By the same date, to have reduced maternal mortality by three quarters, and under-five child mortality by two thirds, of their current rates.
- To have, by then, halted, and begun to reverse, the spread of HIV/AIDS, the scourge of malaria and other major diseases that afflict humanity; and
- To provide special assistance to children orphaned by HIV/AIDS.

Undoubtedly, these Millennium Development Goals (MDGs) are bold and laudable. But are they realistic and achievable? Are they more than fine words and noble intentions?

It is now more than half way to 2015. It is thus appropriate to pause and assess what progress has been made towards realizing the MDGs, what more needs to be done, and what lessons have been learned thus far. Moreover, it is appropriate for those living in the South Pacific to consider the regional dimension - what progress has been made in this part of the world, what challenges remain, what are the barriers to progress and how might these be overcome? Such questions are especially relevant in New Zealand at present given the National-led government's recent, and controversial, decision to redirect this country's international aid policy away from its focus on 'poverty alleviation' and towards 'sustainable economic growth'.

In order to explore the various issues surrounding the MDGs, the Institute of Policy Studies hosted a major conference in Wellington in mid March 2009, with speakers and delegates from many parts of the world, especially the South Pacific. Four of the substantive contributions to this conference are included in this issue of *Policy Quarterly*, and many of the other papers will be published shortly by the Institute in an edited volume.

First, John Overton reviews how New Zealand's international aid policy has changed over recent

decades (especially in relation to the South Pacific), assesses the impact of the focus on poverty reduction during past decade, and explores the possible implications of the recent policy changes. Next, Vijay Naidu provides a comprehensive overview of progress towards meeting the MDGs in the South Pacific. In so doing he highlights both the successes and failures, identifies some of the obstacles preventing further progress, and suggests how achieving the MDGs might be speeded up. While Professor Naidu addresses the big picture, the contribution from Will Parks gives particular attention to the needs and welfare of children in the South Pacific - focussing especially on the fourth MDG (to reduce child mortality) and the fifth MDG (to improve maternal health). Finally, Barry Coates assesses the various strategies available for encouraging economic development (and development of an appropriate *kind*), and explores some of the wider issues facing the small island developing states of the South Pacific, such as the challenge of climate change.

The overall conclusion from these contributions is that while some significant advances have been made towards meeting the aspirations of the Millennium Summit, much work remains to be done, most notably in that part of the South Pacific which accounts for the bulk of the population - Melanesia. To compound problems, the evidence suggests that the current global recession will exacerbate poverty and undermine social well-being over the next few years. In short, realising all the MDGs by 2015, certainly in this part of the world, is highly improbable.

The final four contributions to this issue of *Policy Quarterly* cover a diverse set of issues. Related to the issue of poverty and economic development in the South Pacific, Paul Callister, Juthika Badkar and Jessie Williams examine the likely future demand in New Zealand for domestic workers and caregivers for the elderly, and assess the implications of meeting some of this demand through relying upon low-skill migration, especially from the Pacific. Next, Kerry Hunter provides an American perspective on New Zealand's flexible constitution, egalitarian political culture and democratic ethos, and cautions against this country adopting a constitutional framework similar to that in the US. Moving from grand designs to the more specific challenges of policy implementation, Ruth Herbert considers the enduring problem how to translate ambitious government strategies into practical and effective policies, giving particular attention to the complex, inter-agency task of reducing family violence. Finally, with the recent global financial crisis and economic downturn still fresh in our minds, David Rea examines recent trends in New Zealand government revenue and expenditure, and reflects on how this country's performance compares with our counterparts across the OECD.

Jonathan Boston

Reshaping Development Aid: Implications for Political and Economic Relationships

New Zealand's relationship with its Pacific Island neighbours stretches back centuries, being characterised by movements of people, ideas, commodities, services and finance. It has been a reciprocal and dynamic relationship. Aid from New Zealand to Pacific Island states has been but one of its elements and one that has existed by that name only in the last 50 years or so. Yet it has proved to be one of the most volatile in terms of changing policies and priorities and it is presently under another phase of review.

This article outlines the ways in which New Zealand aid has changed over recent decades and has both reflected and shaped the nature of New Zealand's official relationships with the Pacific region. It examines in some detail the poverty focus of aid in the past decade, and then analyses the possible implications of recent policy changes.

Table 1: Summary of New Zealand aid to the Pacific region

	Aid principles	Aid modality
pre-1960	colonial relationships	costs of administration
1960s	decolonisation	budget support
1970s	welfare, infrastructure and rural development	budget support and projects
1980s		more project aid
1990s	structural adjustment	project aid
2000s	poverty alleviation	move to SWAps
2010-	sustainable economic growth	??

From colonies to 'aid partners'

In 1901 New Zealand became a colonial power in the Pacific region, when the authority and responsibility for governing the Cook Islands was transferred from Great Britain. Niue and the Tokelau Islands were added, and it then gained a League of Nations mandate over (then) Western Samoa from Germany following the First World War. The administration of these territories required support from New Zealand, although local sources of revenue were increasingly developed. Trade expanded. The territories were only a small market for a few New Zealand and Australian enterprises, and exports from the islands, mainly of tropical fruit products, began to appear in New Zealand. Much more significant Pacific Island exports to New Zealand came not from these dependent territories but from two sources: phosphate from Niue and sugar from Fiji. For many years these two products sustained a significant trade imbalance in favour of the Pacific Islands.

'Aid' did not feature as part of the colonial relationship. Rather, expenditure by New Zealand in the region to support its administration and, increasingly after 1945, to provide

basic health, education and infrastructure was seen as a part of the country's responsibilities as a colonial power. But the territories began to move towards independence, starting with Samoa in 1965. Also, as the former territories of Great Britain (Fiji, Solomon Islands, Kiribati and Tuvalu, as well as the nominally independent Kingdom of Tonga) began to seek new sources of support, New Zealand and other metropolitan countries began to fashion aid policies for the region.

Early New Zealand aid policies in the Pacific, from the 1960s to the 1980s, were shaped by two main approaches. The former (Samoa and the Cook Islands) and continuing (Niue and Tokelau) territories received the largest share of aid and most went to general budget support, part of a transition which saw the everyday cost of government and development activities within it (schools, roads, health facilities) met in part by the departing colonial power. This included the cost of hiring New Zealand staff in certain departments where local staff were not available. There was a gradual swing from general budget support to specific projects, but the grant to the Tokelau, for example, continued as a lump sum budget payment throughout the 1980s. Aid, then, was merely a continuation of a colonial responsibility. Elsewhere, aid to Fiji, Tonga and the Melanesian states of Vanuatu, Solomon Islands and Papua New Guinea, although dwarfed by the Australian and (initially) British contribution, focused on specific development projects. These were often in areas where New Zealand felt it had specific expertise to offer, such as the extensive pine plantation scheme in Fiji or a sheep management project in PNG. Both forms of aid began to increase. Particularly following the election of the Kirk Labour government in 1972, aid was seen as an important way in which New Zealand cemented its relationships with the Pacific (and a growing number of South-east Asian countries) and recognised its historical ties and responsibilities to the Pacific region. Aid in real terms tripled in the first half of the 1970s, though it then fell away, largely in response to economic shocks following the oil crises of the decade. Aid to the Pacific was maintained in real terms between 1975 and 1985, thereafter falling until a recovery in the late 1990s.

An annual survey of New Zealand aid in 1982–83 (New Zealand Bilateral Aid Programme, 1982 – see Table 2) reveals an interesting picture of New Zealand aid at the time. Of a total aid budget of around \$76 million (in current dollars), 67.9% went to the Pacific region in various forms but nearly half of this (30.2% of the total aid budget) was support for dependent territories, much of it in the form of budget and other aid for core government services.

The colonial pattern of aid, strongly directed to present and former territories and with a high degree of budget aid, was but a part of a larger set of relationships that shaped these Pacific economies. Bertram and Watters (1985) in the mid-1980s coined the term MIRAB for Pacific Island economies characterised by migration, aid, remittances and bureaucracies. The importance of migration – the ability of Pacific Island people in former territories to enter

Table 2: New Zealand aid in 1982-83

	NZ\$000	%
Pacific bilateral – former & present territories		
Cook Islands	9,887	
Samoa	4,911	
Niue	5,922	
Tokelau	2,162	
Total territories	22,882	30.2
Other Pacific bilateral		
Tonga	3,623	
Fiji	4,995	
PNG	2,696	
Vanuatu	1,064	
Solomon Islands	904	
Other	1,097	
Total other Pacific bilateral	14,379	19.0
Pacific multilateral		
Pacific Island shipping	7,912	
Other	6,255	
Total Pacific multilateral	14,167	18.7
Total Pacific	51,428	67.9
Asia	11,768	15.5
Other bilateral	474	0.6
Misc and education	1,036	1.4
Other multilateral	10,982	14.5
TOTAL	75,688	100

Source: New Zealand Bilateral Aid Programme (1982)

New Zealand as New Zealand citizens or, as in the case of residents of Samoa, on favourable entry terms – is difficult to underestimate. Their access to the New Zealand (and, for some, the Australian) labour market meant that they could send savings home as remittances to relatives or take them back in their pockets when they returned. Migration and remittances contributed a great deal to these economies – often exceeding 30% of national income – and helped maintain relatively high material standards of living. Migration also allowed access to secondary and higher education for many in New Zealand. Although usually smaller as a contribution to national income, the aid part of the MIRAB model provided a critical element. It helped maintain, through support for government budgets, basic

services and welfare and provided significant employment for many in the bureaucracy. Facing very high transport costs and small scale of operation, it had proved difficult for small Pacific Island states to develop viable export economies – the failure of citrus in the Cook Islands and bananas in Samoa bore testimony to this. The MIRAB model seemed to offer an alternative, tying the island states to New Zealand but opening different options for people to gain employment and skills yet enjoy reasonable welfare services.

The MIRAB model could be said to provide a development strategy. Critics might point to the way easy access to the metropolitan labour market or well-paying jobs in local government service led to a high shadow price of labour and a consequent disincentive to engage in local productive enterprises and investment. But, apart from tourism, there seemed little in the local economy that could compete on the global market. Instead, the long period of migration coupled with social investment in education, health and infrastructure (supported significantly by aid) helped create economies that provided a good material standard of living and gave access to reasonable education and health services. Economic growth rates might not have been high, but human development indicators – adult literacy, infant mortality, life expectancy – were very good by developing world standards and poverty rates were low. Food shortages were rare and average incomes sufficient to provide for basic needs. Furthermore, the model also had some benefits for New Zealand. With a reasonable standard of living at home, many people chose to stay there rather than migrate to New Zealand and thus access government services. Aid in some respects, then, was a way of shifting the costs of social reproduction from the education, health and social welfare budgets in New Zealand to the aid budgets of Pacific countries.

However, the model was soon under threat, at least the aid and bureaucracy elements. Following a period of severe public sector and economic restructuring in New Zealand in the later 1980s, the aid budget soon came under scrutiny. Not only was there pressure to cut aid budgets – which occurred in real, if not absolute, dollar terms – but also there was a significant change in the type of aid. The National government of the early 1990s was opposed to the idea of maintaining what it saw as the large inefficient bureaucracies of its aid recipients. Having supported a major reform of the public sector within New Zealand, it was unlikely to leave its neo-colonial recipients unscathed. In this it was in agreement with the other major aid donors to the region such as Australia, the United States and France, as well as with important multilateral donors such as the Asian Development Bank. In concert, the donors began a sharp programme of aid reform. Structural adjustment in the Pacific was enforced through aid. Aid budgets, especially those involving budget support, were slashed. In 1996 – 97 New Zealand allocated

\$11.6 million to the Cook Islands (already a cut from the peak of \$14.3 million in 1991 – 92). A year later it allocated just \$6 million. The local bureaucracy was hit hard, with two-thirds of civil servants made redundant and the rest enduring a 65% pay cut (Stanley, 2004, p.324). Local unemployment rose and many chose to book a flight to Auckland or elsewhere to seek work there. The resident population of the Cook Islands fell from 19,103 recorded in the 1996 census to 18,027 in the 2001 census (Cook Islands, 2008), although some reports recorded that nearly 4,000 Cook islanders left the country between 1996 and 1999 (Stanley, 2004, p.324).

This neo-liberal reform of aid in the 1990s was also accompanied by a change in justification for aid. Mention of poverty alleviation was largely absent and there was an explicit recognition that aid could boost the New Zealand economy by promoting economic growth and trade as well as providing opportunities for New Zealand consultants and education providers. New Zealand was ‘doing well out of our doing good’, as the Foreign Affairs Minister Don McKinnon

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put it in 1995 (Scheyvens and Overton, 1995). Yet whilst the New Zealand aid programme adopted the contemporary concerns for gender and sustainable development that were being promoted by the Development Assistance Committee (DAC) of the OECD, it was slow in recognising the trend towards adopting poverty alleviation as the principal goal of development aid. This goal was widely adopted by agencies such as the World Bank and by aid agencies in the United Kingdom and Australia (Storey et al., 2005). Poverty alleviation was widely adopted for several reasons. Firstly, widespread poverty was regarded as a cause of both political and social instability. Secondly, it was believed that by alleviating poverty and engaging the poor more in economic activity, overall economic growth and trade would be encouraged. Lastly, domestic political pressures in developed countries, through campaigns such as ‘Live Aid’ and ‘Make Poverty History’, have likely influenced not only increases in aid budgets but also the more explicit concern for poverty.

In the late 1990s New Zealand began to catch up with these international trends. Following strong submissions by the NGO community (Davenport and Low, 1999), a review of the aid programme led to a major shift, principally involving

the creation of a semi-autonomous aid agency (NZAID) and the adoption of the poverty focus as the agency's mission statement (Ministry of Foreign Affairs and Trade, 2001). The move was seen as a way of clearly separating the diplomatic and trade goals of the Ministry of Foreign Affairs and Trade from the poverty alleviation goals of NZAID, and as a way of building expertise in aid and development rather than using non-specialist diplomatic staff to run the aid programme. It marked a shift also from the heavy-handed use of aid to enforce economic reform evident in the 1990s to the adoption of the rhetoric (at least) of joint actions of donors and recipients to address issues of poverty through the notion of 'partnerships' in aid.

New Zealand aid and poverty in the Pacific Islands

The new poverty focus soon had implications for the direction and nature of New Zealand aid in the Pacific. Firstly, it led to a recognition that New Zealand's former major recipients (countries such as Samoa and the Cook Islands) did not rank highly in indicators of poverty. Thanks to the long-term support for the government sector and investment in education and health, human development indicators for these countries and others such as Tonga and Fiji that had high aid levels and reasonably high migration rates (Tonga) or a viable export economy (Fiji, with sugar) were respectable by international standards (Table 3). By contrast, those larger Pacific Island countries that had enjoyed only low per capita aid and, critically, did not face ready migration options (Papua New Guinea, Solomon Islands, Vanuatu) fared badly with indicators of poverty and underdevelopment. In addition, the adoption of the Millennium Development Goals by the region's donors and recipients also highlighted the great differences in poverty indicators across the region, and revealed the pressing need for serious and immediate action to address issues such as the extremely high rates of maternal and infant mortality and the very low rates of primary school attendance and adult literacy in Papua New Guinea and the Solomon Islands.

Furthermore, following the 9/11 attacks and the terrorist bombings in Bali in 2002, these same countries seemed to pose a threat, to Australia in particular, because their governments appeared fragile, being threatened by high

levels of corruption, internal separatist movements, general disorder and a weak revenue base. There was a fear that these potential failed states in Melanesia could become a base for terrorism or that their collapse could result in high numbers of refugees to Australia and New Zealand.

For New Zealand, there were immediate consequences. There was substantial support for the Regional Assistance Mission to Solomon Islands (RAMSI) when that state threatened to disintegrate in 2003. And as NZAID reviewed its priorities, shifts began to occur. Aid levels in absolute if not real dollar terms were maintained to the Cook Islands, Samoa, the Tokelau and Niue, but substantial increases were recorded to Papua New Guinea and the Solomons. Between 2000 and 2006 aid to the Solomon Islands increased from \$5.8 million to \$22.1 million and to Papua New Guinea from \$11 million to \$17.6 million. In 1995 the top three recipients of New Zealand's bilateral aid had been (in order) the Cook Islands, Niue and Samoa. In 2006 these were replaced by Solomon Islands, Papua New Guinea and Indonesia. Explicitly, the poverty agenda had brought about this shift, but implicitly security concerns also weighed heavily.

As well as changes to the quantity and direction of aid, the early 2000s began to see a significant shift in the type of aid. Project-based aid with fixed cycles, objectives and outputs suited some forms of development, such as the building of infrastructure, but not others, where long-term outcomes such as improvements in health and education indicators were desired. Also, concerns were expressed after audit reports revealed the difficulty of maintaining tight financial management over a large number of projects in many locations with a range of partners, from both government and civil society. More globally, concern about aid effectiveness led to the Paris Declaration on Aid Effectiveness in 2005, to which New Zealand was a signatory. This strengthened the partnership principle by promoting the concept of recipient 'ownership' of development. This, in effect, gave a much more prominent role to recipient governments for it was they who had to articulate poverty reduction strategies. It also became apparent that they had to put in place financial management systems that donors could work with and so be more confident that their aid cheques were not being siphoned off by corrupt officials.

Table 3: Human development indicators in the Pacific, 2007

	HDI ranking (of 179)*	Population (2007)	Life expectancy at birth (2006)	Adult** literacy rate (2006)	Education enrolment ratio*** (2006)	GDP per capita PPP (2006)
PNG	149	6320,000	57.0	57.3	40.7	US\$1950
Solomon Islands	134	500,000	63.2	76.6	49.7	1586
Vanuatu	123	230,000	69.6	77.3	62.3	3481
Fiji	103	840,000	68.5	71.5	71.5	4548
Samoa	96	190,000	71.1	98.7	74.1	3828
Tonga	85	100,000	73.0	99.2	78.0	3677

* where 179 is the lowest ** age 15+ *** combined gross primary, secondary and tertiary enrolments

In practice, the Paris Declaration, embraced by most major aid agencies, has signalled a shift from project to programme aid, meaning longer-term commitments and a focus on larger-scale development outcomes, basically defined by the Millennium Development Goals. Larger aid donations, the poverty focus and a concern for rigorous audit trails have also reshaped aid channels so that, in a reversal of 1990s neo-liberal policy, aid has aimed to strengthen and support recipient state institutions as the key development agents. Governments can be assisted to improve their financial management systems, they can work with very large-scale and long-term programmes and they can be held accountable. Furthermore, these efficiency-based arguments for reconstructing recipient states has neatly corresponded with a post-9/11 concern to strengthen states and have them support efforts to prevent or curb terrorism.

New Zealand again has followed this trend. As it has moved more to Melanesia as a priority region, it has started to develop Sector Wide Approaches (SWAs), negotiating with governments so that they devise a strategy for, for example, primary education or rural health services, which are then agreed to and largely financed by New Zealand aid. SWAs are generally seen as the first step to developing mature and strong donor-recipient relationships so that, in time, donors can consider General Budget Support (GBS), in effect writing very large cheques to support the general costs of government services. It is a long process to develop such relationships, which require rigorous and transparent financial disbursement systems and close agreement over the long-term development strategies and policies. Once in place, there are clear advantages for both sides. There is a reduction in the transaction costs of aid and large sums can be committed on a long-term basis with lower overheads (compared to very large numbers of discrete projects), all in the hoped-for knowledge that the strategies are contributing significantly and measurably towards poverty alleviation.

For New Zealand, the move towards SWAs has begun and, although GBS may be some distance away, there are signs of an ironic return to the old system, whereby New Zealand aid was given mainly to a small number of Pacific countries to develop and support their government-provided services and provide good standards of living for their populations. And, given the evident success of this approach over several decades, as seen above in the favourable human development indicators in Samoa and the Cook Islands (albeit alongside the critical element of relatively open migration), it might be expected that similar good development outcomes might be seen in future decades in Vanuatu, PNG or Solomon Islands.

Another change?

Just as this new aid landscape for the region was being put in place, a change of government in New Zealand in late 2008 signalled yet another shift. The incoming government was quick to indicate that it wanted changes in NZAID. The most immediate was the decision to end the agency's 'semi-autonomous' status within the Ministry of Foreign Affairs and Trade and re-integrate the agency more closely within the ministry. Although seemingly just a structural matter, apparently to achieve efficiencies and save administrative costs, it signalled that the new government wanted aid to be closely aligned to the country's wider foreign policy priorities (regional security and trade amongst them) rather than guided by a separate poverty alleviation objective.

Indeed, the strongest new direction given to the agency has been to replace its poverty focus (which was described by Foreign Affairs Minister Murray McCully as 'nebulous') with one concerned with 'sustainable economic development' (McCully, 2009). 'Sustainable' in this sense seems to be more

The aid budget will continue to increase, though not at the rate declared by the previous government. There will be close co-operation with Australia; there will be particular attention focused on the Pacific region; there is likely to be support for air and shipping services; and there will still be commitment to the Millennium Development Goals

about economic growth that can be sustained than about any fundamental adoption of environmentally sustainable growth models (if such models are indeed conceptually possible) as the core guiding principle for aid. This objective, it seems, will be tracked by a new set of indicators, including a reversal of the trade imbalance with the Pacific and tourism numbers. These indicators will be critical for determining the type of aid that results. If it is to be 'economic growth that is sustained', with indicators such as GNI growth rates, trade volumes or tourist arrivals, then it may involve in practice growth strategies that depend on natural resource exploitation (increased logging, mining and fisheries as well as the building of more tourist resorts). On the other hand, if it is to be 'environmentally sustainable development', the indicators should involve longer time frames and strategies should focus more on the protection of biodiversity and careful natural resource management.

Other elements of the emerging new policy include concerns that too much aid is directed at bloated and

'unproductive' bureaucracies in the region (McCully, 2009), that financial management and accountability need to be improved and overheads are too high. This may, in fact, indicate less support for regional NGOs as much as, if not more than, less support for recipient governments. Other signals are a little less ambiguous. The aid budget will continue to increase, though not at the rate declared by the previous government. There will be close co-operation with Australia; there will be particular attention focused on the Pacific region; there is likely to be support for air and shipping services; and there will still be commitment to the Millennium Development Goals (McCully, 2009; Venter, 2009).

These latter statements give some grounds for believing that the changes may not radically alter the trend towards long-term commitment to development programmes in Melanesia through the mechanism of SWAps and the agencies of recipient states. It would surely be unwise, given the government's stated concerns regarding regional security, to abandon efforts to build the capacity and accountability of state institutions in countries such as Solomon Islands and PNG. And this requires long-term involvement.

However, other aspects of the new policies give rise for concern, not just because they may undermine the poverty alleviation goals but also because they may be contradictory and unworkable in practice. Firstly, the rhetoric regarding inefficient bureaucracies on one hand and the need to lower overheads and improve accountability on the other may pull aid delivery in different directions. Working with civil society agencies or governments, inevitably with a project-based approach, may help deliver aid to needy groups in recipient countries but it will involve increased attention and cost to ensure contracts are in place and monitored and that recipient agencies have the capability to work with stringent donor financial systems. After all, with the Paris Declaration and the move to SWAps with government agencies, it was recognised that it was this route that was more likely to deliver efficiencies and greater transparency and accountability.

Secondly, the desire to promote sustainable economic growth raises questions about the ability to identify and measure connections between aid inputs and desired economic outputs. It is one thing to develop programmes that might reasonably link investment in school buildings, equipment and teacher training with improvements in children's school attendance and literacy. It is quite another to identify and measure the impact of aid expenditure on, say, the construction of a remote airstrip on the economic growth rate of a country or its trade deficit or tourism arrivals, given that these are the product of a large and complex set of variables.

Finally, there is a real possibility that a change in the focus of New Zealand's aid may actually run counter to the very national-level foreign policy objectives it seeks to align with. Having the poverty focus subordinate to sustainable economic growth may divert attention from the very real concerns

that exist in recipient countries relating to the marked social inequalities in welfare, income and economic opportunities and the way these contribute to political instability. Economic growth might be promoted but if it only involves – as it has in the past – a narrow élite who can use their wealth to capture political power, then long-term political stability and regional security will be threatened again. Pro-poor growth, which addresses the needs of the poor, protects their assets, builds human capital through access to adequate education and health facilities and encourages broad participation of all in economic activity, builds a much stronger and more resilient foundation for future prosperity and security. Poverty alleviation and economic development are not separate but linked in complex ways. However, a reliance on economic growth, assisted by aid, as a means of alleviating poverty is a contentious strategy that would fly in the face of both international agreements, such as the Millennium Development Goal accord and the Paris Declaration, and even the work of international agencies such as the World Bank. Given the new government's intention to work closely with their Australian counterparts, though, it is unlikely that it will move far to distance itself too openly from such agreements and practices. Thus, although sustainable economic growth will be the visible guiding objective of NZAID, the Millennium Development Goals and the Paris Declaration will remain important operational elements of the agency's work. Furthermore, New Zealand needs to work in concert with other like-minded aid donors, for the increasing influence and largesse of donors such as China and Taiwan who have commercial and diplomatic ambitions in the region may work to undermine the principles and modes of aid delivery employed by most of the international aid community.

Conclusion

In conclusion, a short-term focus on a narrow and contestable range of economic growth indicators is not a good way to measure the success of an aid programme. Instead, the history of New Zealand's aid in the Pacific has demonstrated that it is long-term commitment to building social and human – as well as economic – capital that produces durable, measurable and beneficial development outcomes. Also, it requires concern for supporting both state institutions and civil society and developing relationships that are seen as reciprocal and respectful. Finally, it must be recognised that aid is only one strand of such relationships and that it may not be the most important one in terms of good development outcomes. If New Zealand is to continue to play a constructive role in enhancing development in the Pacific, it must be acknowledged that aid needs to be accompanied by policies for immigration and trade in particular that need to consider the development impacts of such policies in the Pacific as well as in New Zealand.

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No State is an Island

Connected Governance in the South Pacific

by Andrew Ladley & Derek Gill

What is the future of governance in the South Pacific? Will the dominant form of governance in 30 years still be each (micro) state trying to do everything by itself (governing alone)? Have we reached the limits of colonization? Looking ahead, will the two referenda (in 2006 and 2007) on self-government in Tokelau be regarded as the 'high-tide mark' of decolonisation?

In *No State is an Island* Andrew Ladley and Derek Gill explain how instead of 'governing alone' there is some scope for 'governing together' with governments choosing from a spectrum of cooperation. States can do some things by themselves, but not everything.

Increasingly, governance will be shared at local, national and pan-regional levels. Governing together, rather than alone, is the logical future – indeed, it is already starting

This book draws on Andrew Ladley's field research and substantial practical experience on the ground in the South Pacific and in a diverse group of developing countries around the world. Derek Gill draws on his extensive involvement in New Zealand's economic and public sector reforms and consultative assignments on public governance issues in a wide range of developing countries.

No State is an Island

Connected Governance in the South Pacific

Andrew Ladley
Derek Gill

Institute of Policy Studies

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Changing Gears on the Millennium Development Goals in Oceania

Introduction

Even before the onset of the global economic recession in late 2008, Sub-Saharan Africa and Oceania were deemed to be seriously lagging behind in achieving the Millennium Development Goals (MDGs) and there was concern that many of the goals will not be met by 2015. While the challenges in Sub-Saharan Africa are seen to be of a much higher magnitude than those in Oceania, for the latter to achieve all the goals in the next seven years requires significant new policy initiatives and their more effective implementation, as well as renewed partnerships which will drive sustainable actions towards the MDGs.

In a 2008 monograph (on which this article is based) entitled *A Slice of Paradise? The Millennium Development Goals in the Pacific: progress, pitfalls and potential solutions*, Terence Wood and I provided a comprehensive assessment of the MDGs themselves and the progress towards achieving them in this

region, as well as solutions to overcoming the obstacles. This article gives an overview of progress, or lack thereof, on the MDGs, identifies the obstacles and suggests changing gear as we seek greater traction to achieve the goals.

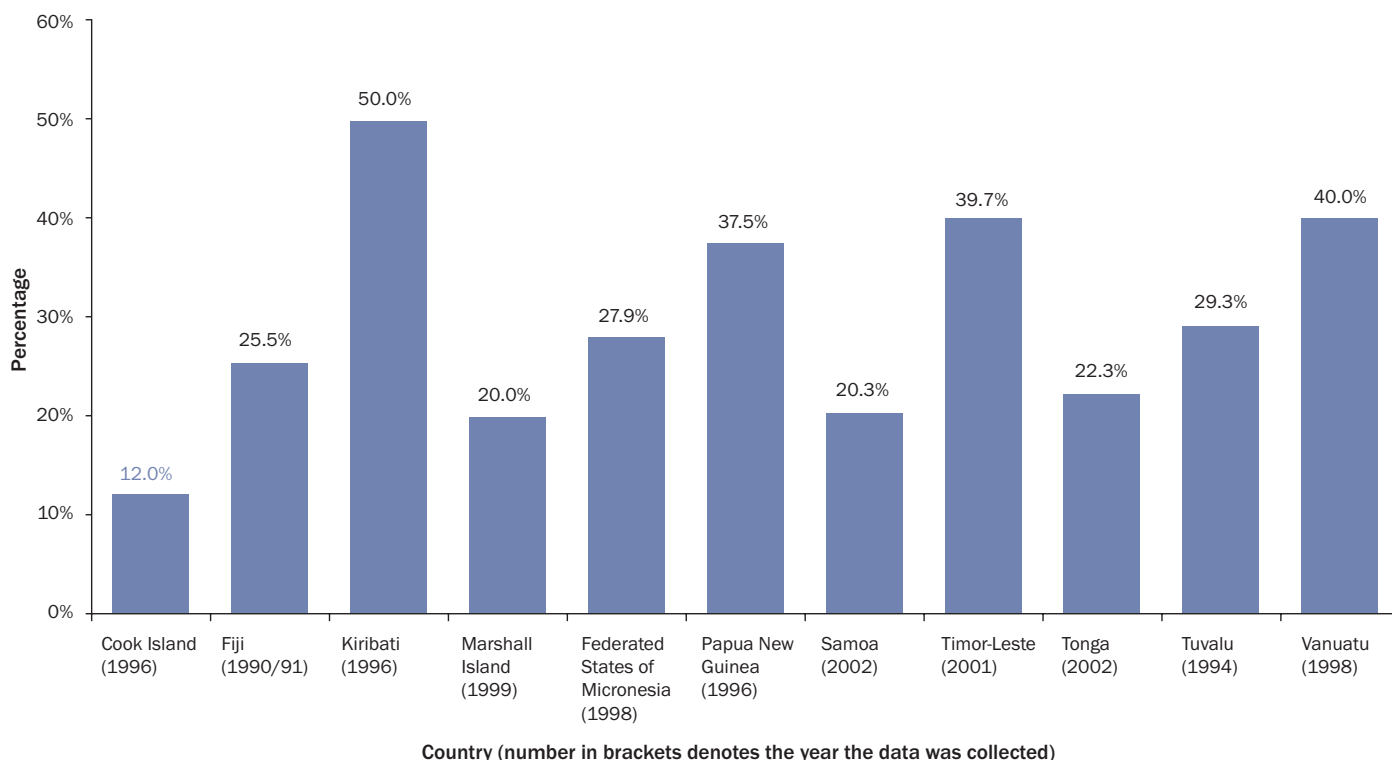
Oceania's progress on MDGs

In the 1990s Oceania was much better placed compared to many other regions of the global south in terms of human development indicators. Per capita incomes and education and health standards, as well as life expectancies, were generally higher. However, since then there has been slippage and lack of improvement in social development in many Pacific Island countries, and achieving all the MDGs with current policies by 2015 is most unlikely.

First, with respect to MDG 1 (the eradication of poverty and hunger), the percentage of people living below the respective national poverty lines in Oceania ranges from

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Figure 1 – Percentage of population below national needs-based poverty line



Source: Abbott and Pollard (2004, P.28)

around 12% in the Cook Islands to 50% in Kiribati, with that in the larger Pacific Island countries of Fiji, Papua New Guinea, Solomon Islands and Vanuatu ranging between 30% and 40% (Asian Development Bank, 2004). Even though the ‘poverty denial syndrome’ has been challenged in most Pacific Island countries (see Figure 1), its residue of a downplaying of the extent and intensity of poverty remains. Without a wider appreciation of growing inequality, poverty, social exclusion and the erosion of traditional safety nets, effective responses to reduce poverty will not occur. Indeed, from a situation where the desperately poor are a minority there can be significant increases in their number. Already in certain slums of Port Moresby it is often the case that the stark choice facing young men and women is engaging in either crime or commercial sex.

Second, trends in the provision of ‘education for all’ are mixed, and in any case there is a need to go beyond a ‘bums on seats’ approach with respect to access to education at all levels (MDG 2). It is not a question only of the proportion of school-aged children attending classes, but of the quality of education being provided. There has been a positive trend in the proportion of children attending schools, but in the larger Pacific Island countries there are concerns both with attendance and the quality of education. Countries such as Nauru and the Marshall Islands have experienced deteriorating educational outcomes. Post-1987 coup Fiji has also witnessed a decline in both enrolments and quality of educational services. Table 1 provides statistics for selected Pacific countries. In Fiji, the large-scale emigration of well-qualified and experienced teachers has been a significant factor in this lowering of standards.

Table 1: Education statistics for selected Pacific Island countries

Indicators	Net enrolment ratio in primary education – percentage		Proportion of pupils starting Grade 1 who reach Grade 5 – percentage	
	1990	2000	1990	2000
Year	1990	2000	1990	2000
Cook Islands		92.3 (2001)	100 (1986)	98.2 (1996)
Fiji	92 (1986)	94.7	91.4 (1996)	88.4 (2002)
Federated States of Micronesia	93.7 (1994)	92.3		66.9
Kiribati	76.2	93.5	98	
Marshall Islands	89.7 (1988)	84.1 (1999)	88 (1988)	86.1 (1999)
Nauru	75.1 (1992)	60.3 (2002)		92 (2002)
Niue		90.2 (2001)		90.5 (2001)
Palau	81.8	76.2		
PNG	66.3	77.4	58.1	56.8
Samoa	82 (1991)	87 (2001)		84 (2001)
Solomon Islands	39 (1986)	56 (1999)	85 (1991)	
Tokelau				
Tonga	91.6 (1986)	89.4 (1996)	84	
Tuvalu	98.2 (1991)	99.6 (2002)	95.8 (1993)	
Vanuatu	74.5 (1989)	78.2 (1999)	90.2 (1991)	91.2

Source: Secretariat of the Pacific Community (2004, p.38)

Given the demographic trends in Micronesia and Melanesia, there is a need for more schools being established as well as for more trained teachers.

Third, with regard to MDG 3, which addresses gender, broadly speaking there are improvements in gender-related indicators with respect to education and non-agricultural employment (though this can be quite misleading), but not in relation to women's representation on decision-making bodies, particularly national parliaments. Incidents of domestic violence and gender-related crimes appear to be increasing in many Pacific Island countries.

As recently as 1987 there were only six reported cases of HIV infection in Papua New Guinea, yet by the end of 2003 an estimated 0.6 % and possibly as many as 1% of Papua New Guinea's population were thought to be HIV positive

Fourth, for almost all Pacific Island countries the trends in infant and child mortality are towards lower mortality rates (Secretariat of the Pacific Community, 2004). But child and maternal mortality (MDGs 4 and 5) remain major issues in a number of countries, both big and small. Along with Papua New Guinea, there are three countries which provide particular cause for concern with respect to child and infant health: in Nauru and Timor Leste infant mortality rates have increased in recent years, while in Fiji infant and child mortality rates have seen little or no improvement over the last 10 years (*ibid*).

Fifth, for most of those Pacific Island countries for which time series of maternal mortality rates are available the trend is broadly positive – i.e. maternal mortality is reducing. However, there are some causes for concern. Papua New Guinea and East Timor have very high maternal mortality rates that are diminishing only slowly. Likewise, Solomon Islands has a very high maternal mortality rate which increased during the years in which the islands were affected by conflict (Solomon Islands Government, 2005).

Sixth, the state of health in Oceania varies widely, and the current focus of MDG 6 on malaria, HIV/AIDS and tuberculosis does not provide an accurate picture of health in the region. Malaria debilitates and kills people in Papua New Guinea, Solomon Islands and Vanuatu but is not present in other Pacific Island countries. The presence of TB is also limited but likely to grow.

Fortunately, with the notable exception of Papua New Guinea most of the Pacific has thus far been spared the worst of the HIV epidemic. However, it seems highly likely that, unless major action is taken, the incidence of HIV will

increase dramatically across the Pacific in the near future (AIDS New Zealand, 2005; UNAIDS, 2004). There are a variety of reasons for this, including:

- current statistics for HIV incidence in the Pacific almost certainly under-represent the prevalence of the disease, as most countries do not currently have adequate HIV testing programmes, and in addition the stigma associated with HIV discourages people from being tested for the illness (AIDS New Zealand, 2005);
- there are high rates of teenage pregnancies and sexually transmitted illnesses (STIs), which are indicative of unsafe sex practices, and existing STIs are thought to facilitate the transmission of HIV (AIDS New Zealand, 2005; UNAIDS, 2004);
 - religious beliefs and other cultural practices make the discussion of sexual matters taboo and are barriers to safe sex and other illness awareness programmes that will be required to stop HIV from spreading (AIDS New Zealand, 2005);
 - patriarchal systems and increased population mobility, including labour mobility (for example, seafarers in Kiribati and Tuvalu and security personnel in Fiji);
 - tourism.

The case of Papua New Guinea provides a sobering example for the rest of the Pacific of just how rapidly HIV rates can rise if no action is taken. As recently as 1987 there were only six reported cases of HIV infection in Papua New Guinea, yet by the end of 2003 an estimated 0.6 % and possibly as many as 1% of Papua New Guinea's population were thought to be HIV positive¹ (Centre for International Economics 2002, p 81; UNAIDS, 2004, p 1). And in Lae – Papua New Guinea's second largest town – 2.5% of all pregnant women (who are routinely tested for the disease) were found to be HIV positive in 2004 (UNAIDS, 2004, p.1). It seems highly likely that, unless a concerted effort is made to stop the rise of HIV in the Pacific, the disease may well impede the region's progress not only on MDG 6 but on many of the other Millennium Development Goals as well.²

It is also likely that the incidence of non-communicable diseases such as diabetes and cardiovascular disease will increase in the Pacific in the near future, because the rates of non-communicable disease risk factors – such as obesity and smoking – are some of the highest in the world (Secretariat of the Pacific Community, 2004). These non-communicable diseases are already imposing a notable burden on many Pacific Island countries' health systems.

Seventh, the targets and indicators of MDG 7, which pertains to the environment, can be split into two broad categories: those that relate directly to the environment, and those that refer to environmental factors affecting human needs. The former include forest cover, land area protected to maintain bio-diversity, energy efficiency and emission of greenhouse and ozone-depleting gasses. The latter comprise safe drinking water, sanitation and land tenure security. The

last two of these indicators are seen to especially impinge on the lives of urban slum dwellers.

Data on the four environmental indicators are not readily available, but forest cover in most smaller island states has been sparse and largely destroyed. In Fiji, Papua New Guinea, Solomon Islands and Vanuatu there has been a considerable increase in logging that is often illegal and unsustainable. The loss of tropical rainforests and the spread of human settlements, agriculture and infrastructural development have had adverse effects on bio-diversity. Similarly, many coastal zone areas are under stress. Sophisticated fishing technologies are also jeopardising tuna and other fisheries. Without data, it is difficult to say anything really meaningful with respect to energy efficiency and greenhouse gas emissions except that very belatedly there appears to be more serious consideration being given to renewable energy use, and that Pacific Island countries are not responsible for large greenhouse gas emissions.

Safe drinking water is in short supply in the larger island states and in the atoll states, for rather different reasons. In the former, water is plentiful in most parts but there is either an absence of reservoirs and piped water or existing public water systems have been allowed to deteriorate. In the latter, arid conditions and the intrusion of salt water into fresh water lenses affect the quality of water. Sanitation is of much concern in Pacific Island countries, and this is especially so in the numerous informal settlements that are springing up from South Tarawa to Port Moresby.

Obstacles to meeting the Millennium Development Goals in the Pacific

Impediments to achieving the MDGs by 2015 derive from external and internal factors. Exogenous forces include the push towards free trade and globalisation, the loss of preferential access to international markets and the current world economic downturn. Internal factors include the absence of reliable data on MDG indicators, which is an extension of the widely prevalent lack of capacity in state institutions; geographical challenges; conflict; weak governance; and the failure to promote robust partnership with civil society and donor agencies.

MDGs' countervailing contextual environment

Economic globalisation and neo-liberalism

Globalisation and neo-liberal economic policies being pushed by powerful agencies and incorporated in the economic integration pillar of the Pacific Plan undermine the capacity of communities to sustain livelihoods and the ability of island states to generate the revenues necessary to support MDG-related activities. Compliance with World Trade Organisation rules and with regional and international trade agreements has serious implications with respect to employment, pro-poor

growth and the provision of social services

The Pacific Island Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Cooperation (PACER), as well as the Economic Partnership Agreements (EPAs) currently being negotiated by the European Union, are all directed at 'freeing up' and economic integration. The PICTA agreement relates to trade between the Pacific Island countries, while the PACER agreement pertains to trade between the Pacific Island countries and Australia and New Zealand (Narsey, 2004). Both agreements have trade liberalisation at their centre. European Union EPAs are being negotiated with the expiry of the Lomé and Cotonou trade agreements. With the intense pressure of the European Union on Pacific ACP (African, Caribbean and Pacific) countries (signatories to the Lomé and Cotonou agreements) to negotiate and accede to EPAs on a regional basis, Pacific ACP countries' efforts at regional solidarity have collapsed. Fiji and Papua New Guinea have signed an interim agreement to

Another concern associated with the free trade agenda for the Pacific is the impact of the agenda on those workers in the Pacific Island countries who are currently employed in economic activities that may, in the event of trade liberalisation, be adversely affected.

meet the EU deadline, thereby weakening the position of the Pacific ACP group. It is likely that as the EU's EPA imposition is finalised, this will trigger Australia and New Zealand's push for PACER to be brought forward.

Subscribing to the free trade ideology in the Pacific is likely to impede attaining the MDGs in the region, as there will be a loss of government revenues associated with the reduction or removal of trade tariffs. At present, almost all Pacific Island countries obtain a significant proportion of their government revenue from the collection of tariffs and import duties, and in some tariff revenues comprise more than 60% of total government revenue (Coates and Lennon, 2005; Scollay, 2001). The reduction of tariffs as a source of government revenue will have one of two consequences: reduced government services, or taxes having to be raised from alternative sources. In the case of reduced government services there is a clear risk that these reductions will take place in either health or education, in which case they may well lead to deterioration in MDG indicators. In the case of tax increases – particularly if the increases take the form of a value added tax (VAT), as was imposed in Vanuatu and is being discussed in the Marshall Islands – the brunt of these increases may well fall on the islands' poor (Coates and Lennon, 2005; Firth, 2005; Gay and Joy, n.d.).

Another concern associated with the free trade agenda for the Pacific is the impact of the agenda on those workers in the Pacific Island countries who are currently employed in economic activities that may, in the event of trade liberalisation, be adversely affected (Narsey, 2004). Conventional economic theory predicts that, after tariffs and other protections are removed, even if some sectors are destroyed the economy will simply restructure itself in a more efficient manner and those workers who were made unemployed will be re-employed in new sectors that emerge. However, it is highly debatable that such economic theory is applicable in the Pacific Island case, where the scope for new industries to form is limited by the geographical and cultural constraints of the region (Coates and Lennon, 2005; Firth, 2005). As such, the negative impacts of trade liberalisation-related job losses may be long lived.

Both the Lomé and Cotonou agreements provided Pacific Island countries with preferential access to European

Moreover, the Oceania-wide aggregation of data misrepresents country-level progress towards the goals. Data quality is a fundamental problem that must be addressed if we are to meaningfully discuss progress on MDGs.

markets for some agricultural commodities, as well as special pricing for sugar (Firth, 2005; Oxfam, 2005). In Fiji, the most significantly affected country, the Lomé and Cotonou agreements enabled the sugar industry to provide livelihoods for thousands of farmers (Firth, 2005). However, the Cotonou agreement has recently been deemed WTO-incompatible and the European Union is significantly reducing preferential access in the EPAs it is negotiating in Cotonou's wake. Firth (2005, p.5) explains the significance of this:

Whatever the final outcome for sugar, it is certain to be less favourable than existing arrangements and to lead to a drastic decline of the Fiji sugar industry, which is estimated to provide employment for more than 40,000 people in a country of only 820,000 ... And while the mantra of the globalizers is that Fiji should restructure its economy accordingly, the prospects for successful restructuring are far from obvious.

Along with the Lomé agreement, Fiji is also being affected by the end of another WTO-incompatible trade regime: the Multi Fibre Arrangement, which expired in 2005. The expiry of the Multi Fibre agreement had an impact on those Fijian garment producers who exported to the United States, and, according to Firth, 'delivered a blow to an industry that earns more for Fiji than sugar and employs about 14,000 people, many of them women whose cash income is a major

part of family earnings' (ibid.). From its early 2000 peak of exporting more than F\$300 million and employing between 18,000 and 20,000 workers, Fiji's garment industry is now near collapse, with the number of people employed reduced by between two-thirds and three-quarters (Storey, 2006).

Vanuatu also implemented neo-liberal economic policies, in this case at the behest of the Asian Development Bank. Lennon (2005, p.8) describes the results of these policies as follows:

The CRP [the Comprehensive Reform Programme – the name for the neo-liberal policies] has now been in operation for eight years. There is general consensus in Vanuatu that the CRP has largely failed in its objectives. Warning signs were apparent shortly after the CRP was implemented: GDP immediately began to shrink, exports plummeted and foreign investment declined ... Government revenue declined sharply (and has only just recovered), in part due to the loss of tariff revenue, which was not fully replaced by VAT. Another major source of revenue loss has been the sell-off of profitable assets ... Reforms under the CRP have failed to provide tangible economic benefits for Vanuatu's population. In urban areas, unemployment rates, which were very low, have risen significantly.

Unfortunately, neither the Asian Development Bank nor the government of Vanuatu made any significant attempt to record trends in the incidence of poverty over the period of the reforms, yet it seems highly likely, given the facts above, that poverty increased in Vanuatu during this time.

Meanwhile, in the Cook Islands, as part of broader neo-liberal economic reforms which entailed downsizing the public service by two-thirds, the education budget was almost halved in the mid-1990s, while the budget for housing and community services was reduced from \$9 million to \$1 million over the same period (ACFOA, 2002, p.11). And in Tonga, reforms led to increased prices for services such as electricity (ACFOA, 2002).

These Pacific Island experiences, combined with considerable evidence accumulating from other parts of the world which shows neo-liberal policies either generating increased rates of poverty or failing to reduce poverty in any meaningful sense (Barton, 2005; Focus on the Global South, 2003; Hardstaff, 2005; Rodrik, 2004; Stiglitz, 2002), lead us to believe that neo-liberal economic policies have the potential to become a significant obstacle to attaining the MDGs in the Pacific.

Intra-regional and national obstacles to achieving the MDGs

Problems of geography

Pacific Island countries are both diverse geographically and dispersed. In some, such as Tuvalu and Tokelau, which have very little land and few resources, the geographical constraints

to development are obvious. Even Papua New Guinea, the Pacific's largest country, has its own unique geographical constraints, including the inaccessibility of its rugged interior regions which hinders trade and limits political control, and the effect of malaria on its population. The 'curse of resource abundance' is a danger larger countries face.

Problems of institutions and governance

Pacific states have numerous issues with respect to their capacity to meet contemporary challenges of governance. These range from law and order, revenue generation and facilitation of sustainable development to the provision of services. Another is that any meaningful discussion of MDGs is affected by the lack of goal-specific indicator data in virtually all countries. No country has collected MDG indicator-specific data and the information available is generally open to question. There is also the issue of the high probability of inbuilt bias because of the monopoly held by data-gathering institutions. There is an absence of accurate time series data, so that trends can not be identified. Moreover, the Oceania-wide aggregation of data misrepresents country-level progress towards the goals. Data quality is a fundamental problem that must be addressed if we are to meaningfully discuss progress on MDGs.

The increased focus on governance and institutions in the Pacific is not only a reflection of international trends, but has also come about because of the numerous scandals that have rocked the region in recent years. These scandals include the F\$220 million National Bank of Fiji fiasco; the sale of passports by officials in Tonga, Samoa and Kiribati; multimillion-dollar open government guarantees to con artists by political leaders in the Cook Islands and Vanuatu; the loss of millions of dollars by Nauru through mismanagement which extended to funding a play in London by one of its dubious foreign advisers; and the disappearance of US\$20 million entrusted to the king of Tonga's official American court-jester-cum investment adviser (Naidu, 2002, p.3).

With respect to corruption alone, the Asian Development Bank estimates that one third of all public investment is squandered on corruption in the Asia and Pacific region (Asian Development Bank, 2004, p.8). And the impact of poor governance is not limited just to corruption either: poor governance and weak institutions have led to a multitude of problems in the region above and beyond financial scandals. These problems include: limited democracies in some countries (such as Tonga) and unstable democracies in others (such as Fiji and Solomon Islands); inefficient provision of public services and infrastructure; and human rights abuses and police brutality (as has been seen recently in Fiji and Papua New Guinea) (Naidu, 2002; Human Rights Watch, 2005; Gibbs, 2007).

Many of the issues of governance and institutions in the Pacific are, in part at least, products of colonial inheritance,

and even in the current age forces leading to poor governance and institutional weakness in the developing world often flow from developed-world business interests (Birdsall et al., 2005; and see Kahn, 2000 for an alleged example of this in the Pacific).

Too often 'good governance' and 'improved institutions' are simply seen as reduced corruption and efficient economic management. Yet such an approach misses the fact that, for genuine human development to take place, the improvement of governance and institutions needs to come about as part of the deepening and reinforcing of the democratic process. Without this there is no guarantee that the benefits of economic growth will ever be distributed equitably throughout a society (Bendana, 2004). Furthermore, experiences in other parts of the developed and developing world show that a strong civil society coupled with a transparent democratic process is an effective way of ensuring good governance in the long term (Putnam et al., 1994; Wood, 2004).

Quantity is not the only issue associated with overseas development assistance and the MDGs in the Pacific; there is also that of quality.

Conflict

Conflict is (or has been) a serious issue in several Pacific countries and is (or has been) a minor issue in several others. The four Pacific Island countries most seriously affected by conflict in recent years have been Fiji, Papua New Guinea, Solomon Islands and Tonga. The social and economic price of conflict has affected their ability to meet the Millennium Development Goals. And while not all Pacific Island countries are affected by conflict, few should be considered completely immune to the risk of it arising. It is, therefore, maintained that the issue of conflict in the Pacific needs to be taken seriously if the MDGs are to be met.

Partnership I: international (MDG 8)

If the MDGs are to be met, key public services such as education and health need to be adequately funded (Vandemoortele, 2002). Similarly, action needs to be taken to arrest the spread of HIV and non-communicable diseases, and conflict resolution. All of which needs to be paid for. At present, the budgets of most Pacific Island countries are simply not up to funding these urgent tasks. As such, unless overseas development assistance increases, its inadequate levels will remain a hurdle to achieving the MDGs.

Quantity is not the only issue associated with overseas development assistance and the MDGs in the Pacific; there is also that of quality. By 'poor quality assistance' we refer to development assistance that is either given to inappropriate projects, tied to the purchase of goods from the donor country, or spent primarily on paying for the services of developed-

country contractors and consultants. The contrast between overseas development assistance given by New Zealand and that given by Australia illustrates both what poorly given assistance looks like and also the potential for improvements to be realised. Greenhill and Watt (2005, p.25) estimate that 33% of Australia's overseas development assistance is tied to the purchase of Australian goods; while with respect to the quantity of aid paid to developed-world contractors and consultants, Aid/Watch (2005, p.1) notes that well over half of Australian aid ends up being paid to Australian companies. Aid/Watch also provides an example of an AusAID funded project in Papua New Guinea where overseas contractors were being paid over AUD\$1,000 a day for their work while local workers were receiving little over \$1 per day (Aid/Watch, 2005, p.1). This contrasts with overseas development assistance given by New Zealand, which, while not perfect, has improved considerably in recent years. Indeed, NZAID, since it became a separate department of the Ministry of Foreign Affairs and Trade, has gained for itself a reputation as one of the world's top government aid agencies, following best practice in a variety of areas (DAC, 2005). Unfortunately, New Zealand tends to be the exception to the rule when it comes to

... overseas development assistance needs to be given in a manner that does not foster corruption.

the major donor countries in the Pacific. Also, as a relatively small economy the absolute levels of development assistance from New Zealand are less than those of larger countries such as Australia. For these reasons, until other donors follow New Zealand's lead overseas development assistance quality will accompany overseas development assistance quantity as being a hurdle to meeting the MDGs.

The final hurdle for the MDGs in the Pacific is the attitudes of developed-world nations and, most importantly in the Pacific, Australia and New Zealand – to the process of development. Clearly, the needs of Pacific Island countries are diverse and distinct from the needs of Australia and New Zealand. And until this is recognised by the governments of these two countries their actions will remain an obstacle to attaining the MDGs. It is worth noting that, of the two countries, only New Zealand has taken any action (and even this is relatively minor) on seasonal labour migration as suggested in the Pacific Plan as a quid pro quo in the trade liberalisation process. Yet seasonal labour migration is one aspect of globalisation that has the potential to at least aid human development in the Pacific (MacLellan and Mares, 2005).

Changing gears and overcoming the obstacles to MDGs

Some Pacific Island countries already exceed almost all of the MDGs, while most are on track to achieve some of them. Yet

it is also clear that there is much hard work to be done in the region.

Improved collection of statistics

Better statistics will enable trends in the relevant MDG indicators to be identified, and ought to enable the targeting of overseas development assistance and government programmes to areas of concern. In light of this, recent work on assessing progress towards the MDGs undertaken by the Asian Development Bank and the Secretariat of the Pacific Community in these areas should be seen as a step in the right direction. However, there is still much work to be done and government statistics agencies will also need continued strengthening. In addition to this, we are concerned that almost all of the current collection of relevant statistics in the Pacific is undertaken either by governments or by multilateral organisations: organisations which may have a vested interest in 'showing' good performance in relation to the MDGs. Biases may occur. For this reason there needs to be some role for civil society organisations in monitoring the collection and reporting of statistics.

Increased and better overseas development assistance

Because of the role that the quality of overseas development assistance has in fostering better developmental outcomes, including achievement of the MDGs, it is important that donors in the Pacific concentrate on improving the manner in which development assistance is given in

the region.

Firstly, overseas development assistance needs to stop being tied to the purchase of goods in donor countries. With respect to the ending of 'tied' aid, New Zealand has become, through the untying of all aid, an example of best practice for the region. Unfortunately, Australia still lags in this area.

Overseas development assistance also needs to be given free of conditionalities that compel governments to adhere to inappropriate economic policies. This is not to say that all conditionalities associated with aid are bad; indeed, conditionalities which prohibit aid being spent on military items or lining the pockets of officials are a desirable component of sensible overseas development assistance provision. However, conditionalities that require countries to excessively privatise their economies or open up to international trade should not be imposed. In addition to this, a significant portion of overseas development assistance should continue to be targeted to poverty reduction, along with health and education. Furthermore, efforts should be made to ensure that no more overseas development assistance is spent on technical advice and foreign consultants than is absolutely necessary.

Finally, overseas development assistance needs to be given in a manner that does not foster corruption. There is some evidence showing that, historically, overseas development

assistance has led to corruption in developing countries (Greenhill and Watt, 2005). Yet it need not do this. Too often in the past when overseas development assistance was given it was given for geo-strategic reasons rather than with the aim of promoting development. Often, because of these geo-strategic motives, a blind eye was then turned to resulting corruption. In addition to this, overseas development assistance can be used, if given wisely and targeted in the right areas, to strengthen institutions. Careful investment in institution strengthening offers the potential for overseas development assistance to actually reduce corruption.

Economic reform, trade policy and trade negotiations

As noted previously, the free-trade agenda for the Pacific has been part of a broader neo-liberal project in the region. This project has seen Pacific Island countries advised to cut government spending, privatise some state-owned industries and implement other 'market friendly' economic reforms. In many cases the consequences of this for human development have been negative. Of particular concern has been the cutting (or freezing) of state expenditures in key areas such as health and education. As Vandemoortele (2002) notes, the experiences of countries that have coupled economic growth with significant human development show that sustained social spending does not in any way hinder economic growth and is, at the same time, integral to human development. While Pacific Island countries need to avoid accruing large budget deficits, they still need to maintain adequate social spending programmes. If government tax revenue is not sufficient for this to occur, then the shortfall ought to be made up from overseas development assistance.

Along with maintaining social spending, a more considered approach to the privatisation of government enterprises needs to be undertaken in Pacific Island countries. This approach ought to recognise that while in some cases privatisation may be justified, it is not inevitably the right course of action. As a variety of international experiences show, state owned enterprises can be run efficiently and even profitably and so need not inevitably lead to increased government spending. Moreover, when privatisation leads to natural monopoly it is likely that price setting will take place and consumers will suffer. Furthermore, in many Pacific Island countries the state is a major employer, meaning that any sale of state owned enterprises or reduction in government staff needs to be assessed not only with respect to economic management, but also with respect to the social and multiplier costs associated with staff losing their jobs.

Australia and New Zealand can contribute immensely to human development and MDGs in Pacific Island countries by supporting seasonal labour schemes. Such schemes should be accompanied by skills training to enhance the capacity of the workers to contribute to their communities.

Pre-empting conflict and promoting effective conflict resolution

Proactively, mediation, reconciliation and peace-building institutions and processes should be established to address emerging conflict situations. Conflicts seriously jeopardise progress towards MDGs. Outside intervention ought to be considered as part of attempts to resolve them. This should be undertaken under the auspices of the Pacific Islands Forum and through processes that will contribute to longer-term commitment to peace and stability.

Partnerships II: strengthened civil society and deepened democracy

The UN Millennium Project (2005, p.32) explains the importance of the role of civil society in democratic governance in the following way:

Strong civil society engagement and participation are crucial to effective governance because they bring important actors to the fore, ensure the relevance of public investments, lead to discussions that best address the people's needs as they perceive them and serve as watchdogs for the development and implementation of government policies.

Globalising means civil society organisations acting in collaboration with other Pacific (and international) civil society groups, making use of a combined voice that is stronger than that of individual organisations working on their own.

Civil society is important in a functioning democracy for two additional reasons: it gives citizens the ability to speak with a collective voice (and thus a stronger voice than if they act only on their own); and civil society is able to act as a 'countervailing force' to manipulation of the democratic process by vested interests.

There has been a region-wide rise in the number of civil society organisations in recent years (Naidu, 2002; Tate, 2005). Many of these new civil society organisations have been actively campaigning (along with more traditional organisations like progressive church groups) to promote social justice and environmental sustainability (Naidu, 2002). This bodes well for human development in the region. However, there are challenges facing civil society. In many cases civil society organisations in the Pacific lack the capacity and the financial resources to function effectively. Often they are not equipped with sufficient information to lobby effectively. In addition to this, progressive civil society organisations when lobbying for reform often find themselves up against powerful vested interests. There is also considerable room for legal reform to create a more enabling legal environment for civil society.

If civil society is to play a significant role in human development in the Pacific (and in enabling MDGs to be met) it needs outside assistance. Such assistance may involve (as is currently given) overseas development assistance to fund specific programmes; it should also involve funding that directly aids civil society organisations in capacity building and in overcoming obstacles that they face. Finally, assistance should be provided to Pacific civil society organisations to enable them to both globalise and localise. Globalising means civil society organisations acting in collaboration with other Pacific (and international) civil society groups, making use of a combined voice that is stronger than that of individual organisations working on their own. Localising means space being provided to allow domestic civil society organisations to develop in a manner that is most appropriate to the local context within which they work. If all this is done then civil society has the potential to be a powerful reforming force in Pacific Island countries.

Conclusion

Oceania's lag in meeting Millennium Development Goals should serve as a wake-up call that the business-as-usual approach is not working. And, if it is continued, the outlook for the region is not likely to be positive.

As a region the Pacific is far from a 'basket case', and, as has been argued in this article, the problems that confront it can be overcome. For this to occur, however, business-as-usual needs to be replaced by a new approach to the development of the region. Such an approach will, by necessity, require that several things occur. Firstly, the neo-liberal orthodoxy that has been imposed on the region needs to be reconsidered and adapted so that human development is brought to the fore. Secondly, economic policies need to be designed taking into account the region's unique geography and culture. Thirdly, more overseas development assistance needs to be given to the region and its delivery needs to be considerably improved. Fourthly, when it comes to trade, and trade negotiations, the two regional powers need to stop acting with only their self-interest at heart. Fifthly, concerted efforts need to be made to prevent conflict in the region. And finally, institutional reform needs to take place within Pacific Island countries, ideally in a manner that couples reform with the deepening of democracy. Promoting civil society organisations is a *sine qua non* of this process.

- 1 In absolute numbers it is thought that as many as 28,000 people were HIV positive in Papua New Guinea by the end of 2004 (UNAIDS 2004c, p1).
- 2 For a discussion of the potential economic impacts of HIV on Papua New Guinea, see Centre for International Economics (2002).

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Climate Change and Security
Planning for the Future

Edited by
Jonathan Boston
Philip Nel
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Institute of Policy Studies


Climate Change and Security: Planning for the Future

Edited by Jonathan Boston, Philip Nel and Marjolein Righarts

Human-induced climate change over the coming century is likely to threaten not only physical ecosystems, but also the security of individuals, societies, and states. By precipitating natural disasters, and by affecting the livelihood of communities, climate change may exacerbate existing social

tensions, create incentives for illegal actions, place unbearable strains on the capacities of states, and lead to resource disputes and struggles between and within states. This edited volume is the result of a symposium in Wellington in November 2008 that was convened to consider the factual bases for these claims, and to explore how New Zealand can and should respond. Rich in comparative material, the volume sounds a note of warning against both complacency and excessive scaremongering.

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Will Parks

Achieving Results for Pacific Island Children: UNICEF's Analysis of and Response to Pacific Millennium Development Goal Progress

Introduction ¹

The Pacific Island countries are home to some 2 million people, of whom just over 900,000 are under 18 years of age (UNICEF, 2007).² In this article I briefly review the progress Pacific Island countries have made towards their Millennium Development Goals (MDGs), with a particular focus on MDG4 (reduce child mortality) and MDG5 (improve maternal health). I then highlight some of the support being provided by the United Nations Children's Fund (UNICEF)

in partnership with many agencies across the region to assist countries to advance their child-related MDGs. Finally, I consider some of the challenges to sustaining MDG progress for children in Pacific Island countries, especially the current global economic crisis.

Progress towards Millennium Development Goals in the Pacific

At the Millennium Summit in 2000, leaders of 189 United Nations member states, including all 14 Pacific Island country leaders, endorsed the Millennium Declaration and adopted the global agenda designated as the Millennium Development Goals or MDGs (United Nations, 2000). The MDGs comprise a set of eight interrelated, priority development goals with corresponding indicators and time-bound targets, to be reached by 2015, all aimed at eradicating poverty in all its forms. MDG progress in the Pacific region has been described as 'mixed', with no country in the region likely to achieve all their MDGs if the status quo is maintained (UNESCAP, UNDP and ADB, 2008).

MDG1: Eradicate extreme poverty and hunger

Poverty in the Pacific Island context has not generally meant hunger or destitution, but a continuous struggle to meet essential living expenses, particularly those that require cash payments. Measuring progress towards the achievement of MDG1 for poverty reduction in the Pacific has been problematic, with few historic poverty estimates and no up-to-date purchasing power parity (PPP) indices. However, the latest available poverty estimates, based on national basic needs poverty lines derived from household income and expenditure surveys (HIES), suggest that one in four households and almost one in three of the population are below their respective national poverty lines (Abbott, 2008). With regard to nutritional status, the Pacific is facing a double burden, with both protein-energy and micronutrient malnutrition coexisting with obesity. Recent data from four demographic health surveys (DHS) – in Nauru, Republic

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of Marshall Islands, Solomon Islands and Tuvalu – and a multiple indicator cluster survey (MICS) in Vanuatu suggest that between 1.6% (Tuvalu) and 16% (Vanuatu) of under-five children are underweight, with an average across these five surveys of 9.4% (Prasad, 2009; Government of Vanuatu and UNICEF, 2008).

MDG2: Achieve universal primary education

So far, none of the 14 Pacific Island countries has achieved full enrolment at both primary and secondary level. Only the Cook Islands, Federated States of Micronesia, Niue, Tokelau and Tuvalu claim 100% primary education enrolment ratios (Prasad, 2009). Other national averages for MDG2 indicators conceal sub-national disparities. The 2008 MICS survey in Vanuatu, for example, reveals that the primary school net attendance ratio – defined as the percentage of children of primary school age (6-11 years) attending primary school or secondary school – is 80% overall but varies from 93% in Malampa province to 70% in Tafea province (Government of Vanuatu and UNICEF, 2008).

MDG3: Promote gender equality and empower women

Most Pacific Island countries have achieved an equal ratio of girls to boys (gender parity) in primary school level or close to

gender parity at the primary school level. Cook Islands at 0.88, Republic of Marshall Islands at 0.91, Palau at 0.92, Samoa at 0.93, Solomon Islands at 0.89, Tonga at 0.90, and Tuvalu at 0.88 are more below gender parity than others (Prasad, 2009). Niue at 0.87 and Solomon Islands at 0.77 are noticeably below gender parity at the secondary school level (Prasad, 2009). Among the greatest gender challenges in the Pacific are: the low percentage of women in wage employment in the non-agricultural sector³; only around 5% of seats are held by women in national parliament (ADB, 2008; Prasad, 2009); and the pervasive high prevalence of gender-based violence (see, e.g., EPPSO, SPC and Macro International Inc., 2007).

MDG4: Reduce child mortality

Despite steady reductions in child mortality, an estimated aggregate of around 2,500 children under five years of age still die every year in the Pacific region.⁴ Four out of five of these children are under one year of age. Tables 1 and 2 present the most recent under-five and infant mortality rates for the 14 Pacific Island countries, using sources collated by the Secretariat of the Pacific Community (SPC) and UNICEF Pacific, together with data from UNICEF's child mortality estimates database (CME Info).⁵ Table 1 also shows the percentage reduction in respective under-five mortality

Table 1: Most recent under-five mortality rates for 14 Pacific Island countries and percentage reductions since 1990

Country	Most recent under-five mortality rate		Reduction since 1990 – target is 67% reduction by 2015 (UNICEF, 2009a)
	SPC and UNICEF Pacific sources	CME Info (2007)	
Cook Islands	26.1 (Central health admin 2001)	18	44%
FSM	47 (Central health admin 2001)	40	31%
Fiji Islands	22.4 (Central health admin 2002)	18	18%
Kiribati	69 (Central health admin 2005)	63	28%
Nauru	38 (DHS 2007)	30	n/a
Niue	19 (Central health admin 2006)	n/a	n/a
Palau	38.9 (Central health admin 2005)	10	52%
RMI	46 (DHS 2007)	54	41%
Samoa	24.7 (Central health admin 2006)	27	46%
Solomon Is	37 (DHS 2007)	71	42%
Tokelau	n/a	n/a	n/a
Tonga	21.9 (Central health admin 2006)	23	28%
Tuvalu	36 (DHS 2007)	37	30%
Vanuatu	30 (MICS 2008)	34	45%

Sources: Haberkorn, 2009; Child Mortality Estimates INFO (<http://www.childmortality.org>); Government of Vanuatu and UNICEF, 2008; and UNICEF, 2009a

Table 2: Most recent infant mortality rates for 14 Pacific Island countries and percentage of under-five mortality represented by infant mortality

Country	Most recent infant mortality rate		Percentage of under-five mortality represented by infant mortality
	SPC and UNICEF Pacific sources	CME Info (2007)	
Cook Islands	11.9 (Census, health admin 2001)	15.8	88%
FSM	40 (Census, health admin 2001)	32.9	82%
Fiji Islands	17.8 (Health admin 2002)	15.6	87%
Kiribati	52 (Census, health admin 2005)	46.4	74%
Nauru	38 (DHS 2007)	25.0	83%
Niue	7.8 (Census, health admin 2006)	n/a	-
Palau	20 (Census, health admin 2005)	9.4	94%
RMI	33 (DHS 2007)	49.4	92%
Samoa	20.4 (Census, health admin 2006)	22.5	83%
Solomon Is	24 (DHS 2007)	53.4	75%
Tokelau	n/a	n/a	-
Tonga	19 (Census, health admin 2006)	19.2	83%
Tuvalu	31 (DHS 2007)	30.2	82%
Vanuatu	25 (MICS 2008)	28.1	83%

Sources: Haberkorn, 2009; Child Mortality Estimates INFO (<http://www.childmortality.org>); Government of Vanuatu and UNICEF, 2008; and UNICEF, 2009a

rates since 1990. The 2015 MDG target reduction is 67% of the 1990 figure.

At least three points are worth noting: first, the variations in data between SPC sources and CME Info, especially for Palau and Solomon Islands. The difference in the figures for Solomon Islands is straightforward – the 2007 demographic health survey data has not been formally released by the government and thus has not been officially recorded within UNICEF's CME Info database. The difference in the figures for Palau is likely to reflect a similar delay in updating the SPC database. Both the government of Palau situation analysis report on children and women and the government of Palau MDG report register an under-five mortality rate of 7.2 using Ministry of Health data (Government of Palau, 2008a; Government of Palau, 2008b). These disparities

together with the other minor differences, however, strongly indicate the need for governments and development partners to ensure better integrity between national, regional and international databases.

The second thing worth noting in Table 1 is the countries that have made significant progress towards the 67% reduction target by 2015, notably the Cook Islands, Palau (if data in CME Info is used), Republic of Marshall Islands, Samoa, Solomon Islands and Vanuatu. Fiji Islands has made little progress towards reducing its 1990 under-five mortality rate – so far achieving only 18% of its 67% target. It should be noted that Fiji's 1990 under-five mortality rate was already much lower than that in most Pacific Island countries (estimated at 22). Further analysis of why certain countries are making strong progress to reduce child mortality whereas as

Figure 1: Trends in under-five and infant mortality rates between 1990 and 2015 for Tonga

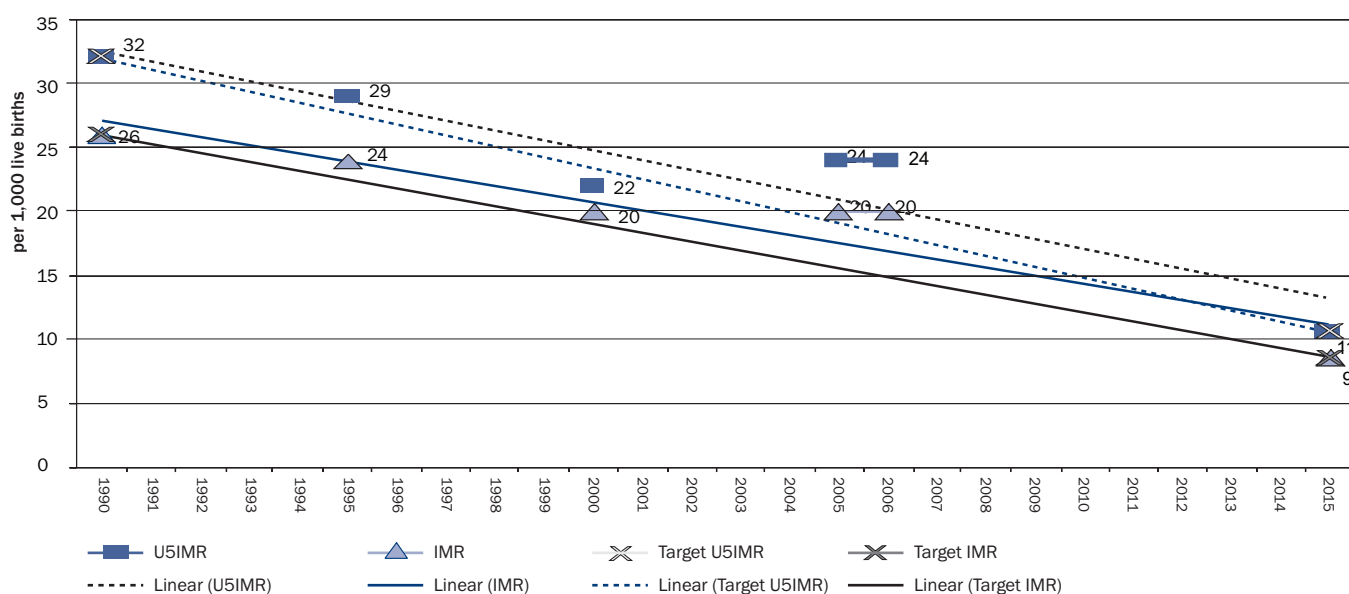
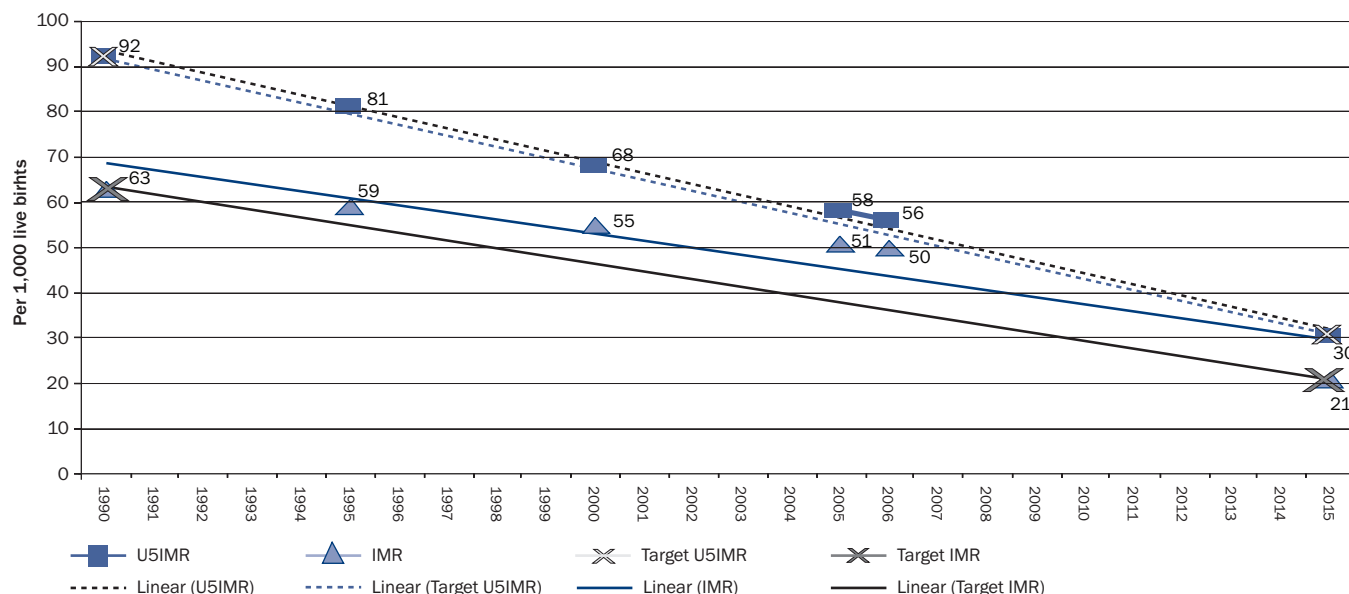


Figure 2: Trends in under-five and infant mortality rates between 1990 and 2015 for Kiribati



others are not would be insightful. Sub-national comparative analysis would also be instructive.

The third noticeable feature of these data (Table 2) is the high proportion of national under-five mortality rates represented by infant mortality – ranging from 74% (Kiribati) to 94% (Palau). As under-five mortality rates drop, the majority of deaths occur within the first year of life, particularly the earliest months and even days of life. Unless health policies, programmes and investments refocus on aggressively targeting the causes of infant mortality (including maternal health), further progress in reducing overall child mortality can stagnate. This would appear to be the case for Fiji.

The need to carefully analyse data and re-strategise maternal and child health programmes accordingly is again illustrated by Figures 1 and 2 – showing trends in under-five and infant mortality rates towards 2015 targets for Tonga and Kiribati respectively. Both figures suggest that based on current progress, as 2015 approaches so an increasing proportion of overall deaths are those occurring among infants. Figure 1 suggests that Tonga's under-five and infant mortality rates may be starting to stagnate. Figure 2 suggests that Kiribati's reduction in under-five mortality is more or less on track but its infant mortality rate appears to be veering off-track.

Critical actions to improve progress towards MDG4 across most Pacific Island countries include intensive support for immunisation, childhood nutrition, social mobilisation, strengthened neonatal and child health services, hygiene promotion and the provision of quality safe water and safe sanitation (see MDG7 below).

Table 3: Maternal mortality ratios for 14 Pacific Island countries

Country	SPC, 2004	ADB, 2008 and other sources	UNICEF, 2008 (Reported 2000-2006)	UNICEF, 2008 (Adjusted 2005)
Cook Islands	n/a	n/a	6	n/a
FSM	83 (1992)	n/a	270	n/a
Fiji Islands	41.1 (1988)	75 (2000)	38	210
Kiribati	10 (1990)	56 (2000)	56	n/a
Nauru	n/a	n/a	n/a	n/a
Niue	n/a	n/a	n/a	n/a
Palau	n/a	0 (2000)	0	n/a
RMI	0 (1991)	74 (2002)	74	n/a
Samoa	140 (1991)	29 (2001)	29	n/a
Solomon Is	550 (1992)	130 (2000)	140	220
Tokelau	n/a	n/a	n/a	n/a
Tonga	39 (1990)	78 (2000)	78	n/a
Tuvalu	n/a	n/a	n/a	n/a
Vanuatu	89.1 (1995)	98 (1998)	68	n/a

Sources: SPC, 2004; ADB, 2008; Government of Palau, 2008b; UNICEF, 2008

MDG5: Improve maternal health

There are questions over the relevancy of using the maternal mortality ratio (MMR) for small populations such as those found in the Pacific.⁶ Nevertheless, as a crude measure of progress, the regional 1990 MMR (based on countries for which data are available) was around 119 (Table 3). This figure seems to drop to 67.5 by 2000 but rises again to 113 by around 2005. The 2015 MDG target is to reduce 1990 MMRs by 75% – in other words, the regional MMR must drop from 119 to 30 by 2015. While there appear to be some success stories (e.g. Palau, Samoa, Solomon Islands, Vanuatu), this blunt measure suggests that the Pacific as a region has achieved a mere 6% reduction in MMRs over 14 years and must achieve a further 69% reduction in just 6 years.

MDG5 remains a serious concern across the Pacific. Leading causes of maternal deaths include post-partum haemorrhage, pre-eclampsia, obstructed labour, puerperal sepsis, complications of unsafe abortion, anaemia and malaria (where prevalent) (SPC, 2004). Despite 80% of births in the region reported to being attended by skilled health personnel (Table 4), universal access to high quality obstetric care at birth must be accelerated if MDG5 targets for maternal mortality are to be achieved.

Pacific Island countries show a mixed picture for other MDG5 indicators (Table 4). Available time series data suggest that contraceptive prevalence rates have risen in Fiji Islands, Republic of Marshall Islands and Samoa but have

Table 4: Selected indicators of MDG5 for 14 Pacific Island countries

Country	% of births attended by skilled health personnel (2000-2007) (UNICEF, 2008; Government of Vanuatu and UNICEF, 2008; Prasad, 2009)	Contraceptive prevalence rate (1995, 2000-2006, 2007, 2008)		Adolescent birth rate	
		ADB, 2008	UNICEF, 2008; Government of Vanuatu and UNICEF, 2008; Prasad 2009	ADB, 2008; Government of Palau, 2008b	UNICEF, 2008
Cook Is	98	63 (1996)	44	47 (2001)	n/a
FSM	88	n/a	45	51 (2003)	29
Fiji Islands	99	31 (1993)	44	35 (2002)	35
Kiribati	85	n/a	21	71 (2000)	n/a
Nauru	97 (DHS 2007)	n/a	25.1 (DHS 2007)	113 (2002)	n/a
Niue	100	n/a	n/a	n/a	n/a
Palau	100	n/a	17 (21 in Government of Palau, 2008b)	17.7 (2007)	n/a
RMI	94 (DHS 2007)	31 (1995)	45 (DHS 2007)	94 (1999)	n/a
Samoa	100	30 (1995)	43	34 (2001)	30
Solomon Is	86 (DHS 2007)	11 (1996)	27.3 (DHS 2007)	72 (1998)	44
Tokelau	n/a	n/a	n/a	n/a	n/a
Tonga	95	41 (1997)	33	17 (2003)	18
Tuvalu	98 (DHS 2007)	39 (1995)	22.4 (DHS 2007)	33 (2003)	n/a
Vanuatu	74 (MICS 2008)	39 (1995)	38.4 (MICS 2008)	92 (1999)	47

Sources: ADB, 2008; UNICEF, 2008; Government of Palau, 2008b; Government of Vanuatu and UNICEF, 2008; and Prasad, 2009

UNICEF Pacific's 2008–2012 goal is to support the governments of 14 Pacific Island countries in progressively realising child rights in accordance with national development strategies, the United Nations Development Assistance Framework, Millennium Development Goals, the Millennium Declaration and A World Fit for Children goals.

decreased in the Cook Islands, Tonga and Tuvalu, with Vanuatu showing little change since 1995.⁷ Federated States of Micronesia, Samoa, Solomon Islands and Vanuatu appear to have made progress in reducing their respective adolescent birth rates but data, for Fiji and Tonga suggest little or no progress.⁸ It should be noted that almost no Pacific Island data are available for antenatal care coverage (percentage of live births) and that no data are available for percentage of unmet need for family planning.⁹

MDG6: Combat HIV and AIDS, malaria and other diseases

Cumulative HIV case numbers recorded across the Pacific suggest that while HIV transmission within the general population remains low at this point, HIV prevalence in specific groups, such as sex workers, military personnel and maritime workers, is increasing. Based on World Health Organization estimates, Tuvalu has almost reached the point at which HIV prevalence will be generalised (UNICEF, 2007). Several factors that can drive an HIV epidemic are already present in the Pacific: high prevalence of sexually transmitted infections (STIs); limited knowledge of how HIV is transmitted; frequent unsafe sex (particularly among the young); and a high proportion of people have multiple and casual partners (WHO, SPC, UNSW and Global Fund, 2006). The recent MICS in Vanuatu revealed that only 16% of women aged 15–49 years in the survey had comprehensive correct knowledge of HIV (Government of Vanuatu and UNICEF, 2008).¹⁰

Solomon Islands and Vanuatu both have endemic malaria. DHS data for Solomon Islands reveal that 77% of under-five children are treated with appropriate anti-malarial drugs, but only 40% are sleeping under an insecticide-treated bed-net (Prasad, 2009). In Vanuatu, only 36% of under-five children are treated with appropriate anti-malarial drugs while 56% are sleeping under an insecticide-treated bed-net (Government of Vanuatu, 2008).

MDG7: Ensure environmental sustainability

There has been no regional gain since 1990 in the percentage of Pacific Island populations with access to improved water supplies – the regional mean in 1990 was 85% and it was 85% in 2006 (ADB, 2008). Some countries have made gains since 1990 (e.g. Federated States of Micronesia, Kiribati, Nauru, Republic of Marshall Islands and Tuvalu), and Tonga

has maintained its 100% access, but others have made no gain (e.g., Cook Islands, Fiji Islands, Solomon Islands) or even regressed (e.g. Samoa and Vanuatu). Sub-national data reveal that access to improved water sources in rural areas remains below 80%. Fiji Islands, Kiribati, Solomon Islands and Vanuatu fall well below this figure (ADB, 2008).

The percentage of Pacific Island populations using improved sanitation has increased slightly – from a regional mean of 70% in 1990 to 74% in 2006 (ADB, 2008). Again, some countries have made minor improvements (e.g. Cook Islands, Nauru,

Palau, Republic of Marshall Islands and Tuvalu), while others show no gain or reductions. Sub-national data reveal that use of improved sanitation in rural areas remains below 70%. Federated States of Micronesia, Fiji Islands, Kiribati, Republic of Marshall Islands, Solomon Islands and Vanuatu fall well below this figure (ADB, 2008).

National and regional partners now appear to be investing greater effort towards MDG7, especially in the areas of safe water and sanitation, but it is too early to detect significant changes in key indicators.

MDG8: Develop a global partnership for development

According to national MDG reports, Palau and Solomon Islands are likely to, while Cook Islands and Tuvalu will probably, achieve MDG8. All other Pacific Island countries have the potential to achieve MDG8 (Prasad, 2009). Aid flow per capita in the Pacific is very large in comparison with other parts of the world but donor coordination and targeting of aid needs to be improved, especially in smaller Pacific Island countries which rely on significant aid flow to maintain current living standards.

Millennium Declaration: Protect the vulnerable

A major issue for creating a protective environment for children (United Nations, 2000) is how to win widespread community commitment to the rights to protection specified in the United Nations Convention on the Rights of the Child. Stronger commitment is needed in the home, in the wider community and in relation to juvenile justice. While evidence of severe forms of child labour is scarce, estimates by the International Labour Organization suggest that with growing poverty, child workers already make up an estimated 14% in Solomon Islands (ILO, 2009). Legislation, law enforcement and social services to prevent and cope with the rising incidence of child abuse and domestic violence require strengthening throughout the Pacific (UNICEF, UNESCAP, ECPAT International and RRRT, 2008).

The work of UNICEF in the Pacific

UNICEF has worked with Pacific Island countries for over 50 years. UNICEF Pacific's 2008–2012 goal is to support the

governments of 14 Pacific Island countries in progressively realising child rights in accordance with national development strategies, the United Nations Development Assistance Framework, Millennium Development Goals, the Millennium Declaration and A World Fit for Children goals. UNICEF Pacific's strategic vision involves bringing the child dimension to Pacific regional policy debates, emphasising child rights within Pacific regional strategies, and assuring the realisation of key results at scale for children, with a special focus on three priority countries – Kiribati, Solomon Islands and Vanuatu. Robust evaluation will allow the demonstration of impact in these three countries to be channeled into regional Pacific policy and strategy formulation. Regional programming is pursued through cooperation with institutions such as the Secretariat of the Pacific Community, the Asian Development Bank and the United Nations family. UNICEF Pacific's work is currently divided into five core programmes of cooperation: health and sanitation; education; HIV and AIDS; child protection; and policy, advocacy, planning and evaluation. Supporting national emergency preparedness and response is also a major feature of UNICEF's work in the Pacific but not discussed here.

Health and sanitation programme

In partnership with a large number of health development agencies, this programme aims to: increase childhood immunisation coverage (all vaccines) from a regional mean of 80% to 90% by 2012 in all 14 countries, with a special focus on low-performing districts; ensure that implementation of evidence-based maternal and child health plans and programmes is intensified in at least the three priority countries; and support the development and implementation of community-based hygiene improvement and water safety plans that lead to a reduction in childhood diarrhoea and other water-related diseases.

Education programme

In at least the three priority countries, this programme aims to increase by 10% the number of children completing the transition to a seventh year of the formal education cycle or its non-formal equivalent by 2012. Non-formal education mechanisms that allow children to complete basic education are also being explored. At a regional level, UNICEF is supporting education sectoral programming and policy development which draw upon a rights-based approach to ensure equitable provision of quality education for all children and young people. Carefully evaluated child-friendly school initiatives are used as the key policy advocacy tool with ministries of education and key partners to foster a holistic, whole-of-school approach to quality education.

HIV and AIDS programme

Working with numerous partners, this programme aims to reduce

the vulnerability to and impact of HIV and AIDS among the most at-risk populations in at least Fiji, Tuvalu and the three priority countries, through strengthened integration of maternal and child health services and community-based initiatives. Governments are being supported to ensure that all women have access to STI treatment and HIV voluntary and confidential counselling and testing (VCCT), and that all children and women who are HIV positive receive anti-retrovirals. The programme advocates for a prevention of mother to child transmission (PMTCT) approach integrated with maternal and child health. Risks and vulnerabilities are being mapped through situation analyses, and support is being provided for monitoring and evaluation systems to determine if these risks and vulnerabilities are being reduced.

Child protection programme

In at least Fiji, Samoa and the three priority countries, this programme works with a range of partners to: ensure that children are increasingly protected by legislation and are better served by justice systems that protect them as victims, offenders and witnesses; ensure that children are better served by well-informed and coordinated child protection social services that provide greater protection against and response to violence, abuse and exploitation; and support families and communities in establishing home and community environments for children that are free from violence, abuse and exploitation.

Policy, advocacy, planning and evaluation programme

This programme aims to support the development of social and economic policies that are evidence-based and progressively address the rights of children, youth and women through inclusive mechanisms, and to ensure that quality disaggregated social data on children, young people and women are available and integrated into planning, monitoring and evaluation systems in at least the three priority countries. The programme joins other UN agencies and regional organisations in the provision of technical support to national planning and statistical units and relevant sub-national administrative bodies.

Challenges to sustaining MDG progress for children in Pacific Island countries

There are many challenges facing Pacific Island countries in their pursuit of national development goals and MDGs,

There are many challenges facing Pacific Island countries in their pursuit of national development goals and MDGs, including geographic isolation, frequent natural disasters, climate change, limited domestic markets, inadequate infrastructure and capacity constraints.

including geographic isolation, frequent natural disasters, climate change, limited domestic markets, inadequate infrastructure and capacity constraints. In this final section I consider just two challenges – the place of MDGs within national development frameworks and the current global economic crisis.

MDG focus in national planning, policy and budgeting

Many countries already have or are in the process of redeveloping national development plans. Many of these plans show alignment to MDGs, but more work needs to be done (UNESCAP, ADB and UNDP, 2008). Firstly, while many governments understand that it is impossible to achieve their MDGs through economic growth alone, many national policies remain growth-oriented, with inadequate focus on areas that will help achieve MDGs. Secondly, despite national plans, many countries do not have clear national and sub-national programmatic roadmaps for MDG achievement, and there is very little costing for and specific budget investment in MDGs. Lastly, there is a need to better align national development plans and policies to the Convention on the Rights of the Child to improve the national focus on results for children.

The global economic crisis

The current global economic crisis presents one of the most serious challenges to the achievement of MDGs in the Pacific, and I conclude with a rapid synopsis of some of the impacts that the crisis may have on children across the region.

The Asian Development Bank has predicted that of the Pacific Island countries considered in this article, only Vanuatu may continue to sustain positive economic growth (ADB, 2009). Even if the global economy picks up in the second half of 2010, lags mean that economic conditions will be tough in the Pacific in 2010 and it may take until 2011 for the Pacific economies to fully recover. The risks of a long and deep recession or even a depression, however, cannot be excluded.

As noted earlier, there are substantial levels of poverty and hardship in the Pacific. The central lesson learned from every previous economic crisis is that the poorest people in developing countries suffer the most and that not enough is done to help them (Gottschalk, 2004). The impact of the current crisis will depend on a variety of factors and will vary between different countries and regions. Nevertheless, children and women in many Pacific Island countries are likely to be amongst those most severely affected, and those already most vulnerable will face the greatest impacts.

Globally, 9.2 million children still die before their fifth birthday every year (UNICEF, 2009b). If the current economic crisis continues unaddressed, between 200,000 and 400,000 extra deaths will occur annually, driven by increasing malnutrition. By 2015 this would equate to an additional 2.8 million child deaths (IMF, 2009). Global estimates may not translate directly to the Pacific, but if we apply the same predictions, unless reversed the economic crisis could result in an increase of between 50 and 100 Pacific Island child deaths annually – almost one more death every three days than

currently occurs. Each child death and each additional death represent an enormous loss and a step backwards for the Pacific. Malnutrition, including micronutrient deficiencies, is already common across the Pacific and changes in household food consumption patterns brought about by the economic crisis may increase malnutrition levels. For children in poor households, reducing consumption from already low levels, even for a short period, can have important and sometimes permanent cognitive, motor, social-emotional, educational and economic repercussions across the life-course (Walker et al., 2005; Fung and Ha, 2008).

Government health expenditures are likely to decline in real per capita terms. Even where health is prioritised within the overall budget, real health spending per capita may still fall. The quality of health care will likely diminish. Patients will be likely to defer care completely or only attend a doctor or hospital when the situation becomes critical, exacerbating child and maternal mortality. The global crisis may adversely affect HIV and AIDS prevention programmes in the Pacific, with the most adverse effect being on prevention efforts among high-risk groups – most at risk and especially vulnerable adolescents, sex workers, military personnel, maritime workers and men who have sex with men (World Bank, 2009).

The moderate gains in education made by Pacific Island countries are now under threat. More Pacific Island children may not enrol, drop out of school or may experience declines in the quality of education. If education budgets decline, teacher salaries may be delayed and public money for new school buildings, school repairs and school inputs such as teaching supplies may be greatly reduced. Large youth populations combined with school drop-outs already make youth employment a major concern for this sub-region, with the crisis only set to increase levels of youth unemployment. There are also sinister long-term impacts of deteriorating education outcomes affecting future economic growth (World Bank, 2008).

Abuse and exploitation of and violence against women and children, while difficult to measure, rise under conditions of economic stress (Harper et al., 2009). Recent research across a range of Pacific Island countries suggests that various forms of child abuse, violence and exploitation exist alongside significant levels of sexual violence against children (UNICEF, UNESCAP, ECPAT International and RRRT, 2008). There is a real danger that hidden impacts of the crisis such as hazardous work and increases in violence may not be addressed owing to their invisibility.

In short, unless the global economic crisis is responded to effectively, Pacific Island countries on track to meet MDGs could fall behind, while those that were already struggling to advance could be left even worse off. Governments in the Pacific must take all necessary measures to protect social sector budgets, especially to maintain and, if warranted, expand essential social services for children and women (health, education, HIV prevention, and protection from abuse, violence and exploitation). Donors should maintain their aid commitments to the Pacific during the economic crisis and must ensure that investments benefit those most in need. A

new set of policy options, including formal social protection (safety net) mechanisms such as conditional cash transfers to the most vulnerable, and workfare programmes – targeting youth and women in particular – should be considered in the response to the current crisis, to aid recovery of any lost economic and social development and to lessen the impact of future crises (Ravallion, 2008).

- 1 The findings, interpretations and conclusions expressed in this paper are those of the author and do not necessarily reflect the policies or views of UNICEF. The designations do not imply an opinion on legal status of any country or territory, or of its authorities, or the delimitation of frontiers.
- 2 This paper focuses on 14 Pacific Island countries: Cook Islands, Federated States of Micronesia, Fiji Islands, Kiribati, Nauru, Niue, Palau, Republic of Marshall Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.
- 3 Latest available data suggest Pacific Island women share only 37.4% of wage employment in the non-agricultural sector, a regional figure which has changed little from the 1990 MDG baseline of 31.1% (ADB, 2008; Prasad, 2009).
- 4 UNICEF Pacific 2009 estimate, excluding Timor-Leste, Papua New Guinea and the Pacific Island Territories.
- 5 The under-five mortality rate refers to the probability (expressed as a rate per 1,000 live births) of a child born in a specified year dying before reaching the age of five if subject to

- current age-specific mortality rates. The infant mortality rate is the probability (expressed as a rate per 1,000 live births) of a child born in a specified year dying before reaching the age of one if subject to current age-specific mortality rates.
- 6 The maternal mortality ratio refers to the annual number of deaths of women from pregnancy-related causes per 100,000 live births.
- 7 Contraceptive prevalence rate refers to the percentage of women in union aged 15-49 currently using contraception.
- 8 Adolescent birth rate refers to the annual number of births to women aged 15-19 per 1,000 women in that age group. It is also referred to as the age-specific fertility rate for women aged 15-19.
- 9 Antenatal care (ANC) coverage refers to the percentage of women aged 15-49 who are attended at least once during pregnancy by a skilled health practitioner and the percentage attended by any provider at least four times. The only official data available in the Pacific Islands appear to be for Vanuatu and Republic of Marshall Islands. One or more ANC visit during pregnancy is almost universal in Vanuatu; 84% of pregnant women received ANC from a skilled provider (i.e. doctor, nurse or midwife) at least once during their last pregnancy. An additional 14% received ANC from an unskilled provider. Only 2% of pregnant women did not receive any ANC (Government of Vanuatu, 2008). In the Marshall Islands 77% of women attended four or more visits for ANC (EPPSO, SPC and Macro International Inc., 2007). Unmet need for family planning refers to women who are fecund and sexually active but are not using any method of contraception and report not wanting any more children or wanting to delay the birth of the next child.
- 10 Comprehensive knowledge about HIV and AIDS transmission is defined as: (1) knowing methods of preventing HIV; (2) rejecting two common misconceptions regarding HIV; and (3) knowing that a healthy-looking person can have HIV.

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Barry Coates

Getting Serious About Achieving the Millennium Development Goals in the Pacific: Strengthening Economic Development

The Pacific has huge potential and a richness of natural, social and human resources that should assure a bright future. However, in the short term the Pacific's problems are mounting. The legacy of conflicts over recent years continues to affect countries, including Solomon Islands and Tonga, and Fiji is suffering a serious downturn as a result of the coup and declines in its sugar and clothing exports. Meanwhile, the global financial crisis is likely to worsen, and swine flu is likely to further curtail travel and tourism. High food and energy prices continue, and the impacts of climate change are becoming more evident and more serious.

The result of these challenges is that, on a population basis, most of the Pacific's people are suffering, and there is a serious threat that the situation will worsen. The depth of suffering being experienced extends well beyond 'hardship', the term commonly applied to the lives of those in the Pacific who have little cash income and few opportunities and lack basic services such as health care, education, clean water and sanitation (Abbott and Pollard, 2004).

The uncomfortable fact is that a large proportion of the Pacific's people live without the basic rights and opportunities that should be assured to all people in the world. The statistics reveal that around four million of the Pacific's people, almost half of the total population living in the Pacific, are living in poverty, and vulnerable people, particularly women and children, are suffering and dying because of it.¹ Nearly 18,000

children die each year in the Pacific, many of them from preventable causes. There are around one million children out of school, growing numbers of people with HIV/AIDS and, of the ten countries in the world with no women in Parliament, five are in the Pacific (AusAID, 2008).

Facing up to these challenges will require an extraordinary commitment from governments, civil society, the people of the Pacific, the Pacific's neighbouring countries and the international community. This paper sets out some of the key challenges to be overcome and suggests priorities for focus.

Progress and challenges

The framework provided by the Millennium Development Goals (MDGs) has been endorsed regularly by Pacific Island leaders as a guide to help countries to reduce poverty and improve human development since it was agreed by all nations at the September 2000 Millennium Summit. The framework is supported by the activities of the United Nations agencies in

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the Pacific, particularly the United Nations Development Programme (UNDP) Pacific Centre, the Pacific Islands Forum Secretariat, the Secretariat of the Pacific Communities and other regional agencies.

Despite international acceptance by governments and considerable support from civil society, the MDGs have been subject to criticism for their approach, in particular for ignoring some of the key underlying determinants of well-being, such as family and societal cohesion, putting too much attention on the role of the state and services such as health and education while neglecting the importance of economic development and the private sector, and ignoring issues that are crucial to human rights, such as violence against women.

Of particular concern for the Pacific is that the MDG's headline measure of poverty, the threshold of US\$1 per day, focuses on the cash economy. This largely excludes the contribution of women, and production for subsistence use, which is the main source of livelihood for many in the Pacific. The emphasis on quantifying the components of development in order to count them can distort priorities. Not everything that can be measured counts; and not everything that can be counted is valuable.

While these are valid criticisms, it should also be recognised that the MDGs have proven to be an important rallying point for focusing action on the needs of the poor, and for tracking the degree to which their lives are improving (DFID, 2009). The MDGs have played an important role in focusing the attention of government policy and aid donors onto the lives of people who are disadvantaged, rather than the political interests that have often dominated government priorities and aid spending.

In addition, contrary to common perception, the MDGs are not a universal and inflexible framework, but are intended to be modified to suit the circumstances in different regions and countries. Accordingly, most Pacific Island countries have now adapted and integrated the MDGs into their national development processes, or are in the process of doing so, and many have reported on progress.

A regional report on MDG progress covering all 15 Pacific Island countries was compiled in 2004 and, as at the end of 2007, eight Pacific Island countries had produced national MDG reports, with a further six in various stages of completion. As progress reports show, much of the Pacific is off-track on the targets for achievement of the MDGs, particularly the Melanesian countries, which account for around 90% of the Pacific's population. The 2005 UN report on progress against the MDGs highlighted that two regions in the world are falling furthest behind in meeting the globally-agreed 2015 Millennium Development Goals: sub-Saharan Africa and Oceania (Pacific). The report concluded: 'only sub-Saharan Africa is off-track with more indicators

It is not widely understood that some Pacific countries rank amongst the most unequal societies in the world. Although data is patchy, the gaps between rich and poor appear to be widening.

than Oceania' (UN, 2005).

These reports need to be put into context. The Pacific includes considerable diversity and some countries have made great strides towards meeting the MDGs. On a population basis, the overall data² is dominated by a group of large, low-income states (Papua New Guinea, Solomon Islands and Vanuatu). They are characterised by high population growth, most people living in rural areas with semi-subsistence livelihoods, low levels of income, little formal education and poor health indicators.

Socio-economic indicators are higher for some of the island states (the Federated States of Micronesia, Kiribati, Nauru, the Marshall Islands and Tuvalu), especially those that have

associations with developed nations. However, these states are typically dispersed across huge tracts of ocean, crowded, urbanised and highly vulnerable to natural disasters and the impacts of climate change.

A third group is the more economically advanced island states (Cook Islands, Fiji, Palau, Samoa and Tonga). They have relatively high levels of income and social well-being, high levels of remittances and opportunities for migration to developed countries. They are on track for most of the MDGs.

Another useful indicator of development is the UNDP's annual Human Development Report. In the 2008 report, Tonga (ranked 55th out of 177 countries) was the only Pacific Island country to be included in the listing of countries enjoying a high level of human development, but the data has yet to include the full impact of the Nuku'alofa riots that destroyed much of the city centre. The rest of the Pacific received grades that placed them with 'medium' levels of human development: Samoa (77th), Fiji (92), Vanuatu (120), Solomon Islands (129) and Papua New Guinea (145).³ While most countries have improved on the key indicators, the Pacific's rate of progress has been slower than that of other regions. All those Pacific countries, with the exception of Samoa, have fallen down the rankings over the past decade (UNDP, 2007).

It is not widely understood that some Pacific countries rank amongst the most unequal societies in the world. Although data is patchy, the gaps between rich and poor appear to be widening. For example, measured by the Gini coefficient (the accepted measure of inequality), Vanuatu is perhaps the most unequal country in the world (Bazeley and Mullen, 2006). The Gini coefficient estimate for PNG is only slightly better (AusAID, 2001).⁴

The World Bank has documented one of the ways in which inequality is perpetuated, showing that the numbers of out-of-school children from poorer households is far higher than from the richest households. This is consistent with Oxfam's

experience, in that the cost of school fees is a recurring reason given for the high level of ‘push-outs’, particularly in Melanesia. As a result, the greatest inequities are for attendance at secondary school where fees are significantly higher than at primary schools. The enrolment rate for the highest quintile income in Vanuatu, for example, is 50%, compared to 15% for the lowest quintile (World Bank, 2007).

Building on the Pacific’s strengths

In analysing the way forward for the Pacific to improve the well-being of its people, it is important to establish priorities based on where people live in hardship and suffering, but perhaps even more importantly to start with understanding the Pacific’s strengths. This is important because much of the media coverage of the Pacific in recent years has highlighted incidents of conflict and violence, social problems and natural disasters. In addition, much of the academic research (notably Hughes, 2003) has focused on the Pacific’s perceived failings, including conflict, poor governance, low level of exports and weak private sector development. By contrast, the literature of a number of Pacific academics and researchers highlights the Pacific’s uniqueness and its strengths (Hau’ofa, 1993).

In reality the Pacific is a region containing a wealth of marine and other natural resources; rich culture, knowledge and traditions; and capable and resourceful people. PNG civilisation is over 50,000 years old, and it is likely that their people were the world’s first agriculturalists, developing sophisticated forms of sustainable agriculture over the centuries. Polynesian explorers built sailing vessels that were considered to be faster than any others in the world at the time. And Pacific communities have developed enormous resilience based on access to land, a strong cultural identity and systems of community governance.

The strength of communities in Melanesia means that the countries are sometimes referred to as ‘nations of villages’. Resilience is supported through the sharing of communal resources and cultural obligations to look after others. The desire or ability of communities to unite to ensure accountability or make coordinated demands on leaders is in some ways hindered by the fragmentation of societies along language, clan and cultural lines – for example, via the *wantok* system in Melanesia. However, the innate strengths of this system, around family, collectivism and reciprocity, also provide many opportunities for identifying and building on traditional mechanisms for accountability and good governance.

The Pacific contains most of the world’s remaining tuna fisheries and other potentially highly valuable marine resources. Its countries are spread over 30 million square

Levels of inequality in the world have increased sharply over recent decades. There have been economic theories that have regarded such inequalities as an inevitable outcome of development processes, or even helpful.

kilometres of ocean and have exclusive economic zones covering 20 million square kilometres. Its 530,000 square kilometres of land include productive agricultural land, valuable minerals, old growth forests, high levels of biological diversity and areas of outstanding natural beauty.

There is also huge strength in the Pacific’s overseas communities, concentrated in New Zealand, Australia and the West Coast of the United States, some of them far larger than the populations back home. Not only do migrants from the Pacific retain strong links with and send remittances home, but they also play far broader roles in forging links between the Pacific and the rest of the world. Those who retain close links with their homelands become the people who live neither solely here nor there, but in both places simultaneously. They can play a vital role in building the social and economic connections between the Pacific and their richer neighbours.

What kind of economic development?

The issue of economic development is crucial to the Pacific’s future and high on political agendas in New Zealand, Australia and Pacific Island countries. The new National-led government in New Zealand has changed the mandate for the government aid agency, NZAID, to ‘support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world’, and specified that the core focus within that mission be the pursuit of sustainable economic development (New Zealand Cabinet, 2009).

The issue of economic development is also high on the list of priorities for Pacific governments, as has been clear from the strong focus on economic development in the Pacific Plan. While it is often interpreted as being a job for the private sector, stimulating economic development is also a key priority for many civil society organisations, including Oxfam and many of our partners and allies across the Pacific.

Learning from the past

The patterns of development experienced by today’s developed and emerging economies provide insights into how countries have successfully increased their standard of living and reduced poverty.

The weight of evidence and academic research now recognises that the pursuit of economic growth as an aim without addressing the equitable distribution of the benefits, or the participation of those who are disadvantaged, fails to build the conditions for long-term development. Not only does it fail to produce a middle class which can provide internal markets, but growth without equity creates social and political tensions that are likely to destabilise societies

and exacerbate conflict between different groups within society (Collier, 2007). The pursuit of growth without equity elevates self-interest above the broader interests of society, fostering corruption and a lack of accountability (Green, 2007).

Levels of inequality in the world have increased sharply over recent decades. There have been economic theories that have regarded such inequalities as an inevitable outcome of development processes, or even helpful. These have often been characterised as ‘trickle-down’ economics, so called because the theory suggests that once wealth has been created it will trickle down to the poor.

Structural adjustment programmes and other reforms to promote market growth have resulted in limiting the role of the state in the economy, on the assumption that the market would operate more efficiently. This has meant massive reductions in support for the agricultural sector, the virtual collapse of agricultural extension services, withdrawal of support for agricultural information and ending of support for smallholder marketing. These impacts are evident in the Pacific, as well as in other regions, including as a result of Vanuatu’s Comprehensive Reform Programme (Bazeley and Mullen, 2006).

From a development perspective, these forms of development have channelled resources away from the poor and caused unnecessary suffering. The lack of development for a large number of people in the economy has resulted in high under-employment and wasted the skills and capabilities of much of the region’s population. The costs have been particularly severe on small farmers, and those in society without the education, assets and capabilities to benefit from unregulated markets. This undermines the purpose of most governments and aid donors, who have explicit aims to support those who are poor and disadvantaged.

Perhaps the most persuasive argument against the pursuit of growth per se is that evidence shows that growth with equity is more successful. The countries that have targeted the needs of the poor and enabled them to participate in the development process have done better. There are stark contrasts between the relatively equal societies of East Asia and the deep inequalities in many Latin American and African countries. Equality is not only good for poverty reduction, it is good for growth (Green, 2007).

These findings are particularly relevant for small and vulnerable economies. Long-term evaluations and studies of the structural adjustment programmes that were strongly pushed by the World Bank, Asian Development Bank and others from the mid-1980s produced evidence showing that markets in small and immature economies do not work in the ways that

are predicted by economic models. In the terms used by economists, they are prone to widespread market failures. Such failures are endemic in small economies with immature markets, weak institutions, undeveloped regulatory systems and capacities and poor governance. These characteristics apply to a number of Pacific Island economies.

With mounting evidence of the failure of market fundamentalism (even before the global financial crisis), the international institutions have been re-thinking the appropriate economic development models. However, despite significant changes in the development discourse, little has yet changed in terms of the policy dialogue between the international financial institutions and governments. This was characterised in a recent article by Harvard academic Dani Rodrik as ‘goodbye Washington consensus, hello Washington confusion’ (Rodrik, 2006).

There has been a revival of interest in economic history as a way to understand development processes. The Cambridge University economist Ha-Joon Chang has revealed the degree to which OECD countries and the Asian tigers used well-designed government intervention in their economies during their development phase (Chang, 2002). Chang also highlights the degree to which today’s developing countries are precluded from using such policies through trade agreements.

Meanwhile, the policy conditions required for growth have come under closer scrutiny. Analysis of the experience of developing countries has shown that there is no evidence that trade liberalisation leads to economic growth, but there is evidence that countries that are successful in economic growth then open up their economies (Rodrik, 2004). This is an important difference and suggests that the advice given to small and vulnerable Pacific states by donors and international institutions needs to be questioned. An implication is that well-designed government intervention in the economy can be important in boosting exports and international competitiveness and Pacific countries should not be precluded from using such policies in future (Coates and Lennon, 2005).

In summary, there is considerable evidence that the pursuit of growth per se is likely to exacerbate inequalities and be less successful than the pursuit of economic development that is specifically targeted to benefit the poor (often termed ‘growth with equity’, ‘pro-poor growth’ or ‘broad-based economic development’).

Strategies for economic development

Principles for economic development for the Pacific

Since not all economic development is alike in its ability to benefit those in poverty and in its impact on society, it is useful to derive principles that can guide

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the development priorities. These may differ across different Pacific societies and contexts, but the following principles are a starting point:

- sustainable – environmentally, socially, culturally, economically and financially;
 - broad-based – with equitable distribution of the benefits, including for women and disadvantaged groups;
 - appropriate – to the culture and situation (no ‘one size fits all’ approaches);
- scaleable – to the Pacific’s resources and needs.

A far longer list could be generated, incorporating a more comprehensive range of principles, but the above list provides a useful lens through which to assess the appropriateness of different forms of economic development and the challenges in re-directing much of the current development.

There are clearly some current economic activities with rates of extraction that are highly environmentally unsustainable (mining, logging, fisheries) and others that fail to meet the social sustainability and equity tests. The interrelationship between these factors is shown by the recent financial difficulties of the Solomon Islands government, at least partly a result of a sharp reduction in logging exports.

A lack of sustainability in the use of natural resources, including land, has the potential to trigger conflict. Most significantly, a complex mix of factors, including dissatisfaction with the share of economic benefits for landowners and growing environmental damage, combined with unequal development between groups to trigger the crisis at the Panguna mine and precipitate a decade of conflict in Bougainville.

It should also be recognised that land has significance for Pacific peoples that extends far beyond its economic value. There is considerable pressure for changes to customary land tenure through ‘land reform’ or ‘land mobilisation’ in order to provide collateral for loans and open the way for new resource or tourism projects. However, there are risks of alienation of land from traditional owners and their children, including through the sale of land as real estate to foreign buyers, a trend that is already causing deep concern in Vanuatu. This is unlikely to generate sustained economic development or livelihood opportunities, especially not for youth. In addition, the issues of land are perhaps the most potent of conflict triggers and land disputes have played a central role in many of the conflicts in the Pacific.

Unfortunately, there are few opportunities for Pacific people to debate and decide on what forms of economic

development they would like to see in their countries in the future. The process to develop a Pacific Plan in 2004–05 could have provided such an opportunity, and many countries held consultations. However, these were generally limited in scope and involved few participants. As a result, there has been little broad-based acceptance of the Pacific Plan or the directions that it sets for the Pacific.

Another important opportunity should occur during the lead up to negotiations on the Pacific Agreement on Closer Economic Relations (PACER) between the Pacific Island countries and New Zealand and Australia. The Pacific has proposed a period of research, analysis and consultation that would enable them to determine their interests and policy priorities in negotiations. New Zealand and Australia should support this important stage on the negotiations roadmap.

The above principles can serve as a guide to assess whether a particular form of economic development is likely to contribute to overall welfare. However, there are also business realities that need to be taken into account that determine what kinds of economic development may be feasible. The Pacific has inherent disadvantages, such as small economies of scale, a long distance to major markets, a lack of an existing supplier base, limited skills and experience in most manufacturing and service sectors and poor business infrastructure.

These disadvantages combine to produce a ‘price’ for smallness and remoteness. Empirical studies (Winters and Martins, 2004) show higher costs for transport, utilities, wages and rents for producers in small island states. Given that these producers are generally small participants in world markets, and are unable to influence prices, they are unable to pass on these costs to consumers. This means that large segments of cost competitive production are uneconomic for small island states, such as the supply of commodity products at low margins. These disadvantages are well known to the small businesses and entrepreneurs across the Pacific as they struggle to gain a foothold in competition with far larger competitors that do not suffer from them.

It is vital, therefore, that the Pacific understands not only the broad basis of comparative advantage (the differences in costs for factors of production) but their position with regard to the competitive drivers that affect different market segments. Businesses and producer organisations in the Pacific will have opportunities to succeed where the Pacific’s inherent characteristics can be used as advantages rather than disadvantages. This is crucial in providing new opportunities for the Pacific to provide jobs for its youth and build an economic base for its future. Some of the areas where Pacific

Recent policy changes in New Zealand and Australia have identified an increased role for bilateral aid programmes in funding physical infrastructure. Some other donors, notably China and Japan, are already heavily focused on sports stadiums and other public facilities, roads and bridges.

producers can sustain a competitive position include:

- niche markets for agricultural products (organics, fair trade, differentiated products);
- agricultural production for the domestic market (including supply for hotels and tourism) and small-scale import substitution;
- sustainable use of natural resources, with higher levels of value added and local benefits (joint management of tuna fisheries, environmentally certified timber, use of biological diversity);
- high-value tourism (eco-tourism and village-based tourism);
- arts, culture and sports;
- temporary labour schemes linked to skills training and community investment.

There are already exciting initiatives underway across the Pacific under each of these approaches, but far more can be done to build on these initiatives (Coates, 2009). One of the major challenges is to provide the policy framework and infrastructure that will most effectively support sustainable and equitable forms of economic development.

Infrastructure

Recent policy changes in New Zealand and Australia have identified an increased role for bilateral aid programmes in funding physical infrastructure. Some other donors, notably China and Japan, are already heavily focused on sports stadiums and other public facilities, roads and bridges.

There are clearly urgent infrastructure needs in order to support economic development initiatives (World Bank, 2006). Producers need to get their produce to market at reasonable prices and are often unable to do so at present. Enterprises need finance, whether from credit unions, remittances, banks or credit facilities. Producers need communications, electricity, water and waste disposal. However, in other cases it is human capital that is the binding constraint on development.

Education and vocational training

Economic development needs skilled workers and management. Despite high levels of unemployment and even higher levels of under-employment, many enterprises in the Pacific struggle to find skilled and reliable workers and managers. The high numbers of expatriates in many Pacific countries bears testimony to the shortage of professional staff and skilled management.

In most of the Polynesian countries, there is universal (or close to it) access to primary education and high levels of completion of secondary education. However, this is by no means the case in the Melanesian countries. Even where there

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has been progress towards universal primary education, many of the children who enrol do not complete primary school (e.g. 54% in PNG). Overall, only 33% of children of secondary school age in the Pacific in 2006 were in secondary school, while 6% were still in primary school and 62% were out of school – the highest rate out of school for any region worldwide (UN, 2008). Further, the quality of education is problematic. A recent literacy survey in Vanuatu found that 27% of Year 6 students could not write a simple dictated sentence (AusAID, 2008).

There are a number of promising initiatives underway to provide education for all the Pacific's children and improve the quality of education. These include government programmes, aid donor programmes (such as the NZAID sector-wide approach in Solomon Islands) and

a range of civil society and community-based initiatives (including the 48 rural training centres in Vanuatu supported by Oxfam).

However, without basic skills, it is hard to see how economic development can take place, other than as a series of 'enclave developments' that benefit the few and leave most of the population outside the formal sector. Therefore, particularly for the Melanesian countries, education and vocational training should be seen as a vital component of economic development, no less important than roads or bridges.

Human health

It is clear that people cannot work if they are sick. However, the indirect impacts of human health are not so well understood. Pacific countries (particularly the Melanesian countries) typically have relatively high levels of illness and disease, poor public health services and highly expensive private services, if these are available at all. Therefore, absenteeism or withdrawal from the workforce is often necessary in order to take care of a sick partner, parent or neighbour. Even if that person is able to work, their productivity is also adversely affected by hunger, weakness due to previous bouts of disease or malnutrition, or persistent and recurring illnesses such as malaria, respiratory diseases, worms or diarrhoea.

Therefore, a focus on infrastructure to support economic development should use a broader definition than the commonly used focus on physical infrastructure. As well as serious gaps in transport, communications and utilities, there are also serious constraints in the human infrastructure that is needed to support economic development.

The role of those outside the Pacific

The preceding sections have set out some of the challenges for the Pacific if it is to achieve the level and types of economic development that will make a serious difference

in ending poverty. While the primary responsibilities and impetus need to come from the Pacific, others have a role to play. In particular, the Pacific Islands' neighbours, New Zealand and Australia, can have a major influence on the future.

Their influence derives not only from support through development assistance, but also through the impact of their policies on the Pacific. All too often in the past, the benefits of aid given with one hand have been taken back, and more, with the other. Government policies towards the Pacific need to be coherent.

Development assistance

Australia and New Zealand are key donors to the Pacific, with Australia providing around half of all official aid. The level of aid has risen over the past decade to US\$1.1 billion in 2006, but has barely risen in per capita terms over this period. Both Australia and New Zealand have announced increases to their aid levels and a focus on the Pacific. While such increases are welcome, aid from both countries remains well below the UN target of 0.7% of gross national income that donor countries have committed themselves to attaining by 2015.

There is an international process for aid effectiveness that aims to strengthen donor coordination. Australia and New Zealand are already taking practical steps to strengthen coordination and collaboration, and the UN agencies are moving towards a 'one UN' approach. However, coordination with countries such as China is far weaker. At a time when Australia and New Zealand have suspended aid to Fiji as a result of the coup, China has increased its aid from US\$23 million to an estimated US\$160 million in 2007 (Hanson, 2009).

The international aid effectiveness agenda, coordinated through the OECD, has provided a useful reminder to donors that country ownership of aid is important for the implementation of policies and programmes and their longer-term sustainability. However, there are important aspects of development effectiveness that are not included in the aid effectiveness agenda, including the potential sidelining of issues such as gender rights, which may not be a priority for developing country governments.

In particular, the aid effectiveness agenda largely ignores the role of civil society. This is a major problem in countries and regions (such as much of the Pacific) where the legitimacy of the state is challenged, where there is weak state delivery of services and where the state is insufficiently unaccountable to its people. In such situations, often characterised as 'fragile' states, a significant role is played by structures such as the churches, traditional leaders' forums and non-governmental organisations. Operating effectively in such countries represents a challenge for aid agencies, since

Trade policies of the New Zealand government should not undermine its efforts to promote economic development and the achievement of the MDGs in the Pacific.

almost all of their aid is delivered through government-to-government programmes or intergovernmental regional or multilateral programmes.

The role of civil society is not only to act as an alternative delivery mechanism to get essential services to remote and marginalised communities, but also to build economic development from the grassroots. Communities are obviously concerned about the lack of education, health care, water supply and other services, but they also lack the delivery of government support services for important economic functions such as agricultural extension, advice on product standards, organisation of local markets and business development.

Further, the weakness of states is often closely linked to the absence of citizen voice and participation (Sen, 2008). Civil society has an important role to play in building the capacity of communities and local organisations to press for accountability and the delivery of services by governments. Donor governments may impose conditions for the delivery of services (under Sector Wide Approaches, for example), but these are unlikely to be effective unless there is a complementary 'bottom-up accountability' from civil society and community-based groups.

The role of governments in supporting public sector delivery has also come under close scrutiny from researchers and academics. There has, for some time, been a critique of aid as ineffective, particularly citing the growth of the public sector and the relative weakness of the private sector (Hughes, 2003), but a recent paper from the Lowy Institute (Hayward-Jones, 2008) has again gained the attention of politicians in Australia and New Zealand. The paper recognises the potential for growth of the informal sector and the rural economy, including through programmes working with civil society, supporting small business and developing microfinance. However, much of the focus is on reforms that are required to promote a business-friendly environment, including the factors scored in the World Bank's survey on ease of doing business, rather than on a closer examination of the more fundamental reasons for low levels of domestic and foreign investment in the Pacific.

The increased focus of aid programmes, such as New Zealand's, on economic development in the Pacific is timely, particularly since it is a means to support sustainable development in developing countries in order to reduce poverty, rather than as an end in itself. However, the way this is operationalised and measured is important. While NZAID's policy on economic growth and livelihoods has developed outcomes that focus on the poor,⁵ the high-level indicators used for development assistance by the Ministry of Foreign Affairs and Trade focus on unconditioned economic measures: GDP per capita, balance of trade and ratings for 'ease of doing business' (MFAT, 2009). These provide little

guidance on whether or not most of the populations are benefiting, whether sustainable development is supported or whether poverty is being reduced.

Trade

Trade can be a powerful mechanism for the reduction of poverty if the rules that govern trade are fair (Oxfam, 2002). Trade policies of the New Zealand government should not undermine its efforts to promote economic development and the achievement of the MDGs in the Pacific.

The major problems facing Pacific exporters are typically not a lack of access to markets, but the lack of capacity amongst producers and exporters to meet the high standards of quality and reliability that are required to export to New Zealand and other markets.

There are also avoidable non-tariff barriers and restrictive rules of origin that are more directly a result of New Zealand's policies and practices. The government could also do more to enable Pacific countries to meet New Zealand's sanitary and phyto-sanitary regulations and food safety standards, and improve rules of origin to match those New Zealand provides to a number of other trade partners. These constraints are not only theoretical. They put Pacific producers at a significant cost, quality and price disadvantage. If New Zealand is serious about supporting economic development in the Pacific, these trade barriers could be lowered in advance of trade negotiations with the Pacific.

Over the past five years, the Pacific has been involved in a long and difficult trade negotiation with the European Union. As a result, the major Pacific exporting countries had little choice but to accept agreements that would maintain their export markets – PNG to protect their canned tuna exports to the EU, and Fiji to protect sugar exports. The negotiations left the Pacific with no illusions that the negotiations were about promoting development, despite undertakings in the Cotonou Partnership Agreement between the countries of Africa, the Caribbean and the Pacific with the EU.

The June 2009 Pacific trade ministers' meeting in Apia has recommended the start of negotiations with Australia and New Zealand under PACER. Civil society organisations in the Pacific, supported by Oxfam and others, are calling for the negotiations process to ensure that Pacific governments have sufficient time, information and support to be able to consult fully with their people prior to commencing negotiations on issues that are likely to shape their economic future for decades, even generations to come.

The New Zealand government has undertaken to ensure that any agreement will not be a 'free trade agreement' framework, but will have the aim of promoting sustainable development and poverty reduction. This is welcome,

but needs to be reflected in all aspects of the negotiations process, including providing the time and capacity for Pacific governments to consult widely and negotiate effectively (Braxton, 2009).

Climate change

There is a clear international consensus amongst climate scientists and world leaders that climate change is occurring and that it is caused by human activity. The impacts of climate change are already hitting vulnerable communities. The Inter-governmental Panel on Climate Change (IPCC) is very highly confident that: 'Physical and biological systems on all continents and in most oceans are already being affected by recent climate changes'. Climate change is already affecting permafrost, water resources, coastal zones and oceans. Although human effects are harder to discern, due to the impact of non-climatic drivers and adaptation, the IPCC has some confidence that climate change has already affected forestry and agricultural systems and the human health system.

A recent report from the Global Humanitarian Forum, released by Kofi Annan and peer reviewed by leading scientists, documented the current impacts of climate change: 325 million people seriously affected, annual deaths of 300,000 people and economic losses of US\$125 billion (Global Humanitarian Forum, 2009). These will significantly worsen if emissions are not cut deeply and urgently.

Climate change impacts on the Pacific will affect all aspects of the Millennium Development Goals. If climate change is not checked, some islands in Kiribati, Tuvalu, Vanuatu and parts of Papua New Guinea and the Marshall Islands are likely to become uninhabitable. Their residents will need to be evacuated, and will lose their land, homes and livelihoods. Islands that remain habitable will face increased vulnerability to flooding, water shortages and contamination, cyclones and disease (Oxfam New Zealand, 2009).

As close neighbours of the Pacific Islands, New Zealand and Australia bear a special responsibility to take action on climate change. Yet they have been two of the countries that have failed to commit adequate offers into the current UN negotiations.

The New Zealand minister for climate change negotiations, Tim Groser, has signalled that overall greenhouse gas concentrations may need to be stabilised well below 450ppm. This is welcome, but New Zealand is late with submitting its target for medium-term emissions reductions to the UNFCCC negotiations. Oxfam and many civil society organisations (including the international Climate Action Network) are calling for Annex 1 countries to reduce emissions by at least 40% by 2020 in order to ensure that global temperature rises remain well below 2°C.

Even if temperature increases are kept below 2°C there will be major, often devastating impacts on the lives of the poorest people and on poorer countries.

Even if temperature increases are kept below 2°C there will be major, often devastating impacts on the lives of the poorest people and on poorer countries. As an example, with this level of warming as many as 1.8 billion people could be affected by water stress due to shrinking water availability, including those in many small island states. The Alliance of Small Island States (AOSIS) is therefore calling for a global commitment to keeping temperature rise to below 1.5°C, because the projected impacts of a 2 °C rise on low-lying island states is unacceptable.

Oxfam estimates that at least US\$50 billion annually is needed to support adaptation in developing countries (Oxfam, 2008). Developed countries must provide these resources as compensatory payments – not as loans – to address the costs of past pollution. Support for developing countries to adapt to climate change should not come at the expense of urgent development priorities under New Zealand's aid programme, thereby reducing support for health care, education, clean water and economic development.

Current funding for adaptation in developing countries is less than 1% of this level, and less than a single state in Germany is spending on flood defences (Global Humanitarian Forum, 2009). A dedicated adaptation finance mechanism should be established as an integral part of the post-2012 climate regime. The mechanism would ideally build on the principles, experiences and governance structures of the Kyoto Adaptation Fund, as it provides a fair and appropriate level of representation of developing countries.

It is unlikely that funding will be available from recurrent government budgets. A new form of financial instrument will be needed to deliver the funding required. Oxfam believes the most promising options for raising the needed finance would be to auction a fraction of emissions allocations (AAUs) provided to developed countries under a post-2012 agreement, and to set up emissions trading schemes for both international aviation and shipping.

It is vital that action is taken by those outside the Pacific on climate change. The countries and peoples of the Pacific did not cause the problem, yet they are amongst the world's most vulnerable to the devastating consequences. Progress on the MDGs by the Pacific is hard to imagine in a world in which greenhouse gases do not quickly peak and then stabilise at concentrations in the 350–400 ppm range.

Managing the financial crisis

In June 2009 the World Bank released its latest forecast: a decline of 2.9% in global GDP for 2009. This is the latest in a long series of forecasts that have been successively downgraded. While the impacts in the Pacific have not yet been severe, it is now becoming apparent that they have lagged behind those in the developed world. It is likely that they will continue after much of the rest of the world has

On a population basis the Pacific is seriously off track on the Millennium Development Goals.

started to recover.

Initial analysis reveals the obvious impacts of falling exports (less so for commodities like minerals and oil), a drop in tourism numbers, declining levels of remittances (especially affecting Samoa and Tonga), losses of income from trust funds (Tuvalu and Kiribati), exchange rate volatility and a fall in investment and the availability of credit. However, some impacts are less predictable, such as the steep decline in the balance of payments for Solomon

Islands as a result of reduced timber exports.

Traditional forms of community resilience will stand the Pacific in better stead to weather the financial storm than many of the developed nations. Samoan Prime Minister Tuilaepa Sailele Lufesolai Malielegaoi and other Pacific leaders are talking about their people going back to the basics of subsistence living, but the fragile formal economies of the Pacific are likely to suffer.

The Pacific needs its larger neighbours and the international community to manage this crisis in ways that will use this opportunity to secure coordinated international reform of financial markets and provide the financial assistance for the countries that need it, without inappropriate conditionality. The G20 countries in March 2009 promised that 1% of the world's stimulus packages would go to the world's poorest countries. Such funding could provide the impetus that the Pacific needs to invest in its infrastructure and use the economic recovery to kick-start economic development towards achievement of the MDGs.

Policy coherence

A recent report on 'policy coherence for development' (Hudson and Jonsson, 2009) identifies the need for political commitment that is translated into clear and coherent policies; policy coordination mechanisms that take account of development interests; and monitoring, analysis and reporting. The report notes that New Zealand relies on informal mechanisms that may be seen as sufficient in a small society, but which may have costs in terms of a lack of transparency and accountability.

The preceding section indicates that there are possible synergies but also potentially serious conflicts in New Zealand's policy aims related to aid, trade and climate change. It is clear that a stronger and more transparent process is urgently needed to align the range of these policies and others towards New Zealand's stated aim of supporting the Pacific's development.

Conclusion

The poorest countries in the Pacific face a difficult time ahead. There are large numbers of people living in poverty, and increasing pressures from the growing numbers of youth, lack of jobs and high levels of inequality. On a population

basis the Pacific is seriously off track on the Millennium Development Goals. A massive effort is needed, establishing new partnerships with civil society and mobilising all groups within these countries towards common aims and improved accountabilities.

There are exciting opportunities to stimulate the types of economic development that are sustainable, inclusive and appropriate to the local context. These can build on the Pacific's strengths, recognising that the Pacific's enterprises face inherent constraints on their ability to build strong competitive positions. Improving the living standards of much of the Pacific's people will require a targeted approach, rather than chasing business growth at any cost.

Policy coherence for development is required from the Pacific's neighbours and the international community, as well as larger and more effective aid programmes. New Zealand needs to live up to its responsibility for dealing with the dangerous combinations of crises faced by the Pacific.

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In particular, we need to ensure that trade negotiations support development in the Pacific without demanding new obligations for trade liberalisation; commit to the reductions in emissions that climate science demands for protection of the Pacific and its people; provide new and additional funding for the Pacific to adapt to climate change; and contribute financial support to enable the Pacific to weather the approaching financial storm.

- 1 Estimate of people living below national basic needs poverty lines from UNESCAP/ADB/UNDP (2007), with 50% estimated for Papua New Guinea by World Bank PNG (Hayward-Jones, 2008)
- 2 This analysis draws from a literature review undertaken by Voigt-Graf (2007).
- 3 Eight other Pacific Island nations were not included in the index: Cook Islands, Kiribati, Federated States of Micronesia, Marshall Islands, Nauru, Niue, Palau and Tuvalu.
- 4 However, it should be noted that income inequality statistics should be treated with caution, due to the large contribution of the subsistence economy that is not fully measured in income/consumption data.
- 5 NZAID's economic development assistance will contribute to three development outcomes: a reduction in the number of people living on less than a dollar a day and who live with regular hunger; an increase in the opportunities for poor people to earn an income and improve the resilience of their livelihoods; and increased sustainable growth and a reduction in the poverty faced by people living in the poorer regions of developing countries.

Paul Callister, Juthika Badkar and Jessie Williams

Paid Caregivers and Domestic Workers: Some Policy Issues in Relation to Meeting Future Demand in New Zealand

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Introduction¹

While the current recession may be curbing movement, over the long term international labour mobility has been on the rise. Many of those on the move are highly skilled. Yet internationally there is demand for particular types of low-skill workers. This includes in areas of work in the home such as cleaning or looking after children; other caring work, including looking after the elderly; seasonal primary sector employment; and work in the hospitality and tourism sector, as well as in the lower-skilled jobs such as labouring in the building and construction industry. Shortages of workers in these areas has been driven by a range of factors, including a perception of undesirability that low-skill jobs hold amongst increasingly skilled local labour forces in industrialised countries. Shortages of low-skill workers in the horticulture industry prompted New Zealand to develop the Recognised Seasonal Employer (RSE) guest worker scheme, which thus far has been very successful. In this paper we turn to two somewhat overlapping areas where we see potential future demand for lower-skill workers. These are domestic workers and caregivers for the elderly. In contrast to workers brought from overseas to pick fruit or prune vines, the workers we consider are either directly or indirectly caring for people. In this paper we consider the future demand for such workers; how we might meet this demand, particularly through migration; and, if we increasingly rely on migration, what are some of the key policy issues to consider. When we consider migration, our primary focus is on New Zealand as the host country rather than on potential impacts on sending countries.

Background

Historically, most families grew their own food, made their clothes, fashioned tools and cared for dependents, both young and old. However, in industrialised countries most of these goods and services are now sourced outside the household. Yet three areas of work have stayed to a relatively high degree within the household: these are childcare, food preparation, and washing and cleaning. In addition, older people may be cared for in their own homes, sometimes by family members but often by paid non-family members. However, some older people live in residential homes, where again they require paid workers to care, cook and clean for them.

Despite the myth of New Zealand being a 'classless' egalitarian society, childcare, cooking and cleaning work was at one stage a large source of paid employment for women. Such work declined rapidly around the time of the Second World War. In recent decades domestic work appears to be on the rise again, and there are drivers in place that suggest a variety of domestic work in New Zealand is likely to grow in the long term.

In recent years the number of people working in paid childcare, including paid childcare within a home setting, has increased. But perhaps even more importantly, caregiving work in relation to the elderly, both in the home and outside the home, is now forecast to grow strongly. Reasons for the past and future growth of both domestic and caregiving work include:

- De-institutionalisation, primarily since the late 1980s, of some forms of care, including psychiatric and disability care, has meant more people with care needs are living in home-like settings.
- There has been an increase in the employment of women outside the home who have dependent children and/or elderly parents. This has not been matched by an equal increase in participation of males in unpaid work.
- Low fertility and ageing in high-income countries will greatly increase the demand for aged-care workers. A conservative estimate suggests that in New Zealand the number of caregivers needed for the elderly will rise from just under 18,000 in 2006 to over 24,000 in 2016, and around 48,000 by 2036 (Department of Labour, 2009). In Australia similar projections suggest a strong rise in the demand for caregivers for the elderly.
- There may have been a change in attitudes towards contracting out domestic work, perhaps partly prompted by more migrants coming from countries where domestic work is common.
- Overall in the last decade there has been an increase in income differences between the better off and the poorer members of society, potentially allowing domestic work to be contracted out.

While the worldwide recession has been curbing some

of the previously rapidly growing international demand for domestic labour, it is not clear how a long and deep recession would affect short-term demand for such labour in New Zealand. Certainly there is some evidence that paid domestic work increased in the 1930s Depression. The recent and forecast rise in the demand for domestic work means that some historically contested issues, including the legal status and employment rights of domestic workers, as well as how to source such workers, are ripe for renewed debate. Equally, the forecast long-term rise in demand for caregivers for the elderly, both in and outside the home, raises issues about employment arrangements as well as where to source such workers.

Over the whole period there were few public sector organisations which had recognised in their strategies the likely long-term nature of the downturn that was faced then.

In most countries, domestic work and caregiving work are significant areas of employment. The International Labour Organization (ILO) has suggested a conservative estimate is of over 100 million domestic workers globally. The ILO has highlighted that these workers are often the most disadvantaged and vulnerable in society: domestic work is often the site of forced labour, child labour, abusive employment relationships and unfair working conditions. In many countries, those employed in this domestic work and wider caregiving work are migrants, sometimes working illegally or, at times, as part of guest worker schemes. Almost all domestic and caregiver workers are female and many of these workers will have left their own families behind when migrating.

Despite the forecast long-term increase in demand for domestic workers and specifically caregivers for the elderly, in New Zealand the local supply of potential workers is likely to be shrinking. This is due to two main factors. One is the overall upskilling of the New Zealand population, but particularly of women. As women gain higher educational qualifications they are very likely to find low-paid domestic work unattractive. Secondly, unlike the situation in many OECD countries, currently low-skill migrants are not replacing the reducing numbers of low-skill local women. In relation to the OECD, New Zealand, along with Australia and Canada, stands out in having a small proportion of low-skill workers born overseas. But there may be another factor too. Australia is facing a similar set of issues. If incomes remain higher in Australia for many jobs, then potential workers in New Zealand may migrate to Australia to fill labour shortages.

A further pressure on labour supply is workforce ageing. Due to the nature of such work, accurate data are

not available on domestic workers. However, the current domestic workforce is likely to be ageing, with fewer local young people likely to be moving into this area of work. Certainly, cross-sectional data on caregivers for the elderly shows a disproportionate number in older age groups. It is therefore almost inevitable that migration will be used to meet the forecast long-term increase in demand for both domestic and elder caregiving labour. While the potential source countries of such migrants include traditional domestic migrant-sending Asian countries such as the Philippines, New Zealand has a source much closer that could supply significant numbers of domestic workers – Melanesia. Currently there are no migration outlets for other than high-skill workers from Melanesia.

There is a range of issues which policy makers need to consider regarding paid domestic work and wider caregiving work. These include:

- labour law and wider regulatory frameworks for paid work in the home;
- migration frameworks that allow the management of low-skill migration;

Table 1: Selected agencies with interest in domestic and elderly caregiver work

Organisation	Interest in domestic and elderly caregiver work
Department of Labour	Labour market and migration concerns
Ministry of Social Development	Ensuring ill and disabled people are well cared for; ensuring positive outcomes for low-skill migrants and their families if they are permanent migrants
Ministry of Health	Ensuring a future supply of well-trained caregivers
Statistics New Zealand	Accurately counting caregiver and domestic work
Ministry of Education	Ensuring nannies working in the home are delivering quality early childhood education and care; educating children of low-skill migrants
Ministry of Women's Affairs	Ensuring that the mainly female workforce is undertaking 'decent' work; also possibly a gender equality goal by ensuring that paid domestic support is available to women in senior positions in the public and private sectors
Inland Revenue	Ensuring domestic and caregiver workers are part of the taxable workforce
Ministry of Pacific Island Affairs	Ensuring positive outcomes for low-skilled Pacific workers, including migrants from the Pacific
Te Puni Kokiri	Ensuring positive outcomes for low-skilled Māori workers who may be competing with low-skill migrants for jobs
Human Rights Commission	Ensuring human rights issues are addressed
Unions and non-governmental organisations	Making sure domestic and caregiving work is 'decent work'; also that clients are well looked after

- ways of protecting vulnerable clients of domestic and caregiver workers;
- determining whether domestic and caregiving work is really low-skill work.

Low-skilled or 'essential' skills?

Domestic and caregiving work is often described as low-skilled, or sometimes even unskilled, work. The term unskilled has been criticised, particularly by feminist writers, on the basis that such jobs are actually skilled but the skills used in them are undervalued by society. Alternative suggestions for such work include the term 'essential work'. There is also some confusion at times about whether the definition of low-skilled is based on the skills required for the job or the formal education levels of those generally working in the area. For example, lower-skilled jobs are often filled by more highly educated immigrants, at least in the early period when as new migrants they may face employment barriers such as language skills or qualification recognition. One of the issues policy makers need to consider is the types and level of skill required for undertaking domestic and caregiving work, and, given that some domestic work and much of caregiving work for the elderly is government funded, how these jobs should be valued financially.

Domestic work and caregiving work are cross-cutting policy issues

Both domestic work and caregiving work are cross-cutting policy issues. Table 1 shows the range of agencies with potential interests in domestic and caregiving work, particularly when this work is carried out by low-skill migrants.

We have discussed some of these issues – particularly labour law relative to domestic workers and human rights, and labour law issues in relation to a wide range of guest worker schemes – in more detail in other papers (Callister, Tortell and Williams, 2009; Williams, 2009). Some other issues, such as the question of utilising vertical inequities (i.e. the income gap between the well-off and the low-paid worker) to support horizontal equity (equality between women and men in high-income jobs) are important but beyond the scope of this article. Here we have chosen to focus on two interrelated issues: (1) the development of a suitable migration framework for domestic and caregiver workers; and (2) the potential sources of future domestic and caregiver workers. In doing so our focus is on the host country's, that is New Zealand's, perspective. This means that we do not consider, for example, the consequences of migration models for the families potentially left behind of low-skill migrants.

Migration frameworks and source of migrants

Policy makers have tended to divide migration into two categories: permanent and temporary. Historically, temporary migration has been of lesser importance in New Zealand, but has been strongly growing. In New Zealand temporary migrants make up about 21 of every 1,000 head of population, compared with about 11 in Australia and 5

in Canada. The number of people issued work permits in New Zealand grew 13% between 2006/07 and 2007/08. Both permanent and temporary migration have been based primarily around selecting for high-skill workers, although for various reasons some high-skill workers may end up working in low-skill areas. However, currently some domestic workers and caregivers are able to enter New Zealand as temporary migrants through a labour market-tested work permit if there are specific labour shortages and no New Zealand citizens or residents are available to undertake such work. In addition, migrants who have arrived in New Zealand legally through a variety of other channels, such as the International/Humanitarian or the Uncapped Family Sponsored streams, may work in these occupations.

Although New Zealand does not have a formal scheme for either domestic worker or caregiver migration, there has been a rapid and growing reliance on migrant caregivers since 2004. In the past, caregivers from parts of the Pacific have formed a constant source of workers; however, in the last two years there has been a sudden rise in migrant caregivers from the Philippines.

Where borders are difficult to seal (e.g. into Europe, and into North from South America through the Mexican border), illegal migration provides a pool of domestic and caregiver workers. There are three main types of irregular migrants:

- those who enter a country legally with valid documentation, but who violate the terms of their admission (e.g. those on visitors' visas by undertaking work or by overstaying the duration of their visa);
- those who enter a country legally but with fraudulent documentation; and
- those who enter a country illegally (i.e. without undergoing formal admission).

Unlike many countries, New Zealand can easily control its borders. Thus, while there will be some people on visitor permits working illegally, in general migrant domestic and caregiver workers will have come to New Zealand legally.

Three broad migration models are possible for low-skilled domestic and caregiver workers:

- being part of the current temporary migration process;
- having specific guest worker schemes developed;
- opening up a stream of permanent migration for low-skill workers.

These models may vary by the category of worker, for example caregivers of older people or cleaners. The costs and benefits of each model can also be viewed from the perspective of the host, the sending country or the migrants themselves. In an ideal world we have a 'triple win' situation where all three benefit. There are divergent opinions amongst policy makers and researchers on the merits of temporary migration. Some see only negative impacts for migrant workers, including dependency and exploitation, social exclusion, and irreversible social impact on their families left behind. Others believe the recent versions of

guest worker schemes can complement both labour demand and development (through remittances, skill transfer and experience).

Low-skilled temporary migration can be used to improve labour productivity, wages and conditions in receiving countries as well as development outcomes in the sending countries. In New Zealand, a new model of temporary migration, the Recognised Seasonal Employer scheme, has been successfully trialled in relation to one type of lower-skill worker.² The RSE guest worker scheme primarily aims to provide temporary migrant workers to meet the labour shortages in the horticulture and viticulture industries in New Zealand. The purpose of this is to increase productivity, viability and profitability of these industries (Whatman and van Beek, 2008). But a secondary aim is to assist development in the Pacific. Hence, the preferred sources of labour are the Pacific Islands Forum member nations. Successful RSE work visa applicants can stay in New Zealand for seven months during any 11-month period, or nine months for workers from Tuvalu and Kiribati. They cannot transfer to another type of permit while they are in New Zealand and must leave at the end of their stay. Work permits are for a specific location, type of work and employer. Only in exceptional cases are employees able to transfer between employers. In the future, similar initiatives could be used in areas such as the meat, dairy, forestry and fishing industries. These are all industries dealing primarily with products, and all are to some degree seasonal as well. In addition, the workforces of many of these primary industries tend to be male-dominated, and this has shown up in the RSE labour force. In the 2007/08 year just under 80% of permits were issued to male workers. However, there is the potential to extend these worker schemes to activities primarily servicing the needs of people and work that is generally not seasonal. Such areas include the primarily female areas of paid domestic and caregiving work.

There are a number of possible models of migration for domestic work. In terms of controlled migration flows, Singapore and Canada offer two diametrically opposite migration schemes. In Singapore, large numbers of paid domestic workers are entitled to work in the country on temporary work permits linked to particular jobs. Domestic workers are not recognised as employees and therefore have very few rights under labour legislation. Instead, workers are subject to strict controls in relation to the nature of their job, salary and working conditions, which are lower than could be expected for a citizen. It is not possible for a paid domestic worker to obtain any citizenship or residency rights in Singapore, and if regular health checks detect a pregnancy the worker will be immediately deported.

In comparison, in Canada live-in careworkers, who are overwhelmingly from the Philippines, obtain rights of residency for themselves and their immediate family after two years in the country. The number of work permits each year is severely limited, with only skilled, educated English- or French-speaking caregivers eligible to apply.

The employment of such caregivers is highly regulated, and they, in theory, enjoy the same employment rights as citizens working in Canada, except in one major regard: while recent amendments give them the opportunity to change employer with just cause, they must remain as live-in caregivers. This scheme is an example of a probationary guest worker scheme transitioning to permanency, a benefit that these migrant workers would be unlikely to qualify for through normal immigration channels. The benefit to Canadian parents is low-cost caregiving and household support better suited to their working patterns than the care generally available from live-out workers.

Guest worker schemes for domestic and caregiver workers could also be developed in New Zealand. For specific occupations, such as caregivers for older people or for children, some recognised training could take place in the

Thought ... needs to be given to developing a framework that allows for management of low-skill migration and, in these [domestic] jobs, a primarily female migration. This framework needs to keep multiple goals in mind.

sending country before the workers come to New Zealand. Despite some problems, overall the evidence suggests that in its first year of operation the RSE scheme both met demand from New Zealand employers and provided much needed income and opportunities to migrants. Due to the sector it services, the scheme has avoided the element of competition with local workers which can in turn drive down wages, and, despite some problems, careful regulation coupled with active enforcement has seen it escape accusations of exploitation and abuse that plague the much broader agricultural guest worker schemes of the United States and Canada.

However, despite this superficial similarity, there is little congruence. There are significant differences between work involving often seasonally-produced products and work relating to people. In particular, care work requires the building of long-term relationships (and understanding of cultural norms of care), whereas agricultural work does not. Therefore, a policy that limits the amount of time a worker is entitled to be in the country to the extent of the RSE scheme is unlikely to achieve the necessary results for domestic and caregiver work. In other words, temporary schemes for permanent or semi-permanent jobs are not an efficient use of resources for the host country if the workers return to their home country after a relatively short time. Further, whether live-in or not, migrant domestic and caregiver workers will necessarily undertake intimate work causing

issues of rights and protections to be writ large. For domestic work the home is an isolated environment that is especially susceptible to abuses and vulnerability, but wider caregiving work has some similar issues to address. While Canada's guest worker schemes are often touted as exemplars, the live-in component in particular has increasingly been criticised for this very reason, including, most recently, by Canada's Parliamentary Standing Committee on Citizenship and Immigration.³ Whatever design New Zealand considers, structures must exist to oversee and enforce the protection of rights of both migrant workers and vulnerable clients. To bring those working in the private home within the ambit of existing human rights and labour law, the private home would need to be seen as a workplace. This would require legislative change, since one's home is currently seen as one's castle.

While temporary migration may be more politically acceptable than permanent migration, not least to ease fears over the burden on social services, the demand and the desire for continuity, particularly in caregiving for the elderly, may change this. There are a number of unique challenges that arise from bringing relatively low-skilled workers into New Zealand as permanent migrants. First, many migrants may quickly move to other jobs, therefore not meeting the demand for domestic or caregiving labour. One way around this is a scheme like the Canadian one, which begins with the workers being temporary migrants but with the potential to become permanent migrants. Workers would be given relative freedom but their visa would bond them to jobs where there are labour shortages – something akin to New Zealand's work to residence visa.

Another issue that arises with low-skilled permanent migration is the trans-Tasman agreement that allows a free flow of residents between Australia and New Zealand. It is possible that Australia will scrutinise any planned New Zealand schemes to see the potential for unwanted 'back door' migration of low-skilled workers. But equally, due to Australia's own projected labour demand for such workers it might be beneficial for Australia to 'poach' New Zealand's migrant domestic workers and caregivers once they have gained New Zealand work experience and better English language skills. As a precedent, Canada looks favourably on domestic workers and caregivers who have had experience working in Singapore.

The issues that arise, therefore, are those that concern the very nature of the type of migration response that would be desirable for New Zealand. Questions of the numbers of workers who should be entitled to enter the country, whether or not a requirement for qualifications should exist, or any pre-accreditation process, and where those migrants will come from will be central to any determination. Equally, the question of whether those migrants will be eligible for citizenship rights after a period of residence in New Zealand,

or whether they will receive temporary work permits limited to a particular employer for a short period of time, must be addressed. Finally, in relation to domestic workers the question of how employment rights should be regulated will require determining whether they should be treated in any way differently from other domestic workers, either recruited locally or already New Zealand citizens.

There are many low-income countries from which lower-skill domestic workers and caregivers could come. These include many of the traditional sources of such labour in Asia, Africa and South America. But there may be reasons to look closer to home, particularly to the broader Pacific region, including Melanesia. New Zealand already has close historical links with Polynesia and part of Micronesia, and over time there have been significant migration flows, both temporary and permanent, into New Zealand from these areas. But other factors too suggest a need to look to the Pacific. In terms of community, Hispanic migrants in the United States are less culturally isolated than those from Asia or the Caribbean. Having family or tribal ties with people already living in the host country can assist greatly with pastoral care.

In 2006 a World Bank report identified that many Pacific Island nations, but particularly Melanesian countries, had high population growth, low employment, low incomes, major difficulties in developing local industries and few migration outlets (Luthria, 2006). Where labour mobility is possible, it is generally skewed in favour of skilled workers. This report suggested that greater labour mobility would expand the employment options available to Pacific people. The study was influential in supporting the development of the New Zealand RSE scheme as well as a recently announced scheme in Australia. These islands are also a possible source of domestic workers and such migration would likely contribute to development of the Pacific, and are a possible future source of migrant workers for the wider caregiver workforce.

Given the potential benefits for sending countries, some of these countries are now adapting their education and

training institutions to meet the global demand for migrant workers. For example, the Technical Education Skills Development Authority of the Department of Labour and Employment in the Philippines has established partnerships with developed countries that aim to raise the quality of education of Filipino workers. There is potential for Pacific countries, perhaps in co-operation with New Zealand and Australian education providers, to develop training courses for caregivers and possibly domestic workers.

Conclusion

The demand for domestic workers and caregivers for the elderly, in both New Zealand and Australia, is almost certain to increase in the long term. The growth in demand in Australia may make it even more challenging to find New Zealand workers to fill these jobs. It is therefore highly likely that New Zealand will need to turn to low-skill migration to meet this demand. Policy makers have much experience with high-skill migration. Thought now needs to be given to developing a framework that allows for management of low-skill migration and, in these jobs, a primarily female migration. This framework needs to keep multiple goals in mind. These include maximising the benefits for those from the sending countries, those living in the host country, for migrants and their own families. As part of this, there needs to be policy development in relation to labour law and wider regulatory frameworks for these workers. Finally, attention needs to be given to protecting vulnerable clients of domestic and caregiver workers. The multiple goals mean that no one agency can do this work on its own.

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- 1 This paper draws on three streams of interrelated work. One is an investigation of domestic work (Callister, Tortell and Williams, 2009), another is an examination of guest worker schemes and the labour and human rights of migrant workers (Williams, 2009), and the third is focused on caregivers for the elderly (Badkar, Callister and Didham, 2009). All projects were undertaken as part of the Emerging Issues Low-skill Migration project.
 - 2 See <http://www.dol.govt.nz/initiatives/strategy/rse/index.asp>.
 - 3 See http://www2.parl.gc.ca/Content/HOC/Committee/402/CIMM/Reports/RP3866154/402_CIMM_Rpt07-e.pdf.

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Kerry L. Hunter

American Constitutionalism an Impediment to the Pursuit of Fairness? Lessons from New Zealand Political Culture

For the letter killeth, but the spirit giveth life.

(II Corinthians 3:6)

Introduction

Returning to America from an intensive five week study of New Zealand political culture, one thing really stands out: the New Zealand interest in asking what is fair. This is not to say that I can objectively establish that New Zealand is more fair than America. True, many New Zealand practices do seem fairer to me. For example, it definitely seems

like the caretaker government conventions are more fair than the American norm of presidents making appointments and starting initiatives after losing an election. And I really do like New Zealand's Accident Compensation Corporation (ACC), which effectively eliminates ambulance chasing by lawyers. But one person's fairness is another's injustice and determining actual fairness is far beyond the scope of this article. What I am suggesting is that the interest in asking the question of fairness is noticeably much

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more present in New Zealand than it is in America. Where Americans are inclined to settle for what is *legal*, New Zealanders are much more interested in asking what is fair.

The interviews I conducted with individuals from a variety of professions revealed a seeming omnipresence of the concern that people had a 'fair go'. Several noted in fact that *Fair Go* is one of New Zealand's more popular television programmes. But more significant is New Zealand's attempt at institutionalising the pursuit of fairness, with the Office of the Ombudsman, various tribunals, and a number of commissions whose mission is to seek what is *right* rather than merely settling for what is *legal*. Having returned to America, the fairness question is noticeably diminished and I find myself wondering if former president Bill Clinton's absurd remark to the grand jury is telling. As ludicrous as it sounded on the public air waves, when lawyers argue over the finer points of law it is not unusual to focus on questions determining 'what the meaning of the word is'.

In other words, I cannot help but wonder if perhaps one reason Americans are incapable of adopting something as sane as New Zealand's ACC could be our *insane* obsession with legalism. Moreover, this legalism seems to grow directly from the fact that Americans have put their faith in a written constitution. As New Zealanders contemplate becoming a republic and adopting a written constitution, it may prove beneficial to reflect on this debilitating consequence of American constitutionalism.

Constitutionalism and its chilling effects on the pursuit of fairness

While visiting in the 1830s, Alexis de Tocqueville found it remarkable that in America all political questions become legal issues:

The reason lies in this one fact: the Americans have given their judges the right to base their decisions on the *Constitution* rather than on the *laws*. In other words, they allow them not to apply laws which they consider unconstitutional. (de Tocqueville, 1969, pp.100-1)

Though de Tocqueville found this judicial capacity noteworthy, it is significant that during his time the practice of legislative judicial review was far from regularly accepted in America. Many were sceptical of allowing judges to engage in this overtly political practice, and in fact the US Supreme Court had only exercised the power once with regard to ruling legislation passed by the United States Congress unconstitutional. Yet de Tocqueville's observation proved accurate and because of the possibility for courts to

hold legislative acts unconstitutional, American democracy has been profoundly shaped by litigation.

Significantly, Americans never *explicitly* granted courts the power de Tocqueville refers to. Anyone searching for mention of legislative judicial review in the US constitution will search in vain. This should not be lost on New Zealanders considering the move to republicanism. If Dennis Rose is correct in arguing that '[a]ny decision to change the prerogative powers of the head of state is likely to require an associated re-balancing of other constitutional elements and, probably, formal enshrinement of those powers in a written constitution' (Rose, 2008), the republican debate should include thoughtful consideration of the potential tangential consequences accompanying a written constitution. According to former American chief justice John Marshall, the power of legislative judicial review inevitably grows directly from the very presence of a written constitution:

The question, whether an act, repugnant to the constitution, can become the law of the land, is a question deeply interesting to the United States. ...

That the people have an original right to establish, for their future government, such principles, as, in their opinion, shall most conduce to their own happiness is the basis on which the whole American fabric has been erected. The exercise of this original right is a very great exertion; nor can it, nor ought it, to be frequently repeated. The principles, therefore, so established, are deemed fundamental. And as the authority from which they proceed is supreme, and can seldom act, they are designed to be permanent. ...

If then, the courts are to regard the constitution, and the constitution is superior to any ordinary act of the legislature, the constitution, and not such ordinary act, must govern the case to which they both apply. ...

Thus, the particular phraseology of the constitution of the United States confirms and strengthens the principle, supposed to be essential to all written constitutions, that a law repugnant to the constitution is void; and that courts, as well as other departments, are bound by that instrument. (*Marbury v Madison* 5 U.S. 1 Cranch 137, 2 L. Ed. 60 1803)

Marshall's logic is important in that it demonstrates that even where courts have not been granted the specific power to exercise legislative judicial review, justices are compelled to do so when a written constitution is considered the supreme and permanent law of the land. It is by its very existence

...when a written constitution is adopted with the understanding that first principles of justice have been permanently settled, the nature of this legislative debate is changed. In fact, constitutionalism of this sort can have a chilling effect on the legislature's willingness to even engage in debates over fairness.

that a written constitution grants courts the political power de Tocqueville found remarkable. But there is a greater significance to Marshall's logic. If he is correct in arguing '[t]hat the people have an original right to establish, for their future government, such principles, as, in their opinion, shall most conduce to their own happiness [and this] is the [very] *basis on which the whole American fabric has been erected*' (emphasis added), it is no stretch to attribute the fixation with legalism evidenced by Bill Clinton's statement to American constitutionalism.

In modern democratic societies it is normally considered the legislative function to wrestle with questions of justice and fairness. This is their essential job. However, when a written constitution is adopted with the understanding that first principles of justice have been permanently settled, the nature of this legislative debate is changed. In fact, constitutionalism of this sort can have a chilling effect on the legislature's willingness to even engage in debates over fairness.

Consider, for example, the language of former American chief justice Roger Taney ruling in effect that Congress could not stop the spread of slavery in newly emerging territories and stating that African Americans (free or slave) could not claim citizenship. First note that Taney unabashedly acknowledges that the perception of fairness in his day was different from that of those who adopted the constitution:

It is difficult at this day to realize the state of public opinion in relation to that unfortunate race which prevailed in the civilized and enlightened portions of the world at the time of the Declaration of Independence and when the Constitution of the United States was framed and adopted. ...

They had for more than a century before been regarded as beings of an inferior order, and altogether unfit to associate with the white race either in social or political relations, and so far inferior that they had no rights which the white man was bound to respect, and that the negro might justly and lawfully be reduced to slavery for his benefit. ... This opinion was at that time fixed and universal in the civilized portion of the white race. It was regarded as an axiom in morals as well as in politics which no one thought of disputing or supposed to be open to dispute, and men in every grade and position in society daily and habitually acted upon it in their private pursuits, as well as in matters of public concern, without doubting for a moment the correctness of this opinion.

Taney then fundamentally rejected the possibility of the court entertaining existing notions of justice:

It is not the province of the court to decide upon the justice or injustice ... of these laws. The decision of that question belonged to the political or lawmaking power, to those who formed the sovereignty and framed the Constitution. The duty of the court is to interpret the instrument they have framed with the best lights we can obtain on the subject, and to administer it as we find it, according to its true intent and meaning when it was adopted. (*Dred Scott v. Sanford* 60 U.S. 393)

Based on the above logic, Taney ultimately concluded that, fair or not, the United States constitution failed to afford Mr Scott a legal remedy to his problem. Though this might seem preposterous, Taney's logic is fully consistent with the American constitutionalism described by Marshall. Even more significant, however, is the fact that not only does this logic suggest that there is no *legal* remedy for Scott, it also suggests that there is no *legislative* remedy. As Taney noted, under the doctrine accepted by American constitutionalism the power to determine justice is considered the primary function of *those who originally wrote* the constitution and not the sitting legislature. In effect, then, except for debate to amend the constitution (something Marshall noted seldom should happen and takes 'a very great exertion'), American constitutionalism (at least in the dominant 'founding fathers' strain of constitutionalism) considers all debate over questions of justice to be settled. Ordinary legislative debate must be limited to what is legal within the confines of the written constitution.

A century and a half later, Americans do not of course totally reject questions of fairness in favour of legalism. Indeed, it would be naïve to think that members of the legislature, lawyers and even judges are capable of fully divorcing their personal opinions on what is fair from their legal responsibility to determine what is constitutional. Surely the regular occurrence of split decisions indicates something other than a universal objective understanding of what is demanded by the written constitution, and one cannot help but believe that personal assessments of what is fair are at work.

But significantly, American constitutionalism stresses the (legislative and judicial) processes for determining what the *law* is or should be – not what is *fair*. The symbolic blindfold of Lady Justice represents the ideal of removing bias towards or against one or other litigant from the judgement equation. The law is applied, irrespective of who the litigant is. 'Fairness' is the unbiased application of the law (i.e. *fair process*), not the unbiased application of law to deliver *substantive fairness*

... empowered to operate outside the confines of American constitutionalism, the enormous contribution of Lord Cooke in shaping New Zealand administrative law, especially the requirement that all those exercising public power should act 'in accordance with law, fairly and reasonably', is noteworthy

...

If a formal written constitution is adopted as the means for spelling out new power arrangements in the absence of the Queen and governor-general, an increase in legalism, whether practiced by parliamentarians or by courts, will be difficult to curtail ...

in result. Fair process is, of course, important. But without substantive fairness, the ordinary person sees legalism, the lawyer's skill of interpreting (or manipulating) words and facts, the endless and expensive argument about what the meaning of the word is. Constitutionalism becomes legalism, not a profoundly human inquiry into what is just and fair and right in contested circumstances.

In other words, even though *Dred Scott* could have been determined differently, and even though in many cases since, US courts have used constitutional arguments to check the majority of the population in ways that have arguably promoted more fairness for minorities, by relying on *legal* rather than *philosophical* arguments to determine what is and is not fair the outcome by default is legalistic thinking. Right becomes determined by what is legal.

Law obviously makes similar demands in New Zealand, as one would expect in any judicial process operating with the doctrine of 'living law' shaped by precedent, as well as by legislation. But my strong impression is that in New Zealand, legalism represents only part of the equation, measured by legislators, judges and by the institutional systems as a whole. Moreover, empowered to operate outside the confines of American constitutionalism, the enormous contribution of Lord Cooke in shaping New Zealand administrative law, especially the requirement that all those exercising public power should act 'in accordance with law, fairly and reasonably', is noteworthy (Knight, 2008, p.103).

For the system as a whole, New Zealanders have thus far refused to adopt the American constitutionalist approach that first principles are permanently settled. The numerous extra-judicial institutions dotting the New Zealand political landscape are evidence of this. The Office of the Ombudsman, Human Rights Commission and Privacy Commission as well as tribunals such as the Human Rights Tribunal and the Waitangi Tribunal have an ability to ask the question of fairness in ways courts simply cannot. As has been recognised by a number of New Zealand scholars, where courts must deal with legality, commissions are expected to ask what is right (see Boston et al., 1999).

Matthew Palmer notes that it was precisely an understanding of the importance of extra-legal moral arguments that led Māori to argue against the entrenchment of the Treaty of Waitangi in the 1980s:

At the level of principle, there was a significant Māori view that putting the Treaty of Waitangi itself into any law passed by Parliament would diminish its status. The Treaty would be transformed from a powerful normative symbol with moral legitimacy into a *mere* legal instrument.

... If the Treaty is outside the law its moral and normative power can continue untouched, to be a reference point for political agitation. Inside the law, it becomes *an instrument of the legal system and a plaything for lawyers and judges.* (Palmer, 2006a, p.31, emphasis added)

Indeed, questions of fairness are too easily set aside when justice becomes a 'mere legal instrument', a 'plaything for lawyers and judges', and by refusing to grant courts the ability to have the final say by determining what is constitutional, New Zealanders are better able to engage in a meaningful debate on what is fair, a debate that often gets derailed in the United States by the very presence of a written constitution.

In fact, concern over the potential debilitating effects of legalistic thinking led the original framers of the US constitution to be sceptical of a written bill of rights. If a written bill of rights was adopted, it was feared, future individuals could claim that the only rights deserving protection were those actually written in the bill itself (Hamilton). When ratification politics ultimately forced the inclusion of a bill of rights, the Ninth Amendment was inserted in an attempt to address this concern: 'The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people' (US Constitution, Ninth Amendment). However, the Ninth Amendment has proven no match against the power of American constitutionalism. Supreme Court justices, stuck in the belief that constitutional principles first laid down must not be tampered with, seem loath to acknowledge the Ninth Amendment demand to think more broadly and to date very little Ninth Amendment jurisprudence has developed.

This is not to say that entrenching a bill of rights in New Zealand would necessarily have the identical American result. New Zealand's historical understanding that the constitution includes social mores as well as both written and unwritten conventions which are fluid and continually evolving is a different kind of constitutionalism altogether (Joseph, 2001; Palmer, Geiringer and White, 2005; Palmer, 2006b). And where American constitutionalism encourages justices not to engage in debates over fairness, the New Zealand belief that courts are in a dynamic dialogue with Parliament (Butler, 2004) could be enough to slow New Zealand's descent into the debilitating legalism that discourages the fairness question. It is significant that even with the new activism of New Zealand courts in relation to the Bill of Rights Act 1990, '[r]ather than parliamentarians feeling compelled to follow the judiciary's interpretation of what individual rights require, ... Parliament repeatedly has proven willing to pass laws implementing its own understanding of those rights'

(Geddis, 2009). In short, New Zealand constitutionalism has historically rejected Marshall's claim '[t]hat the people have an original right to establish, for their future government, such principles, as, in their opinion, shall most conduce to their own happiness'. New Zealanders have not made this principle the basis on which their society has been erected.

Nevertheless, the effects of American legalism should still be considered in the debate over becoming a republic. If a formal written constitution is adopted as the means for spelling out new power arrangements in the absence of the Queen and governor-general, an increase in legalism, whether practiced by parliamentarians or by courts, will be difficult to curtail, especially if the new written constitution adopted an American constitutionalist perspective. In short, New Zealanders may want to consider limiting the scope of any new constitution. A written constitution which did nothing more than spell out the new power arrangements without going so far as to embody any suggestion that first principles of justice were permanently settled might be preferable. Perhaps refusing to entrench a bill of rights would be wise.

Conclusion

I have not lost sight of the fact that American courts have used their political power to temper the zeal of majorities, and that, depending on one's perspective of justice, it could be argued that in America de Tocqueville has been proven right – justice has been well served precisely because all political questions have become legal questions. Ironically, however, the judicialisation of American politics has come at a cost and has perhaps significantly contributed to the very despotism de Tocqueville was most concerned with. Though tyranny of the majority was a worry, he seemed more troubled by a potentially passive majority with very little political interest or savvy. De Tocqueville perceived this kind of political ignorance to be due primarily to an over-emphasis on individualistic material pursuits. And it is quite possible he was correct. Americans are indeed extremely interested in material goods. Nevertheless, it seems as if American political apathy has been exacerbated by the fruits of legalism. Note de Tocqueville's concern:

I am trying to imagine under what novel features despotism may appear in the world. In the first place, I see an innumerable multitude of men, alike and equal, constantly circling around in pursuit of the petty and banal pleasures with which they glut their souls. ... Over this kind of men stands an immense, protective power which is alone responsible for securing their enjoyment and watching over their fate. ...

Having thus taken each citizen in turn in its powerful grasp and shaped him to its will, government then extends its embrace to include the whole of society. It covers the whole of social life with a network of petty, complicated rules that are both minute and uniform, through which even men of the greatest originality and the most vigorous temperament cannot force their heads above the crowd. It does not break men's will, but softens, bends, and guides it; it seldom enjoins, but often inhibits, action; it does not destroy anything, but prevents much being born; it is not at all tyrannical, but it hinders, restrains, enervates, stifles, and stultifies so much that in the end each nation is no more than a flock of timid and hardworking animals with the government as its shepherd. (Tocqueville, 1969, pp.691-2)

Thankfully, America has not reached this state – yet. However, even with the socialist programmes which are readily accepted in New Zealand, America comes much closer to de Tocqueville's description than New Zealand does. In fact, in comparison to America, New Zealand democracy appears to be alive and amazingly responsive, as is evidenced by the 1996 adoption of mixed member proportional representation (MMP). In spite of both National and Labour resistance, and in spite of a somewhat complicated two public referendum process, MMP became a reality precisely due to the fact that the New Zealand public refused to be told what to do (Boston et al., 1999; Mulgan, 2004; Palmer and Palmer, 2004).

In comparison, all presidential politics came to a quick halt when in 2000 the US Supreme Court anointed George W. Bush president by ruling that Florida attempts to determine the actual popular vote were unconstitutional (*Bush v. Gore* 531 U.S. 98 2000). Like de Tocqueville's envisioned flock of timid and trusting sheep, Americans readily accepted the ruling as final and that was the end of it. And though there is definitely something to be said for a willingness to be governed by the rule of law – it is good that riots did not break out in response to the court's decision – public concern over a lack of fairness in the presidential elections did not lead to the formation of a commission, nor did it lead to actual change as in New Zealand. Moreover, though some initially complained that the process was unfair, these voices quickly disappeared and by 2004 everyone talked of President Bush's run for *re-election*; forgotten was the fact that he was not elected the first time. Finally, given their interest in fairness, it is hard for me to imagine a New Zealand court issuing the same ruling in a similar circumstance. Perhaps American constitutionalism has been too successful in tempering the majority. Perhaps the inevitable cost of a judiciary empowered to overturn acts of the majority's representatives is democracy itself

It is sad when the question of fairness has become such a 'plaything for lawyers and judges' that a society's president can actually make statements as absurd as Bill Clinton's.

(Goldsworthy, 1999). When all political questions end up being resolved by legal experts, it seems that intelligent people will intuitively understand that they had best be getting on with their material pursuits as they are certainly not capable of meaningful political participation (Allen, 2002).

It is sad when the question of fairness has become such a ‘plaything for lawyers and judges’ that a society’s president can actually make statements as absurd as Bill Clinton’s. And it is sad when the president of the self acclaimed ‘leader of the free world’ can feel comfortable using mere legal technicalities to justify human torture. Indeed, it was disturbing that President George W. Bush did not feel the need to engage Americans in a serious discussion concerning the morality of using torture when national security is threatened. Rather, he found it sufficient to rely on legal experts to make the case that the Geneva conventions did not technically apply to terrorists not wearing the uniform of a recognised military.

New Zealand’s unique history, geography, size and certainly constitutional conventions will undoubtedly

guarantee that it remains distinctly different from the United States. But if an American-type constitution were adopted, it would be extremely difficult to resist the demand to turn all political questions into legal issues. Reflecting on the US experience, I cannot help but wonder if the long-term result would be that the most distinguishing characteristic I found remarkable about New Zealand – the ability to seriously consider what is fair – would over time begin to lose a little lustre.

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Implementing Government Strategies for Complex Social Problems

Introduction

Addressing complex social problems that are rooted in multiple causes is difficult. These issues often interact in unpredictable ways with numerous contributing factors, and they do not run along traditional departmental boundaries. For example, family violence is one of the most complex, multifaceted and poorly understood issues in Western society. Addressing family violence requires major social change in individual attitudes and relationships, cultural and religious belief systems and society's opinions, as well as comprehensive government strategies and a comprehensive range of services to support families and individuals affected by family violence. In this respect, it provided a useful case study through which to examine the implementation of complex social policy in New Zealand.

Three government strategies were released between 2002 and 2006 to address the issue of family violence:

- *Te Rito: New Zealand Family Violence Prevention Strategy* (Te Rito), February 2002;
- *The Care and Protection Blueprint* (the Blueprint), February 2003; and
- *The First Report* (the Taskforce's First Report), July 2006.

A formative evaluation of the implementation of these three strategies (Herbert 2008)¹ found that fewer than 50% of the actions – and only 42% of what I classified as the 'critical actions' in the Taskforce's First Report – had been

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fully implemented six months after the completion date stated in the strategy. Much of this situation was brought about by inadequate implementation. This article identifies the reasons for those failures. It also suggests that closer attention to the logic of Managing for Outcomes (MFO) and the availability of guidance on micro-level implementation methodology would have improved these implementation outcomes.

The research undertaken included a detailed content analysis and interpretation of published research in implementation and publicly available documentation (print and web) from government agencies. Five requests for further information under the Official Information Act 1982 were placed before the minister and Ministry of Social Development² but four of them were refused. This meant a greater reliance than planned on confidential, semi-structured interviews with 15 government and non-government participants involved in the family violence strategies. In analysing the evidence, I drew upon my 20 years of experience in the implementation of public sector strategies and as a participant in the policy community.

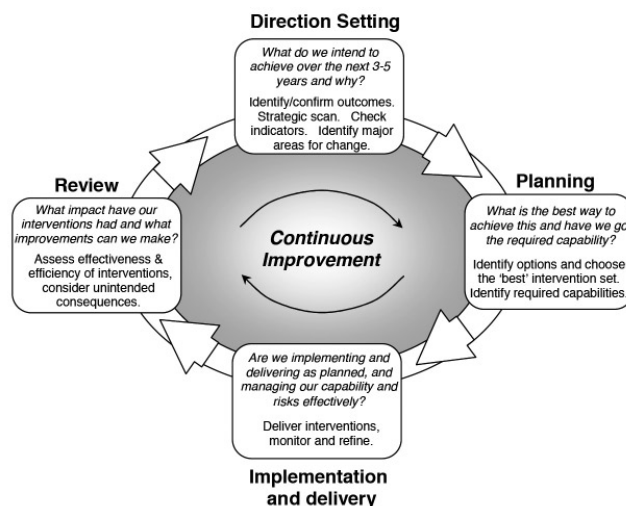
Managing for Outcomes – the public sector’s guidance to implementers

A key principle underpinning this research was that implementation and delivery are given a central place in the Managing for Outcomes framework (see Figure 1). In December 2001 the government introduced MFO into the New Zealand state sector, requiring central government agencies to adopt a more strategic and outcomes-focused approach to management and reporting. MFO aims to focus agency attention on outputs whilst including the intended effects, the ‘outcomes’, of government policy and management (see especially Baehler 2003 and Pathfinder Project, 2003a).

Ryan (2002) points out that MFO is not an add-on. It is a big and important idea that modifies many aspects of public management, but he notes that it will take some years to come to full maturity. The MFO management cycle (Figure 1) provides a useful framework for planning, implementing and evaluating major government strategies (e.g. Pathfinder Project, 2003b).

To date the MFO guidance has focused primarily on the ‘direction setting’ and ‘planning’ stages of Figure 1. In September 2003 the steering group for the MFO framework issued *Managing for Outcomes: guidance for departments* (State Services Commission, 2003), which outlined the

Figure 1: MFO management cycle



Source: State Services Commission, 2003, p.2

expectations of government departments. The guidance specific to the implementation stage was limited to a series of questions that departments were to ask themselves as they implemented new initiatives. The State Services Commission’s guidance for Crown entities (State Services Commission, 2005) talks of direction setting, planning and review but is completely silent on implementation. A.L. Cook in a New Zealand Treasury working paper dealing with MFO (Cook, 2004) is also largely silent on the implementation stage of

MFO. She does, however, comment (p.65):

if senior public servants take a lead by promoting better collaboration and coordination by designing and supporting more ‘joined-up’ implementation systems (where appropriate) the required cultural changes may come about in a shorter time-frame.

There appears to be very little published or unpublished literature, aside from the work of Ryan (2002), which comments specifically on the implementation phase of the MFO management cycle.³ Ryan suggests that there is still a huge amount of development work required in respect of the implementation stage and cautions (p.40):

Implementation is not the easy phase of public management following the more difficult stage of development. The challenges are different but they need as much ongoing strategic, outcome-orientated management – maybe even more.

Direction setting and planning

As is evident in Figure 1, strategy development can be seen as the starting point of the MFO continuous improvement cycle. Moreover, the importance of the strategy being based, implicitly or explicitly, on valid theory of cause and effect is one of the key themes emerging from the literature. Ryan (2004, p.14) advises: ‘Strategies are fundamentally about causality; about making intended things happen ... understanding causality is critical to being effective’. The State Services Commission’s 2005 guidance to Crown entities advises that there should be a credible intervention logic or evidence as to how the objective of the policy or programme addresses the need, and defines intervention logic as the ‘systematic and reasoned evidence-based description of the links between outcomes and outputs [of an intervention]’.⁴

The causality analysis done as part of developing the strategy provides the detail of how the strategy action areas

or new initiatives were arrived at, the assumptions behind them and in what order events need to unfold to achieve these outcomes. Like Barrett and others (e.g Barrett, 2004),⁵ Ryan (2004) argues that implementation and delivery need to be carried out with knowledge of the desired policy outcomes articulated during logic modelling and expressed in policy and programme plans as immediate, intermediate and ultimate outcomes, and short-, medium- and long-term strategies.

The focus of my research was the implementation of the family violence strategies as a case study in the implementation of complex policy, and not the family violence strategy development process or the appropriateness of the strategy actions. However, I found that many of the problems experienced in the implementation phase had their roots in the strategy formation phase, and that nine of the actions had not been implemented was due to unrealistic undertakings in the strategy. Hence, examining the strategy development process became necessary to understand more about the implementation failures.

When strategies fail to be implemented, it is easy to blame the implementers.

Both the Blueprint and Te Rito strategy documents contained a list of goals and objectives that would equate to immediate and intermediate outcomes. In each case the goals link to the objectives, which in turn link to the action details. For example, Te Rito area of action 5 has identified links to goal 4. Objectives 4(1)(i), 4(1)(iii) and the action required are defined as: ‘Develop and implement a specific plan of action for preventing violence in Māori communities, based on consultation with whānau, hapū and iwi’ (p.26).

In contrast, the Taskforce’s First Report contained a vision and a collection of seemingly unrelated new initiatives that did not necessarily link together into one overarching strategy or long-term plan. Action areas were listed as action statements with no reference to any related goals or objectives. For example:

The Ministry of Justice will:

- enhance the ability of courts to contact victims directly
- review purchasing plans for programmes
- improve processes for prosecutions for non-attendance at programmes
- establish three dedicated Family Violence Courts. (p.23)

Rather than suggesting that individual actions or initiatives were not of themselves important to bring about the change required, I observed that what was missing was the underlying causal analysis – the glue – to hold the various initiatives and action areas together. The initiatives in the Taskforce’s First Report were not supported by an

intervention logic. Hence, there was no overall prioritisation of the actions, actions were assigned unrealistic completion dates, and there were no immediate or intermediate outcome targets which traditionally form the basis of the MFO model. This means there were no clear instructions to implementers about what they were expected to do, how and why the various activities should be connected, or the priority they should have accorded to the tasks. The absence of clear policy objectives left room for what Barrett (2004) calls ‘differential interpretation and discretion’. This, in turn, made the task of implementation more difficult and added to the risk of implementation failure.

Implementation and delivery

Implementation is not just about achieving a series of outputs. Strategy plus activity does not automatically equate to outcome. When strategies fail to be implemented, it is easy to blame the implementers. But successful implementation is dependent upon multiple factors.

Ryan(2004)advisedthatstrategydevelopment, planning and implementation must be integrated and coordinated. The only guidance pertaining to implementation methodology provided to New Zealand government departments appears to be the following five questions included in the State Services Commission’s *Managing for Outcomes: guidance for departments*:

- Are we implementing and delivering as planned, and managing our capability and risks effectively?
- Are roles, responsibilities and timescales for delivering interventions clear (for ourselves and any other agencies we are working with)?
- Are we monitoring our progress and risks to enable us to take corrective actions early where necessary?
- Are we keeping relevant internal and external stakeholders appropriately informed?
- Are we conducting our business in accordance with public sector ethics, values, and standards? (State Services Commission, 2003, p.12)

My research found that of the 51 family violence actions that had not been completed or had not been progressed, in 37 of cases this was due to a breakdown in the implementation process. In order to find the factors that had contributed to the implementation failures I analysed each of the family violence actions using a composite implementation framework derived mainly from Ryan (2002) and from an implementation business model I had developed over 18 years as an implementation practitioner, based firstly on a ‘planning implementation’ phase, then on a ‘delivering implementation’ phase.

Planning for implementation – the important first stage

The extent of the planning for implementation activity is generally determined by the size and complexity of the initiative being implemented. A multifaceted nationwide programme will require more planning for implementation

than a small trial, but some such planning will nevertheless be required. Robust planning for implementation significantly increases the probability of implementation success, and the importance of taking the time at the outset to plan for implementation cannot be overemphasised. The Cabinet Implementation Unit in the Australian Department of Prime Minister and Cabinet (PMC) stresses that ‘sound implementation planning is a key element to ensuring the successful delivery of government policies’ (Cabinet Implementation Unit, 2002, p.1).

My research concluded that there appeared to have been little or no planning for implementation undertaken for most of the 54 actions examined from the Taskforce’s First Report. Moreover, there was little or no interconnectedness between the high-level actions articulated in the strategy development phase and the implementation planning phase.

Planning in a multi-agency setting

There are multiple government and non-government agencies working directly or indirectly with family violence. These agencies need to work collaboratively on multiple work streams to achieve results because no individual agency or new initiative can in itself ‘prevent’ family violence. If ‘multi-agency’ involvement is to be real and meaningful, it is important to engage these ‘other agencies/people’ from the outset, when planning for implementation commences, instead of bringing them in after the key decisions have been made and implementation design finalised. The first stage of planning for implementation should be to determine the most appropriate approach for each work stream⁶ within the strategy, together with which agencies and which areas of expertise are needed for the implementation of each initiative.

According to interviewees, there was no uniform or robust process to identify the relevant agencies to involve in the implementation of each Taskforce action. Most of the family violence initiatives were implemented by a single agency, even though multi-agency implementation would have been more appropriate for at least 75% of the actions in the Taskforce’s First Report. In fact, 66% were being implemented by one agency working alone.

The non-governmental organisations interviewed did not feel that a true multi-agency approach had been taken with the implementation of the family violence strategies, and believed that this had significantly reduced the likelihood that the outcomes would be appropriate for the target community. When the organisations had been involved in the planning and implementation, it had usually been too little, too late, after all the key decisions had been made:

There is talk of multi-agency, partnership, consultation, but to date these have largely just been concepts. (interview subject 9)

Working collaboratively with a number of different agencies was seen by interviewees as more difficult, more time-consuming and requiring more resources than implementing a new initiative as a single agency. Multi-agency involvement cannot be real and meaningful unless all agencies are appropriately resourced to participate fully in the planning and implementation stages. The smaller government agencies, non-governmental organisations and expert advisers that should have been involved in the implementation of the family violence strategies were not adequately resourced to participate appropriately.

... planning for implementation should be for the multiple agencies involved in each work stream to collectively agree on which agency will be the ‘lead agency’ and what the appropriate governance arrangements for that work stream will be.

Governance

The Australian PMC Cabinet Implementation Unit’s *Guide to Preparing Implementation Plans* identifies implementation governance as the most important aspect because ‘unclear governance arrangements pose a major risk to every aspect of a measure’s implementation’ (Cabinet Implementation Unit, 2002, p.4). The next step in planning for implementation should be for the multiple agencies involved in each work stream to collectively agree on which agency will be the ‘lead agency’ and what the appropriate governance arrangements for that work stream will be. This may include a multi-agency steering group, an advisory group or a working group, or perhaps a combination of two or three of these groups. Each work stream within a strategy should have an identified governance structure. Different governance arrangements will be appropriate for different work streams.

I was unable to find any documentation to ascertain how decisions regarding the governance arrangements for each family violence action were made, but information gathered from interviewees from a range of the participating agencies gave some cause for concern about the processes that were used to identify lead agencies and implementation governance for the Taskforce’s 2006/07 programme of action⁷:

It seems as though a lot of time is spent with different agencies ducking for cover and trying to avoid getting actions allocated to them. (interview subject 11)

The process for prioritising and allocating responsibility for initiatives appears to be more ‘buck passing’ with many agencies trying to avoid doing things rather than jostling

to get their initiative advanced. (interview subject 5)

The large government agencies are the only ones with resources to commit to these actions and hence they tend to retain control for the majority of the actions. (interview subject 2)

Roles and responsibilities

Once the lead-agency and governance structure is identified, the next appropriate step is to clarify and document the roles, responsibilities and reporting lines between the lead agency, the implementation personnel and the governance group(s). This enables all parties to be clear about who is responsible for what, and how accountability will be managed between the multiple agencies. This is particularly important as it enables the lead agency to hold all parties collectively responsible for the implementation outcomes, even when they have no line management authority over the other agencies. The family violence implementation managers and individual agencies reported feeling disconnected from the Taskforce, and there was confusion over roles, responsibilities and reporting lines between the implementation workstreams and the Taskforce, with implementation managers often feeling they had multiple masters.

Expertise and experience of implementation personnel

The new public management model introduced throughout the New Zealand public sector in the 1980s created distinct separation between policy personnel (the ‘thinkers’) and operational or service delivery personnel (the ‘doers’) in many areas of the public sector.⁸ It appears as though the sector has a poor understanding of: whether implementation is the responsibility of policy or service delivery personnel; what capacity and competencies are required to be an implementer; and whether the ‘doers’ or the ‘thinkers’ are best suited for this work. These questions have largely gone unanswered in the MFO guidance to public sector management.

A key principle arising out of the implementation literature and from my own practical experience is that the skills and competencies required to implement complex government strategies are very different from the traditional skills and competencies of either a policy analyst ‘thinker’ or an operational manager or staff ‘doer’. Traditionally, the public sector’s experience in implementation has focused on implementing operational policies. Hence, some public sector personnel have experience in implementing these more straightforward, single-agency operational policies, but few appear to have experience in implementing complex, multi-agency strategies for social change.

Those working on the implementation of strategic policies are, in effect, in charge of a change management programme. Implementation practitioners are often

required to create change with multiple ‘actors’ outside their line management authority. Implementers have to be natural leaders: people who can conceptualise the macro-level strategic vision and inspire others with that vision. To do this they need to be people whom others want to believe in, want to follow and want to perform for. Implementation personnel must also be skilled networkers and require special relationship-management and communication skills. Ryan (2004) suggests that implementation scoping work needs to be done by people who are experienced in implementation activities and skilled at working with a diverse range of people, some of whom may have conflicting views, to ensure their perspectives are taken into account.

In contrast to these macro-level skills, implementation personnel also need to constantly focus on the micro-level detail, keeping an eye on what needs to happen and in what

Staff assigned to manage projects often had to learn their role the hard way, with little or no training, briefings or support and with unrealistic expectations placed on them.

order, managing issues and risks as they arise, identifying slippage and making adjustments to ensure milestones are still achieved. And implementation practitioners must be able to link the macro and micro levels together, thereby turning the strategic vision into practical reality.

There is no repetition in the life of a strategy implementer; there is often no predictability. Implementation management can be a lonely and thankless job. Implementation project managers are held accountable for delivering a set of immediate and intermediate outcomes (or results) within a specified timeframe and often with insufficient resources. They can find themselves spinning in ever-decreasing circles, working longer and longer hours, juggling more and more balls, as deadlines loom and their superiors pressure them to deliver. They are often held responsible but have no authority in their own right.

Responsibility for implementing the family violence strategies had often been assigned to personnel who, on the evidence available, were poorly equipped to do the job. They were often novice managers or policy analysts and had little or no contact with one another, leaving them frequently feeling misunderstood and with minimal peer support. Staff assigned to manage projects often had to learn their role the hard way, with little or no training, briefings or support and with unrealistic expectations placed on them. This was the most significant issue my interview subjects identified as having a negative impact on implementation outcomes.

Comments included:

There is a skill mismatch between those assigned responsibility for managing the implementation task and the skills required to do the job. (interview subject 14)

The role and complexity and difficulty of the implementation task is often not understood by management, and staff can feel isolated, unsupported and not sufficiently remunerated for the role they are performing. (interview subject 13)

There is a lack of (and hence difficulty in recruiting) people with knowledge of the sector and relevant project management or implementation experience to manage all the implementation work. (interview subject 7)

In a perfect and rational world, the implementation plan would be a complete ‘road map’ of what is required, with all factors identified prior to implementation commencing.

Resourcing

Full implementation is only possible if the budget aligns with the funding requirements. Each work stream in a strategy may require an implementation budget (covering costs of the implementation process) and an ongoing operational budget for the new initiative itself. It is important that funding requirements are identified as part of the planning for the implementation phase, and that implementation does not commence until each work stream is appropriately funded.

Interview subjects reported that some of the family violence work streams were well resourced, while others were understaffed, under-scoped and did not have an adequate budget. They also reported that on occasion undertakings had been made to implement something, but later it was discovered that there was no budget available.

Committing to timeframes

Government agencies have to constantly juggle changing requirements of their ministers, and operational providers have to constantly juggle the pressures of their day-to-day service activities with their involvement in strategy and implementation work. This evaluation found that even though family violence appeared to have had a high priority in the organisations involved, sometimes the implementation work had been reprioritised in favour of more pressing issues, thus causing slippage in timeframes. A common theme reported by interviewees was that the initial dates for the Taskforce actions in particular had been unrealistic. The timeframes

had often been imposed by external parties, not determined by any scoping process, and sometimes without discussion with the lead agency. As a result, the implementation project managers had often been left to cut their coat according to the cloth of available resources, and to do so in the specified timeframe rather than in the timeframe necessary to achieve the outcomes. It was not surprising that all but one of the 18 actions completed (but not within the specified timeframes) appeared to have been set unrealistic completion dates in the strategy documents.

The implementation plan

The output of the planning for implementation process should be an implementation plan, formally agreed between the planners (those who developed the strategy) and the implementers. This approval gives the implementation project manager authority to proceed. The Australian PMC Cabinet Implementation Unit describes an implementation plan as a ‘detailed project management tool for a specific policy measure or a package of measures, designed to assist agencies to manage and monitor implementation effectively’ (Cabinet Implementation Unit, 2002, p.1).

In addition to the planning activities already discussed, the implementation plan should document: the goals and objectives; the steps and stages and major milestones for implementation; linkages and interdependencies with other action areas; overall timeframes; immediate, intermediate and ultimate outcomes; and potential risks and issues that will have to be managed. The plan should also identify key stakeholders and consultation requirements; communication arrangements; the management process for making alterations to the scope during implementation; and the anticipated exit or completion strategy for handing over from implementation to the ongoing operational team(s). Commencing implementation without an approved plan would be like setting off into unknown country without a map – placing the implementation personnel in a vulnerable position.

There was widespread agreement among my interview subjects about the need to formally scope and document the planned implementation approach at the outset, but little or no evidence that any comprehensive scoping had been done for the family violence action areas. Most reported that very few family violence work streams had a formal implementation project plan; some said formal planning for implementation was so rare that they could cite only one or two specific examples of work streams that had been formally scoped and documented.

Delivering implementation

There is no clear dividing line between planning for implementation and actually beginning the implementation activity. In a perfect and rational world, the implementation

plan would be a complete 'road map' of what is required, with all factors identified prior to implementation commencing. Implementation would then be a tidy linear and sequential process. However, reality rarely resembles the ideal. A more common approach, particularly when the initiative isn't fully formed prior to commencing implementation or is not supported by good evidence, is to establish an ongoing process to modify the strategy and the implementation plan as new evidence comes to hand, thus ensuring that the strategy is always appropriate and continues to reflect the overall outcome or end point.

Continuous learning, improvement cycles, feedback loops and constant reiteration between all the phases are important implementation principles, and, if undertaken appropriately, can only enhance the implementation process. Ryan (2002, p.39) comments:

As implementation proceeds, learning is recursive, objectives and strategies are adapted, and 'the plan' becomes increasingly outdated. The sensible thing would be to modify it on an ongoing basis to match the emerging realities. Unfortunately, in Westminster-derived polities, the promissory documents presented to the budget process specify the matters for which the agency will be held accountable one-year later, come hell or high water. MFO in the future may require more adaptable plans and parliament will need to treat them accordingly.

This requires a balancing act between formal structure and methodology on the one hand, and flexibility to move and adapt on the other. Formal systems and processes need not stifle implementation; rather, they provide the framework for maximising opportunities for fluidity while minimising risks. What is critical is that there are mechanisms to make changes as the learning occurs.

The Australian PMC Cabinet Implementation Unit advises: 'Implementation planning should be followed by strong program and project management to ensure the successful delivery of programs.'

Project management is the most widely used methodology for managing implementation. It is a systems approach to implementation that has been widely used in the private sector for many years and is now becoming more common in the public sector. Project management provides one of the best frameworks for managing the micro-level implementation activities and for ensuring these align with the more complex and indeterminant strategic level.

This research found no evidence of any formal implementation methodology, including no risk and issue management, feedback loops between implementers (agency personnel) and those responsible for the strategy (the Taskforce), nor any formal change management process. Evidence was found, however, that the scope, milestones and timeframes of many actions had been changed during implementation. There was no evidence that the Taskforce had approved these modifications or confirmed that proposed changes would not compromise the intermediate or ultimate

outcomes. The modified action areas were then reported as 'on track' in the Taskforce's quarterly monitoring reports. This had the effect of making reporting redundant, as all actions were always reported as being 'on track'.⁹

Conclusion

When planning for the implementation of strategic policies, the devil is in the detail. Implementing strategic policies in a fragmented public sector involving multiple agencies is difficult and has required the public sector to venture into new territory. It is as though the techniques and approaches that are being used are simply not developed enough for this new territory.

MFO focuses the government sector on setting clear desired results, implementing plans based upon these results, and learning about 'what works' in the process. There was no evidence that the Taskforce's strategies and programmes of action were developed using the MFO framework, nor that the principles of MFO were permeating all subsequent stages of the implementation and review cycle. This finding accords with those of the Local Futures Project (2008, p.4): 'Many agencies seem to pay only lip service to the [MFO] concept, whilst professing to be working on its implementation'; and Gill (2008): 'While considerable care went into the design of MFO, the implementation is widely regarded as a failure leading to degeneration into compliance' (p.35) and 'While there has been no official "death notice", [MFO] is widely regarded by practitioners as "missing in action"' (p.34).

Each stage of the MFO management cycle (Figure 1) is dependent upon the others, and thus the whole cycle is only as strong as the weakest link. Planning for implementation was found to be the weakest link in the cycle of planning, implementing and reviewing the family violence strategies and no individual part of the cycle was found to be strong enough to compensate for failures in any other part.

The MFO management improvement cycle is a useful strategic-level framework for planning, implementing and reviewing government strategies. However, there needs to be more guidance on micro-level implementation methodology for personnel implementing government strategies for complex social problems such as family violence. Without this, New Zealand's public servants are largely flying blind when charged with implementation.

Guidance on implementation process and methodology to Australian public servants is provided by the Australian Department of the Prime Minister and Cabinet's Cabinet Implementation Unit, part of its Strategic Policy and Implementation Group. A range of implementation resources are provided by this unit, including a *Guide to Preparing Implementation Plans* and a *Better Practice Guide on the Implementation of Programme and Policy Initiatives*. These documents do not currently extend much beyond project management, which on its own may be too simple and linear for the implementation of complex policy – useful at the micro level but not so much at the strategic level.

Implementation activities in the New Zealand public sector

could be significantly enhanced if we were to follow the lead of the Australian government in establishing a centralised unit to help agencies and implementation personnel navigate their way through the challenging waters of strategic policy implementation.

- 1 This research was undertaken for a Master of Public Policy dissertation at Victoria University and was awarded the Frank Holmes Prize for 2007. My thanks go to Sir Frank and Lady Holmes for their recognition of this research.
- 2 The minister and Ministry of Social Development had overall responsibility for all three family violence strategies.
- 3 This conclusion was reached after: examining recent public policy and public management literature for guidance specific to implementation methodology; reviewing documents provided by Derek Gill who is leading the 'Managing for Performance' (M4P) project (http://ips.ac.nz/events/Ongoing_research/M4P/index.html), which is examining what explains the poor quality of performance information and the lack of any significant progress on

outcomes-focused management systems in New Zealand after nearly 20 years of reforms; and reviewing documents provided by Paul Millar from the Office of the Controller and Auditor-General, who is doing some work in this area.

- 4 [http://www.ssc.govt.nz/display/GlossaryItem.asp?id=126&this_window=.](http://www.ssc.govt.nz/display/GlossaryItem.asp?id=126&this_window=)
- 5 For a summary of implementation research see Howlett and Ramesh, 1995, chapter 8 and Parsons, 1995, pp.457-542.
- 6 A work stream may include several action areas or initiatives within a strategy or just one.
- 7 The Ministry of Social Development (MSD) had responsibility for the overall governance arrangements for the family violence strategies but the governance arrangements for individual work streams was the responsibility of the ministry assigned as 'lead agency' for each work stream.
- 8 Some of the large ministries, for example MSD, have both policy and service delivery functions, but a substantial proportion of state services are delivered via hundreds of contracted NGOs, state-owned enterprises, crown-owned or private companies, thus creating a separation between policy and service delivery functions.
- 9 It is understood that the Taskforce secretariat initiated a formal change management process after this research was completed.

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David Rea¹

Government Expenditure and Revenue in New Zealand: A Brief Overview

Introduction

Government expenditure and taxation have an impact on everyone in the population. Everyone, at some point in their lives, benefits from government-provided services and entitlements such as kindergartens, roads, hospitals or New Zealand Superannuation. Almost everyone bears at least some of the costs of providing these services and entitlements. Most goods or services purchased, and most income earned, attracts some form of taxation.

In the Budget each year the government sets out its plans for spending on services and entitlements. The Budget also details plans for raising the revenue necessary to pay for this expenditure. There is a lot of public interest in these plans, given the pervasive effects of government. However, despite the widespread publicity the budget receives, and despite the vast array of detailed and accessible information available, it is often difficult to gain an overview of the overall nature of government spending and taxation.

The purpose of this article is to try and stand back from the complexity of government and present a simple overview. The article is structured around five sets of questions:

- What does government expenditure actually fund, how does it finance this expenditure, and how much is left over at the end of the year?

- Who in the population benefits from government expenditure, and who in the population are the main taxpayers?
- How has the amount and nature of government expenditure and revenue changed over recent decades?
- How does government spending and taxation in New Zealand compare with other countries?
- How will government spending and revenue-raising evolve over the coming years?

In the next section I briefly canvass some measurement issues, before separately discussing each of the five sets of questions identified above.

Data and concepts

Otto von Bismarck – the German chancellor often referred to as the father of the welfare state – is alleged to have said that ‘laws are like sausages, and it is better not to see them being made’.² A similar ironic remark is often made about statistics. Understanding the messy process by which statistics are collected and assembled makes people less likely to swallow the arguments they are used to support. Unfortunately, even

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the most preliminary inquiry into the nature of statistics on the size and nature of government reveals some difficulties. The statistics that are available are troubled by different definitions across time and between countries. In many areas the statistics do not exist.

In measuring the nature and role of the state, it is important to be clear about what exactly is being measured. The widest version of government includes local as well as central government. A narrower version focuses on just central government, but here there are also some choices. In relation to central government, it is usual to distinguish between:

- ‘*core Crown*’, which consists of government departments, offices of Parliament and some other entities, including the Reserve Bank; and
- ‘*total Crown*’, which includes the core Crown agencies as well as state-owned enterprises, Crown entities (eg ACC, Housing Corporation of New Zealand, district health boards and boards of trustees), and a variety of other organisations.

Because the data is not comprehensive, this article reports statistics on all of these conceptions of government in different places.

The source of statistics on Crown expenditure and taxation is the financial systems of individual government agencies. The information is consolidated by Treasury, and published as the Financial Statements of the Government as required by the Public Finance Act of 1989.

The way that the Crown accounts are constructed means that transactions are distinguished by the extent to which they change the government’s net worth. In the expenditure area this means a distinction between expenses and capital. The distinction is important as in most places in this article statistics on only expenses are reported.

Unfortunately, the conventions and definitions upon which the accounts are constructed have changed over time. A key change occurred with the move from cash- to accrual-based accounting in 1994. There have also been changes in the treatment of GST and the dates of the financial year, and accounting standards and definitions have also evolved over time (Treasury, 2009a).

If we look at the statistics produced by other countries, there are considerable institutional and definitional differences in how each government reports its expenditure and taxation. What is sometimes labelled as the same thing often turns out to be quite different.

Crown accounts information is aggregated to produce measures of government activity using different methodologies. This means in practice that there are a number of statistical series available. These include the original government accounts in various forms, Government Finance Statistics (IMF, 2001) and various collections maintained by the OECD. This article uses the published versions of the government accounts; and for the historical information the long-term fiscal series which is derived from these accounts (Treasury, 2009a, 2009b; Statistics New

Zealand, 2008a). Statistics from OECD.Stat are used for international comparisons.

An important issue for this article is the ‘metric’ by which central government expenditure and revenue is measured, particularly in regard to historical trends, but also cross-country comparisons. There are a number of choices available:

- real dollars that adjust for inflation (and sometimes purchasing power across countries);
- per capita real dollars that adjust for population change;
- spending or revenue as a proportion of GDP to adjust for the fact that the size of the economy changes; or
- spending or revenue as a proportion of GDP per capita to reflect both population and output changes.

It is also possible to measure changes in the size and role of government over time using the national accounts framework (Statistics New Zealand, 2008b). In this instance government’s consumption and capital expenditure can be measured as a proportion of GDP.

Quite different conclusions can be drawn depending on the metric used. Over the last 30 years the population has increased by around 1% per year, and real growth in the size of the economy has averaged around 2.4% per year. This means that it might be possible to say that a particular aspect of government expenditure has increased in real dollar terms, but when measured on a per capita basis, or as a proportion of GDP, it may have declined. The exact choice of metric partly depends on the nature and context of what is being measured. This article uses the convention of expenditure, revenue or the fiscal balance as a proportion of nominal GDP.

The Crown accounts for the financial year to 30 June 2009

Budget 2009 forecasts that, for the year to 30 June 2009, *total Crown* expenses will be \$82 billion. This represents around 46% of the value of GDP. *Core Crown* expenses will be just over \$62 billion, which is around 35% of the value of GDP.

So what does this expenditure purchase? Table 1 below shows total Crown expenditure broken down into different functional areas. The table shows expenditure in billions of dollars. This expenditure is also shown as a proportion of total Crown spending, and as a proportion of GDP.

Roughly two-thirds of total Crown expenditure consists of what are usually termed social policy expenditures. These consist of the provision of public health and education, superannuation and income support payments, and the criminal justice system (Norman and Gill, forthcoming). Table 2 provides some rough estimates of some of these major items of social expenditure.

While approximately two-thirds of expenditure is social policy-related, the remainder is for activities such as roads, economic development, science, defence, the expenses of Crown entities, and of course Parliament itself.

As well as expenses, the government also has a capital spending programme, which in recent years has been slightly more than \$7 billion per annum. This capital spending has

Table 1: Total Crown expenses by functional area, financial year 2008/09

	\$ billion	Percentage of total spending	Percentage of GDP
Social security and welfare	23.4	28.6	13.1
Government superannuation fund (GSF)	0.7	0.8	0.4
Health	11.9	14.6	6.7
Education	11.8	14.5	6.6
Core government services	3.8	4.7	2.1
Law and order	3.4	4.1	1.9
Defence	1.7	2.1	0.9
Transport and communications	9.3	11.4	5.2
Economic and industrial services	8.1	9.8	4.5
Primary services	1.4	1.8	0.8
Heritage, culture and recreation	2.4	2.9	1.4
Housing and community development	0.9	1.1	0.5
Other	0.1	0.1	0.1
Finance costs	3.4	4.1	1.9
Top-down expense adjustment	-0.5	-0.6	-0.3
Total Crown expenses	\$81.9	100%	45.8%

Source: Budget Economic and Fiscal Update, 2009

included the government's contribution to the New Zealand Superannuation Fund, which for the financial year to the end of June 2009 is forecast to be \$2.2 billion.

So how does the government raise revenue to fund current expenses? Table 3 outlines the sources of revenue for government in the financial year to June 2009. As can be seen, approximately three-quarters of government revenue is from various forms of taxation and levies. The remainder is from interest, the sale of goods and services by businesses owned by the Crown, and other sources.

The government accounts moved into deficit in the financial year to June 2009. There are a number of different ways that this is monitored, but a key measure is the OBEGAL. The acronym refers to the 'operating balance before gains and losses'. It is a measure of the difference between operating expenses and revenue – and therefore excludes changes in the value of the Crown's assets and liabilities. For the financial year to June 2009 the total Crown OBEGAL is forecast to be almost \$3 billion. This represents around 3.4% of total Crown expenditure, or 1.6% of GDP. In the year to June 2010 this rises to almost \$8 billion or 4.4% of GDP. The OBEGAL is argued to be a good indication of the 'stewardship' of the government accounts, and is an important driver of the new fiscal strategy target of net core

Table 2: Approximate estimates of major social policy expenditures, financial year 2008/09

	Percentage of total Crown spending	Percentage of GDP
District health boards	12.3	5.6
Early childhood education and childcare	1.5	0.7
Primary and secondary education	6.1	2.8
Tertiary funding	4.8	2.2
New Zealand Superannuation, Veterans Pension and Kiwisaver	11.6	5.3
Benefits and supplementary payments	7.9	3.6
Tax credits	3.5	1.6
Police	1.6	0.7
Corrections	1.0	0.5
Housing and income related rents	0.4	0.2
Accident Compensation	3.3	1.5

Source: Budget Economic and Fiscal Update, 2009. Note: these are the author's approximate calculations.

Table 3: Total Crown revenue, financial year 2008/09

Category	Description	\$ billion	Percentage of total revenue	Percentage of GDP
Direct taxation	Direct individual	26.4	33.4	14.8
	Direct corporate	7.9	10.0	4.4
	Direct other	2.8	3.6	1.6
Indirect taxation	Indirect GST	11.6	14.7	6.5
	Indirect other	4.8	6.1	2.7
Other sovereign revenue	ACC and other levies	4.1	5.2	2.3
Sale of goods and services		15.2	19.3	8.5
Interest revenues and dividends		3.0	3.8	1.7
Other revenue		3.1	3.9	1.7
Total crown revenue		\$79.0	100%	44.2%

Source: Budget Economic and Fiscal Update, 2009

Crown debt.³ This is because higher levels of deficits in the OBEGAL require the Crown to borrow.

The impact of spending and taxation across the population

Government spending and taxation represents a considerable fraction of total economic output. However, the impacts are not distributed equally across the population. Who benefits from and who pays the costs of government spending and taxation is an important issue. Unfortunately, measurement of the distributional impact of government spending and

taxation has only occurred sporadically. The most recent study analysed the distributive impact of government in 1987/88 and 1997/98 (Crawford, 2003; Crawford and Johnson, 2004). The analysis set out below draws on this study.

One way of looking at the distributional impact of government is to analyse spending and taxation across high- and low-income households. The overall results of the Crawford study showed that government redistributed from high- to low-income households. However, on average, even the highest income households gained some benefits, and the poorest households also paid tax.

Government redistributed between high- and low-income households partly through spending. Poorer households received a progressively larger share of government spending. Looking at the impact of expenditure in different areas, cash benefits were strongly redistributive across the income distribution, while health and education spending were less so.

Redistribution also occurred through the taxation system, and possibly to a greater extent than via government expenditure. On average, households with higher incomes paid a larger proportion of their income as tax, and hence provided a larger share of taxation. For example, in 1997/98 the highest decile paid almost 30% of all tax, whereas

the poorest 10% paid roughly 3%. Income tax was more redistributive than consumption tax, as would be expected.

Another way of looking at the distributive impact of government is across the life cycle. This analysis shows that in 1997/98 government spent disproportionately on the young and the old, whereas income tax was paid by those in the middle. In other words, there was redistribution across the life cycle.

Figure 1 draws on unpublished data from the Crawford study, and looks at the distribution of overall spending and taxation by age. Figure 1 is based on per capita spending or taxation paid by an individual's household. Hence even an individual aged between 0 and 4 is counted as receiving the benefits of government expenditure, and paying some tax!

As would be expected, education spending is strongly biased towards children and young people, whereas health spending, and of course New Zealand Superannuation, are received disproportionately by older people. Figure 1 also shows how the greatest share of taxation is paid by the middle aged.

The Crown accounts over time

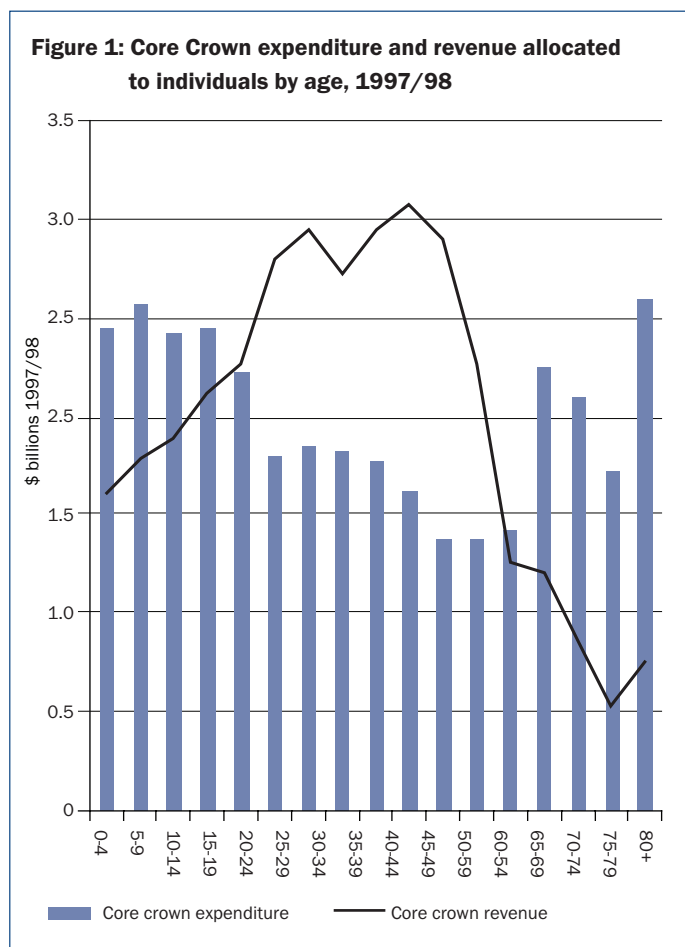
It is useful to look at how the government's spending, revenue and operating balance have changed over time. Unfortunately, we do not have statistics relating to the long-term historical trend in total Crown expenses. We do, however, have measures that roughly correspond to the current concept of core Crown. Figure 2 shows what might approximate core Crown expenditure as a proportion of GDP since 1900. A key feature of the overall trend is that as a proportion of GDP, the size of core government is now bigger than it was in the early 1900s, although not as big as at the height of the recession in 1992. In many instances total spending as a proportion of GDP has moved with the economic cycle.

Figure 2 also shows the more recent trend in total Crown expenditure since the mid-1990s.

So where have these changes come from? The long-term growth in core government expenditure from the 1900s to the 1990s reflects government undertaking an increasing range of social but also economic functions. These new functions included an expanded range of welfare payments, but also expenses related to economic activity such as the costs of running businesses and subsidies. From the late 1980s and early 1990s expenditure on some of these economic and social activities reduced.

Figure 3 shows how different categories of core government expenditure have changed since 1972. It shows that spending on 'economic activities' has substantially reduced since the mid-1980s. This has involved less expenditure in the areas classified as 'primary services', 'transport and communications' and 'economic and industrial services'. There has also been a decline in defence expenditure of around 1% of GDP.

In the social policy area there have also been important changes. Core government spending on social security and welfare increased until the early 1990s, and then decreased.

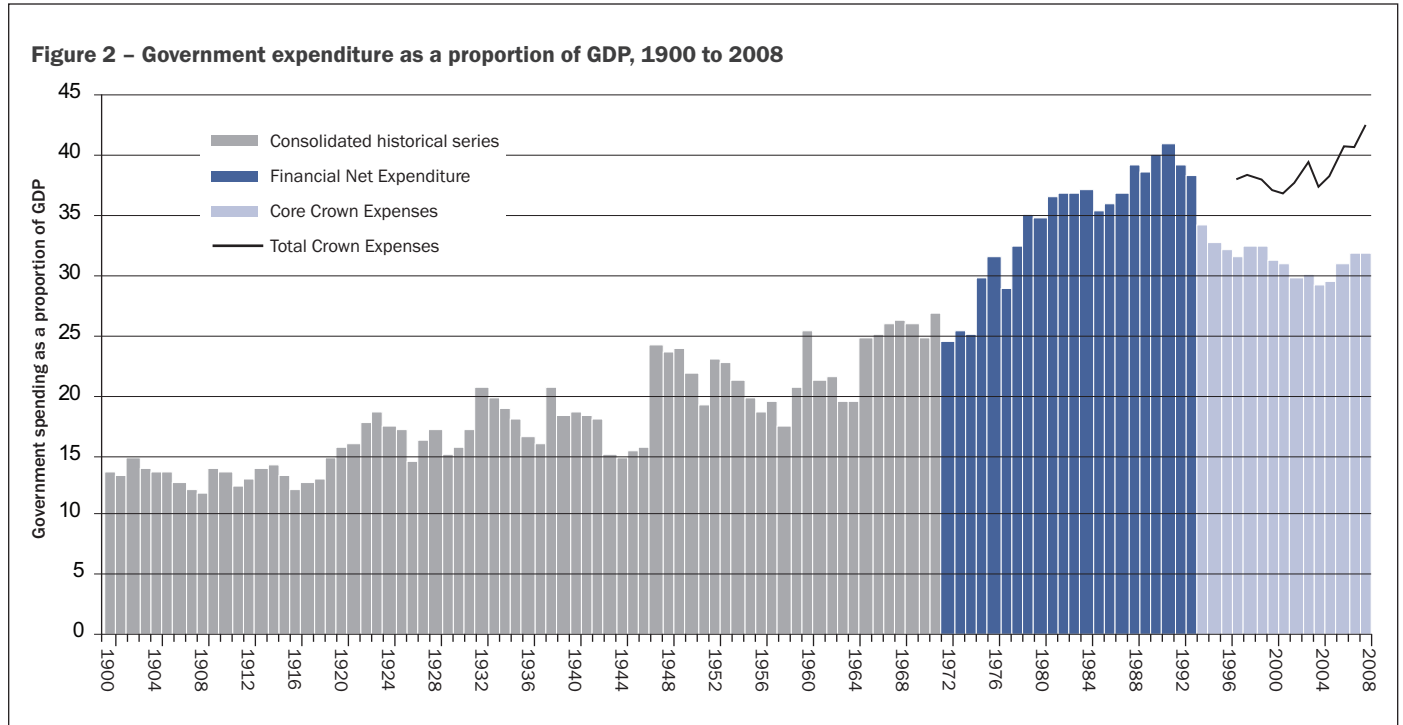


Source: Unpublished data from the Crawford Fiscal Incidence Study. The figures represent estimated total dollars received by the age group. All government expenditure and taxation is allocated in this instance, either on a strictly per capita basis, or according to weights derived from administrative data.

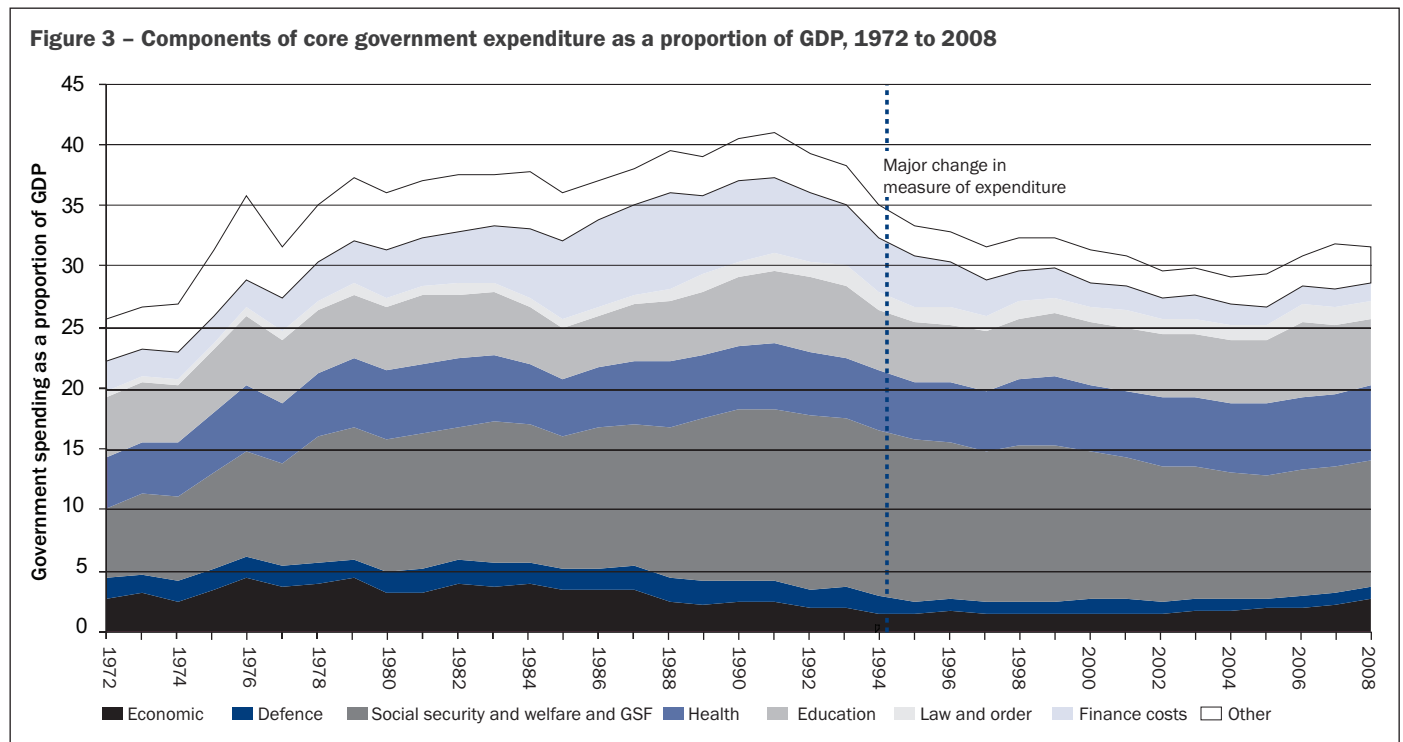
These changes reflect expenditure on superannuation and benefits, which are influenced by both the numbers of recipients and the average level of payments (Treasury, 2006; Morrison, 2000). Although lower than in the early 1990s, current spending on social security and welfare is higher than in the early 1970s.

Spending on health, education and law and order have also gradually increased over the whole period since 1972. As a proportion of GDP, it is likely that government spending on health increased by around 1.5%, on law and order by around 1%, and on education by around 0.5% of GDP.

Figure 3 also shows important changes in the costs of

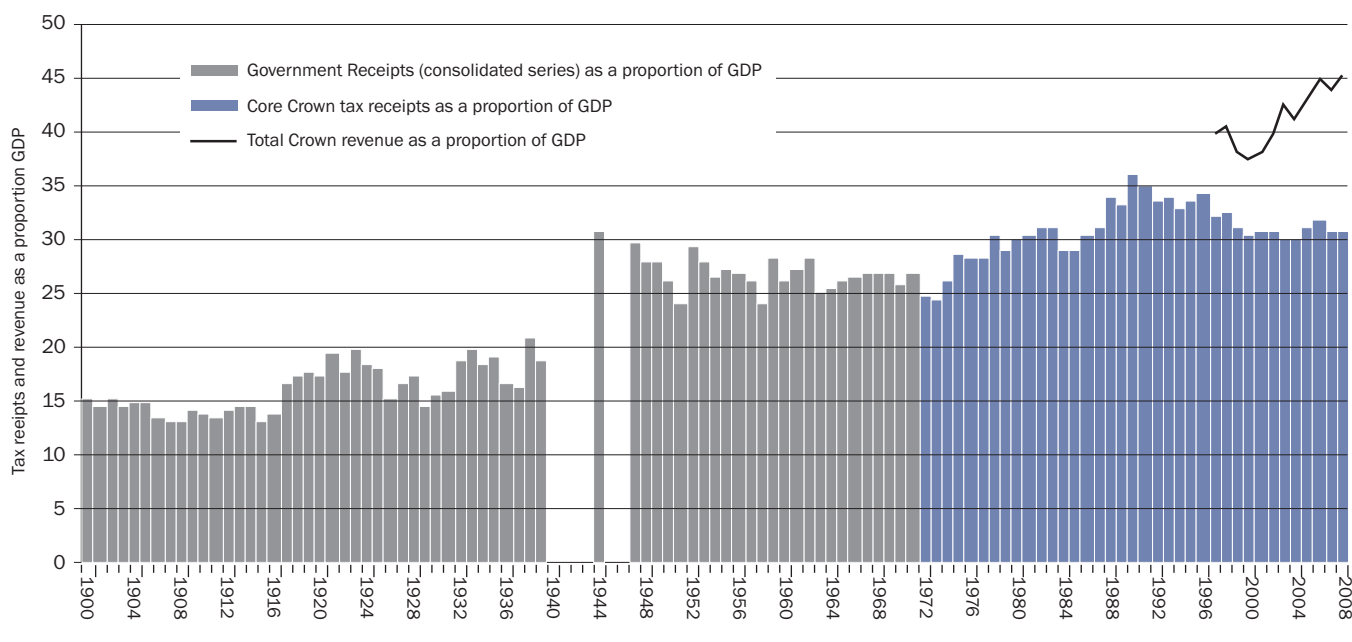


Source: Long-term fiscal series (Treasury, 2009a, 2009b) and Statistics New Zealand (2008a). Note: data from 1994 is relatively consistent, whereas earlier data is constructed from various series. Data pre-1972 comes with the caveat 'data is constructed from various series and is not strictly comparable'. Government expenditure as a proportion of GDP between 1939 and 1945 may not be accurate.



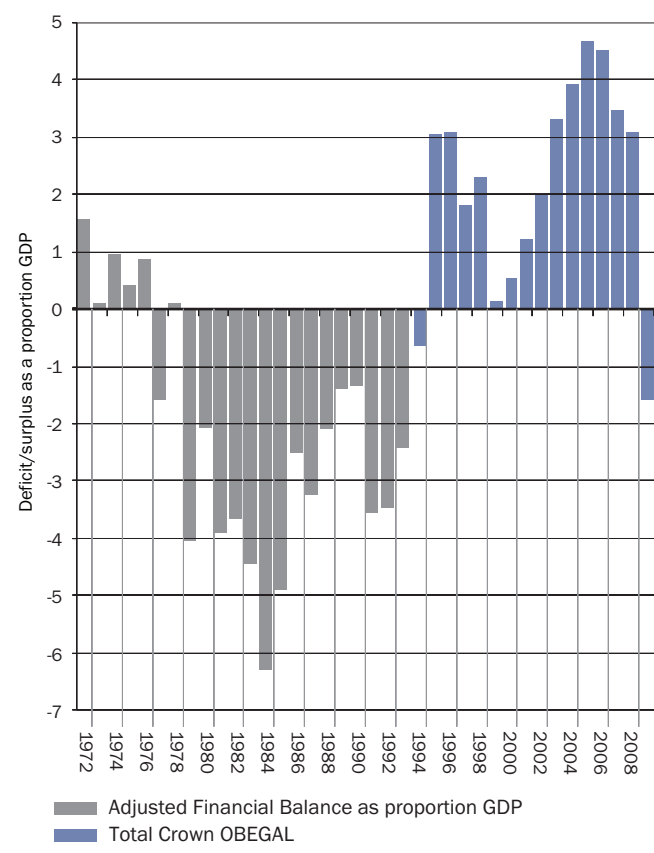
Source: Long-term fiscal series (Treasury, 2009a, 2009b). Note: the economic category aggregates 'Transport and Communications' and 'Economic and Industrial Services' from the original series. The other category aggregates 'Core Government Services' and 'Heritage, culture, recreation, primary services, housing, community development and other'. As well as the major change in the move from cash to accrual accounting, there have been a range of other definitional changes. For more information see Treasury (2009b).

Figure 4 – Measures of government tax and revenue as a proportion of GDP, 1900 to 2008



Source: Long-term data series (Statistics New Zealand, 2008b) and the long-term fiscal series (Treasury, 2009a, 2009b). Note: the bars are measures of tax receipts (based on cash accounting methodology) for what approximates the entity we now refer to as core Crown. The line is total revenue (accrual-based) for the wider entity referred to as total Crown. For more information see Treasury (2008a).

Figure 5: Surplus and deficit as a proportion of GDP, 1972 to 2008



Source: Long-term fiscal series (Treasury, 2009b) and Budget Economic and Fiscal Update (2009). Note: the Financial Balance (1972–1990) and Adjusted Financial Balance (1991–1993) was the difference between receipts and expenditure (current plus capital expenditure), excluding net lending transactions. It measured the need to raise finance (Treasury, 2008a).

financing government debt. From the early 1970s to the early 1990s expenditure on financing increased as government accumulated an increasing level of debt. The level of this expenditure subsequently declined as the level of government debt reduced.

Over the last 100 years government revenue as a proportion of GDP has increased in a roughly but not exactly similar manner to expenditure. The vast majority of revenue is tax, and Figure 4 shows government tax as a proportion of GDP since 1900.

The manner in which government has collected taxation revenue has also evolved overtime. Since the mid 1980s there has been a progressive widening of the tax base, a simplification of tax structures, and a lowering of rates. The structure of income tax rates has become less progressive, but at the same time it has become more comprehensive and less easy for high income earners to avoid. GST has replaced a myriad of excise taxes, and the structure of company taxation has been improved with full dividend imputation (McCaw, 1982; Mcleod, 2001).

While government has raised an increasing share of GDP as revenue, the extent to which it has done this has not always been at the same pace as government expenditure. Figure 5 sets out the difference between government expenditure and revenue since 1972. As can be seen, after a decade and a half of deficits, revenue surpassed expenditure in 1995 and the accounts moved into surplus.

Government expenditure and taxation compared to other countries

So how does New Zealand compare to other OECD countries? Figure 6 shows overall government expenditure as

a proportion of GDP. In 2007 New Zealand looked relatively typical, with government expenditure equivalent to just over 40% of GDP.

Also, if government expenditure is analysed over time New Zealand is also a relatively typical case. Over the last 100 years there has been a growth in the size of government in many of the original OECD countries (Tanzi and Schuknecht, 2000). In these countries government expenditure as a proportion of GDP was around 10% in the 1900s, and grew steadily over the next 80 or so years. In the late 1980s and early 1990s many OECD countries embarked on a programme of fiscal consolidation that saw government expenditure decline as a proportion of GDP. As can be seen from Figure 6, the fiscal consolidation since 1990 seems to have been relatively larger in New Zealand than in other countries.

There are some interesting differences between New Zealand and other OECD countries if we look at the composition of government spending. Figure 7 shows New Zealand compared to the OECD average in 2005.

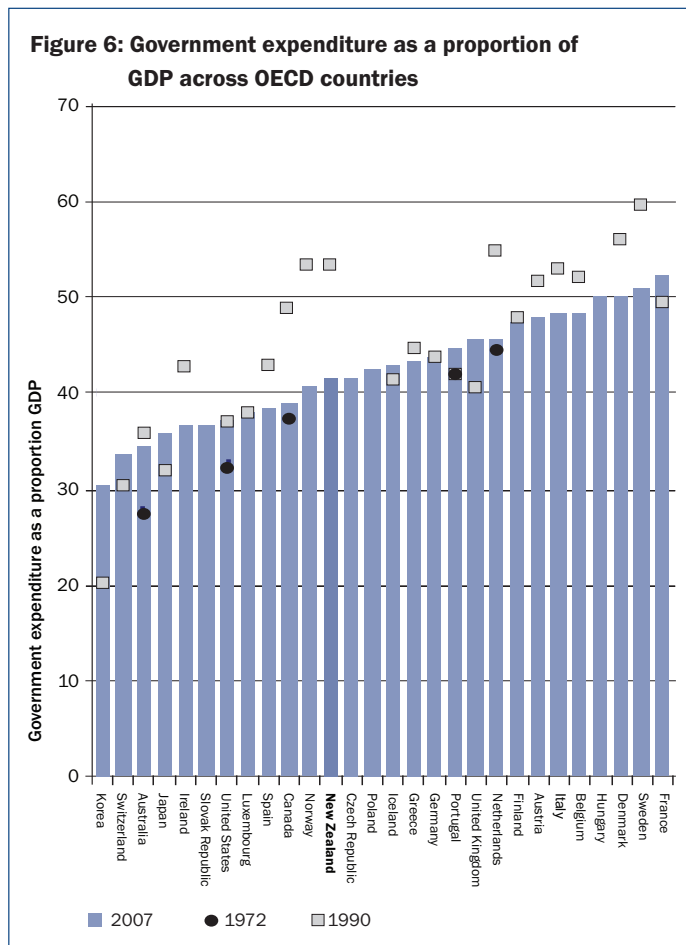
While New Zealand is slightly below average overall, the largest difference is in the area of pensions and benefits, or what the OECD defines as ‘social protection’. The main explanation for this difference is the overall costs of New Zealand Superannuation compared to the costs of pensions in other countries. Part of the reason for this is demographics

– the proportion of the population who are older is slightly lower in New Zealand than in many other OECD countries. Part of the reason is also the nature of the New Zealand system. New Zealand Superannuation is a universal pension paid at a modest flat rate. Public spending on pensions in other countries is often higher because the rate of pension is often determined by the prior earnings of the recipient (OECD, 2008). In the area of benefit expenditure, it appears that New Zealand spending is roughly the same as the OECD average. The OECD social expenditure database shows above average spending on incapacity and family-related benefits, and lower levels of spending on unemployment compensation.

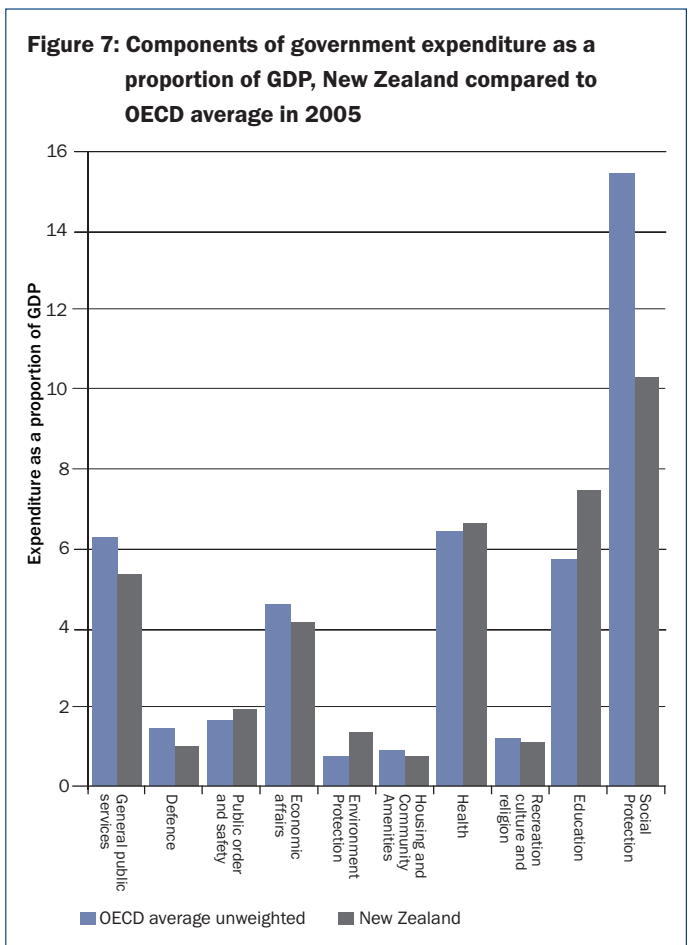
New Zealand spends roughly the same on health, and slightly more on education, environment protection, and public order and safety. In the education area, New Zealand appears to have a higher rate of expenditure on all sectors of education. This is partially explained by demographics, as New Zealand has a younger population than many OECD countries. New Zealand’s higher spending on ‘public order and safety’ is probably related to New Zealand’s relatively high rate of imprisonment.

In other areas – defence, general public services and economic affairs – New Zealand spends less than the OECD average.

On the revenue side New Zealand also appears relatively



Source: OECD.Stat. Note: this is a measure of both central and local government, and is based on the national accounts framework. The OECD does not report a figure for New Zealand in 1972.



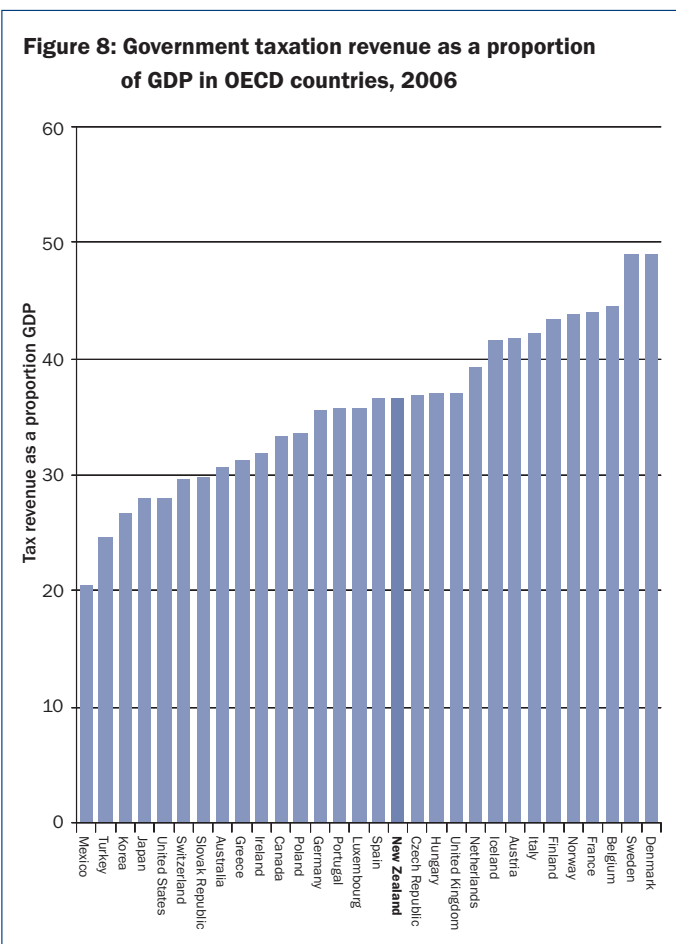
Source: OECD.Stat. Note: the comparison is with 26 OECD countries.

typical. As is shown in Figure 8, government of all forms in New Zealand is recorded as collecting tax revenue that is equivalent to around 37% of GDP. If we compare New Zealand to other countries, it is apparent that there are a range of countries that collect significantly less tax than New Zealand, but there are also many countries that collect significantly more.

In looking at the composition of taxation in New Zealand compared to other countries, there are some interesting similarities as well as differences. Figure 9 shows that the mix of direct and indirect taxes in New Zealand is broadly comparable with that in other countries.

On the direct tax side, New Zealand collects about 63% of all tax in direct forms, which is about average for OECD countries. However, there are important differences in the composition of direct taxes in New Zealand compared to other countries. New Zealand (along with Australia) has a high reliance on personal and corporate tax. This is partly because the two countries do not raise revenue from what the OECD defines as social security taxes.⁴ In other countries the legal incidence of social security taxes falls disproportionately on employers (OECD, 2007).

New Zealand collects around 37% of tax revenue through indirect taxes. In this area New Zealand relies heavily on GST, whereas many other countries tend to use less efficient multiple rate systems.



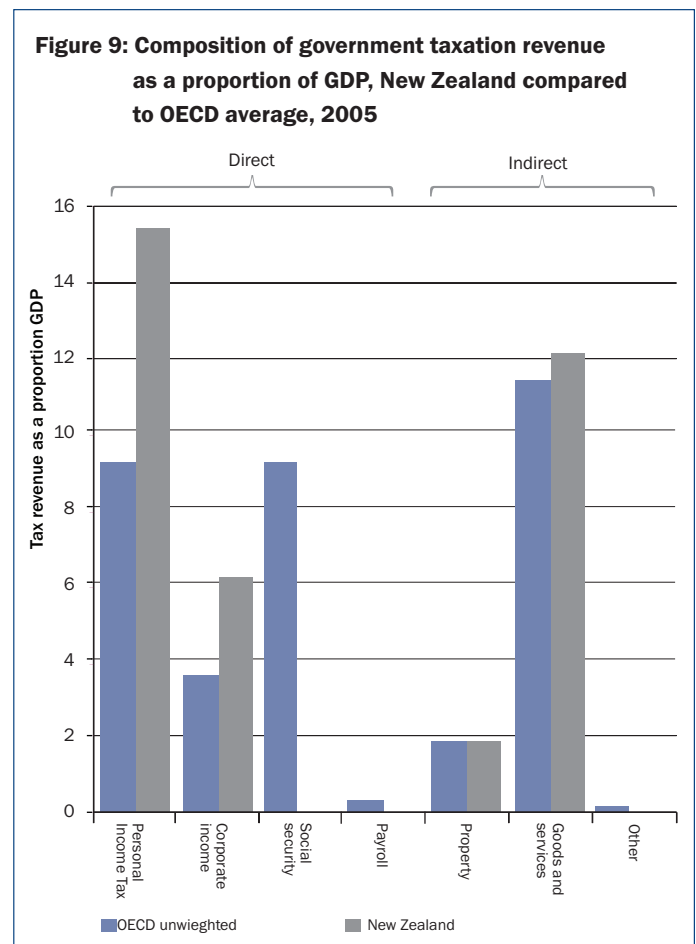
Source: OECD.Stat. Note: the comparison is with 30 OECD countries for which there is data available.

If we turn to the overall balance between revenue and expenditure across OECD countries, New Zealand has in recent years been an above-average performer with a surplus. With the international financial crisis and recession, every OECD country except Norway is projecting deficits in the coming years. Figure 10 shows the OECD's most recent estimates of these deficits for 2010. As can be seen, many countries are predicting larger deficits as a proportion of overall economic output. An important context is that the New Zealand government is also relatively less indebted than governments in many other OECD countries.

The future fiscal path

The current economic environment presents significant challenges for governments around the world. As in many countries, the New Zealand government faces not only rising expenditure and reduced revenue because of the recession, but also future fiscal pressures because of population ageing and climate change.

Across the OECD most governments have put in place fiscal stimulus packages that provide short-term support for their economy. As a result of deficits, in virtually every OECD country government debt is increasing. Many countries have also developed medium-term fiscal consolidation strategies that aim to reduce this debt once their economies start growing again. These fiscal consolidation strategies have



Source: OECD (2007). Note: the comparison is with 30 OECD countries, and relates to all levels of government.

differing mixtures of increases in taxation and constraints on expenditure growth (OECD, 2009).

The New Zealand government’s fiscal plans are set out in the Fiscal Strategy Report of Budget 2009. The long-term strategy is anchored around prudently managing the level of net core Crown debt over the coming years. This means:

over the short to medium term it is prudent to allow an increase in debt to deal with the current economic and fiscal shock. However, we need to ensure that this increase is eventually reversed and that we return to a level of debt that can act as a buffer against future shocks. We will do this by ensuring that net debt remains consistently below 40% of GDP, and is brought back to around 30% of GDP no later than the early 2020s. Over the longer term, we consider that it is prudent to have net debt closer to 20% of GDP and we will work towards this as conditions permit. (Government of New Zealand, 2009, p.41)

Figure 11 shows the government’s forecast of net core Crown debt from the financial year ending 2009 to the year ending 2019. This profile of future net core Crown debt is a product of demographic and economic forecasts, as well as the government’s expenditure and revenue plans.

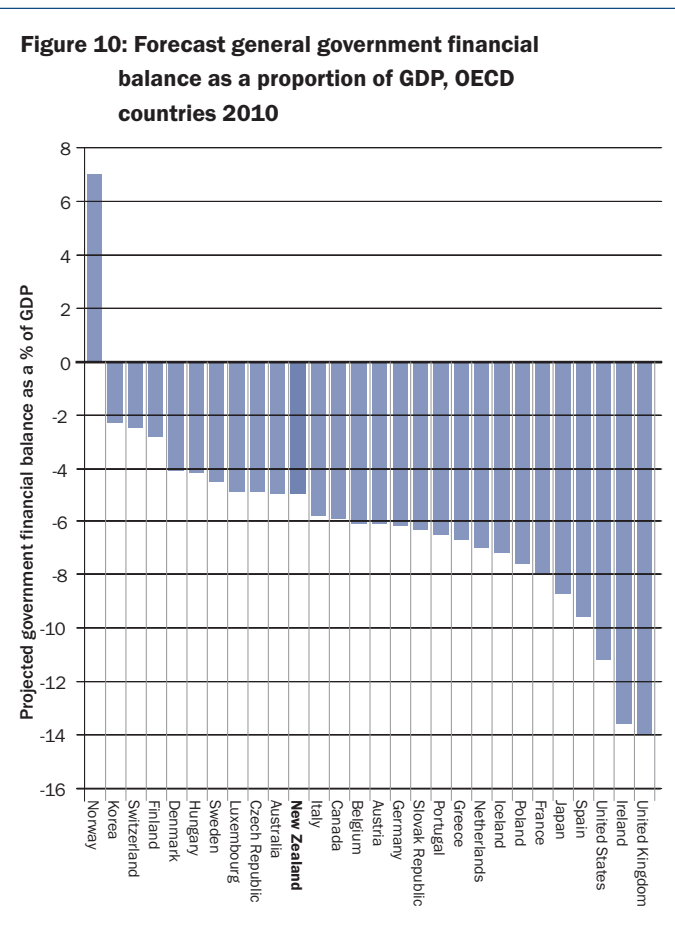
The government’s future plans for expenditure are for expenses as a proportion of GDP to rise until the financial year ending 2011, and then fall by around 0.5% of GDP per

year until 2019. Note that this is expenses only, and does not include the government’s capital expenditure programme.⁵

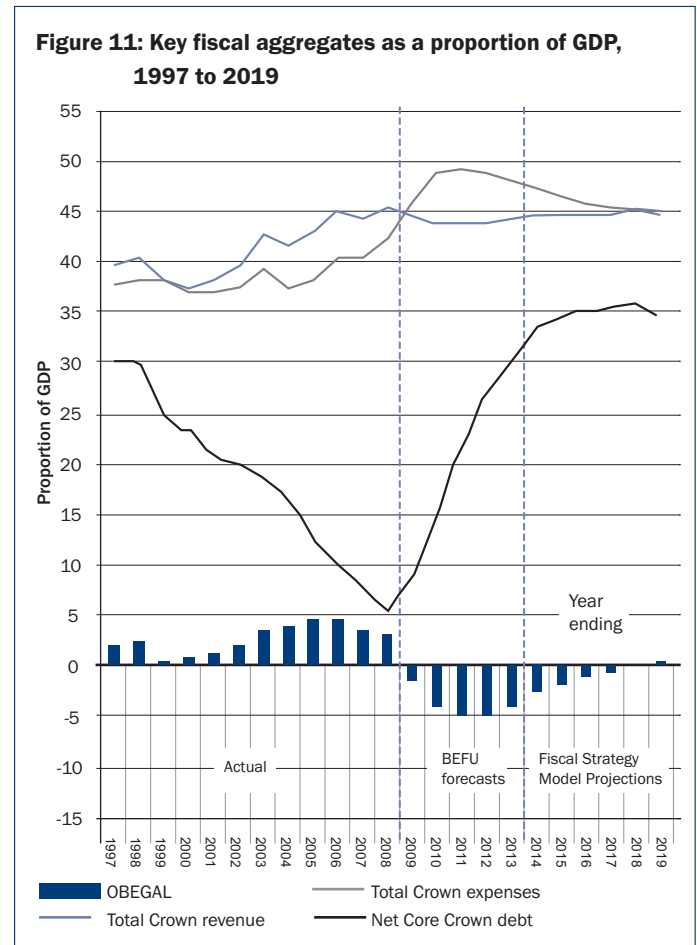
Table 4 shows budget forecasts of how expenses in different functional areas, as well as unallocated new spending, are likely to evolve over the next four years. It shows actual nominal expenditure, the percentage change in nominal expenditure, and the change in spending as a proportion of GDP in each area. Between 2008/09 and 2012/13, total Crown government expenditure is forecast to increase from almost \$82 billion to just under \$98 billion. This means that government expenses will account for just over 3% more of GDP over this time period.

In terms of government revenue, the government is currently indicating a plan to keep revenue as a proportion of GDP broadly constant over the next decade. It has, however, indicated a desire to consider the composition of this revenue, particularly in the tax area with the deferral of the government’s tax reduction package. A tax working group has been asked to identify issues about the medium-term direction of the tax system, particularly in the light of the government’s goal of aligning the company, trust and top personal tax rates at 30%.

Notwithstanding any possible changes that might flow from these considerations, Table 5 shows the Budget 2009 forecasts of revenue for 2008/09 compared with 2012/2013. As can be seen, revenue as a proportion of GDP grows



Source: OECD (2009), Table 4.4, p. 252



Source: Long-term fiscal series (Treasury, 2009b), Budget Economic and Fiscal Update (2009) and Fiscal Strategy Model (2009)

Table 4: Total Crown expenses, 2008/09 and 2012/2013

	2009 \$ billion	2013 \$ billion	Percentage change nominal spending %	Percentage change in spending as a proportion of GDP%
Social security and welfare	23.4	28.6	22.2	1.26
GSF	0.7	0.5	-27.4	-0.13
Health	11.9	12.7	6.2	-0.31
Education	11.8	12.3	3.8	-0.46
Core government services	3.8	3.7	-2.1	-0.26
Law and order	3.4	3.6	6.8	-0.08
Defence	1.7	1.7	3.4	-0.07
Transport and communications	9.3	9.5	1.5	-0.47
Economic and industrial services	8.1	9.0	11.3	-0.00
Primary services	1.4	1.5	2.5	-0.06
Heritage, culture and recreation	2.4	4.1	68.2	0.69
Housing and community development	0.9	1.2	31.0	0.09
Other	0.1	0.3	136.7	0.08
Finance costs	3.4	5.5	62.6	0.86
Forecast for future new spending	-	3.6	na	1.82
Top-down expense adjustment	-0.5	-0.2	-70.0	0.20
Total Crown expenses	\$81.9	\$97.5	19.1%	3.15%

Source: Budget Economic and Fiscal Update, 2009. Note: comparisons of expenditure in different functional areas should also take into account the amount forecast for future new spending.

marginally over this period. However, taxation revenue as a whole declines, and there is a shift in composition, which partly reflects tax changes that have occurred in individual taxation areas during the 2008/09 financial year.

Table 5: Total Crown revenue, 2008/09 and 2012/2013

		2009 \$ billion	2013 \$ billion	Percentage change in revenue as a proportion of GDP
Direct taxation	Direct individual	26.4	27.4	-1.0
	Direct corporate	7.9	10.6	0.9
	Direct other	2.8	2.2	-0.5
Indirect taxation	Indirect GST	11.6	12.3	-0.3
	Indirect other	4.8	5.2	-0.1
Other sovereign revenue	ACC and other levies	4.1	6.3	0.9
Sale of goods and services		15.2	18.4	0.7
Interest revenues and dividends		3.0	3.4	0.0
Other revenue		3.1	3.2	-0.1
Total Crown revenue (excluding gains)		\$79.0	\$89.1	0.6%

Source: Budget Economic and Fiscal Update, 2009

- 1 I am grateful for comments on an earlier draft of this article from Sandra Watson, Dennis Rose, Rodney Dormer, Derek Gill, Paul Callister, Murray Shadbolt, Peter Bushnell, Nicola Haslam, Marny Dickson and Paul Gini.
- 2 Although this saying is widely attributed to Bismarck, he is unlikely to be the originator of it (Shapiro, 2006).
- 3 Net core Crown debt is calculated by deducting the financial assets held by core Crown agencies from gross sovereign-issued debt. There are a number of assets excluded from this measure, including the assets of the NZS Fund, student loans and loans to DHBs.
- 4 ACC levies are not defined by the OECD as social security taxes.
- 5 In Budget 2009 and the following four budgets the government is forecasting to spend \$7.5 billion on new capital initiatives.

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The Ethical Foundations of Public Policy Conference

Thursday 10 and Friday 11 December 2009

Rutherford House, Pipitea Campus, Victoria University of Wellington

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will be held in Wellington in mid December 2009. It will be opened by Hon Bill English (Deputy Prime Minister and Minister of Finance), with closing remarks by Iain Rennie (the State Services Commissioner).

The purpose of the event is to encourage and facilitate debate about the ethical basis for policy making, both in terms of the principles that should inform the behaviour of individual policy analysts and decision makers and the normative considerations that should guide choices over the substantive content of particular policies. To help achieve this objective, the conference will bring together policy makers (i.e. politicians, government officials, political advisers, etc.) and academics/researchers working in a range of disciplines, including economics, law, philosophy, politics, religious studies and theology. Five specific sub-themes have been identified for particular attention: the ethics of advice giving; the ethics of decision making; the nature of justice; protecting the global commons; and measuring progress.

This conference is being hosted by the Institute of Policy Studies (School of Government, Victoria University of Wellington), in association with the Philosophy Programme (Victoria University of Wellington) and the Centre for Theology and Public Issues (University of Otago), and sponsored by the SOG Trust.

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A significant number of internationally-recognized scholars and politicians have agreed to contribute to the conference.

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Professor Tom Campbell Convenor, Centre for Applied Philosophy and Public Ethics, Charles Sturt University, Canberra

Dr Simon Chapple OECD, Paris

Professor William Galston Senior Fellow, Governance Studies, Brookings Institution, Washington DC; the Ezra K. Zikha Chair in Governance Studies

Meg Munn MP former Minister for Women and Equality, and Foreign Office Minister, London

Professor Thomas Pogge Leitner Professor of Philosophy and International Affairs, Yale University, and CAPPE, Australian National University

Professor John Uhr Crawford School of Economics and Government, Australian National University

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