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Economic Management and the Role of Planning in the Pacific

Derrin Davis
Stephen Pollard

Derrin Davis is a Senior Lecturer in Resource Economics at the Southern Cross University in Australia. Mr. Davis was Principal Planning Officer in Solomon Islands in the mid to late 1980s. **Stephen Pollard** is a Research Fellow at the Pacific Islands Development Program. Mr. Pollard was Chief Planning Officer in the Republic of Kiribati in the 1980s. Both authors have worked extensively in a number of Pacific island countries, particularly in the field of economic analysis and planning.

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ECONOMIC MANAGEMENT AND THE ROLE OF PLANNING IN THE PACIFIC

Derrin Davis and Stephen Pollard

March 3, 1995

Introduction

According to Sasako (1992) little apparent economic growth in Pacific island countries has occurred over the past decade despite the fact that aid organizations have poured literally millions of dollars into the region during this period. Some economies may now even be in decline (Browne 1994). Economic planning would appear to have failed. It is discredited in the region and could be held to be one of the causes of the lack of development to date.[1] The aim of Pacific island governments must, however, be to improve economic planning and policy formulation, not to scrap it completely. According to Duncan (1994): "Descriptions of the economic policies of the Pacific islands are, broadly, diametrically opposite to what is now widely recognized as being the set of policies and the policy environment needed to provide the basis for sound economic development."

Economic management, along with the management of resources, technology, social services, the environment, and so on, is reliant on adequate and appropriate planning procedures and strategies. The following discussion focuses on economic planning and economic management and development in Pacific island countries. It is argued that economic planning should continue to play an advisory role, but that it should concentrate more on policy analysis and the resolution of policy trade-offs, as well as take a more strategic approach to the planning of development activities. The authors suggest also that there are certain "stakeholders" in development who have little chance to make an input to policy formation and planning activities, and yet should be afforded such an opportunity.

The countries that are the focus of this discussion are Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, and Western Samoa. The discussion that follows should be considered in the context of the political, economic, and social situation in each of these countries. Most have gained political independence only in the past two decades. For some, such as the Federated States of Micronesia, the Marshall

Islands, and Palau, their foreign affairs and defense policies and programs remain the responsibility of foreign powers. For all countries, however, the role, function, and processes of independent national development planning are relatively new. Development planning is also yet to be fully understood and productively utilized.

The main goal in this publication is to provide guidelines that lead to an improved quality of economic decision making in Pacific island countries. Consequently, an important later section of the document is focused on the approach that, the authors consider, should be taken to economic planning. That section is prescriptive in nature, although the prescriptions presented will need to be adapted to the situation in each individual country.

Nature of the Economies

The countries of the region feature differing administrative structures due mainly to their past status. Twelve island countries were former "colonies" of Australia, New Zealand, the United Kingdom and the United States, and have been granted independence since the end of the Second World War--most in the past one to two decades. The Kingdom of Tonga was never "colonized" and Tokelau remains a territory administered by New Zealand. This political context affects economic management and planning in the region and, in particular, supports the continued dominance of bilateral aid to many Pacific island countries.

Although administrative, cultural, and physical differences exist between the countries of the Pacific, they also have some commonalities. Some of their key demographic and economic features are shown in Table 1. With the partial exception of Papua New Guinea[2] the countries are small in both land area and population, have limited resource endowments, and feature open economies. Siwatibau (1991) listed other features of the island economies such as political independence but economic dependence, narrow production bases, extensive regulations, small domestic markets, remote external markets, scarce skills, high wages for low productivity, dominant public sectors, and land tenure problems. Elsewhere, Bertram and Watters (1985) emphasized the importance of migration and remittances, along with government expenditure and aid, to the economies of several Pacific island countries. Some countries are typified also by widely dispersed populations. These difficulties, coupled with poor scale economies and the pure cost of delivering services and "development" to people on remote islands, cannot be underestimated in the Pacific context. Consequently, the problems of government planning and management are different in the Pacific than they are in larger countries (Dubsky 1986).

In virtually all Pacific economies the key resources of land, labor and capital serve both market and non-market needs. Additionally, they are often protected or may be subject to subsidy or other support. In the case of land, systems of traditional tenure prevent the development of a domestic property market and hence the development of a domestic commercial capital market. Labor remuneration is reinforced by subsistence, large government sectors and, in some cases, minimum wage legislation. The prices for key resources are, consequently, distorted and do not support the competitive allocation of

Table 1: Economic, Physical, and Social Indicators

Country	Population 1991 (est.)	Infant Mortality Rate		Land Area (sq km)	Gross Domestic Product (US$'000)		Overseas Trade (US$'000) 1989			Aid Receipts 1989 (US$''000)	Government expenditure per capita (US$) 1989
		Rate (%)	Year		Total	Year	Exports	Imports	Balance		
Cook Islands	18,700	25	1989	237	44,887	1987	2,828	44,290	(41,462)[1]	12,600	2,278
Federated States of Micronesia	105,300	52	1989	701	144,800	1989	2,289	67,701	(65,412)	n.a.	1,006[2]
Fiji	738,800	26	1989	18,272	1,264,696	1990	435,570	607,827	(172,257)	43,400	534
Kiribati	73,800	65	1990	690	34,495	1988	5,148	22,877	(17,729)	17,500	227
Marshall Islands	48,100	57	1988	181	37,931	1984	2,108	14,030	(11,922)[2]	n.a.	n.a.
Nauru	9,500	31	1981	21	n.a.	n.a.	80,842	14,051	66,791	100	n.a.
Niue	2,400	11	1990	259	3,130	1984	54	n.a.	n.a.	5,600	n.a.
Palau	15,500	26	1989	488	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Papua New Guinea	3,534,700	67	1990	462,243	3,882,898	1990	1,418,747	1,482,503	(63,756)	430,259	394
Solomon Islands	335,900	43	1987	27,556	175,501	1988	77,055	116,614	(39,559)	49,400	206
Tokelau	1,600	15	1989	10	n.a.	n.a.	189	2,107	(1,918)[1]	4,500	n.a.
Tonga	96,800	47	1989	747	94,642	1988	8,338	55,844	(47,546)	24,700	501
Tuvalu	9,300	38	1990	26	6,076	1989	n.a.	4,136	(4,136)	7,000	742
Vanuatu	149,900	52	1989	12,190	147,119	1989	23,038	70,850	(48,812)	39,700	306
Western Samoa	160,300	47	1989	2,935	101,959	1987	12,812	77,478	(64,666)	31,600	371

Source: South Pacific Commission Statistical Summary, 1991 and 1992.
Notes: [1]Per 1,000 live births.
[2]1988
n.a.: not available

domestic resources in a free market. Competitive resource pricing is, therefore, an important issue for economic management in the interests of future domestic gain.

A review of the common features of the island nations of the Pacific region emphasizes the difficulties they confront in terms of economic management and development. It serves also to indicate that economic management must involve a series of trade-offs in the process of constructing practical development strategies. These trade-offs, in turn, need to be identified within a framework of careful planning for development activities. However, a problem of economic planning in the region is that the necessary trade-offs are not commonly being confronted by island governments. These aspects of the economic management process are discussed further in a later section of this document.

Stakeholders in Development

A range of parties or "stakeholders" have, or should have, an involvement in the management and development of island nations in the Pacific. The key stakeholders identified here are national governments and bureaucracies, provincial/state governments and officials, non-government organizations, the private sector, the wider community in each country, and aid donors and agencies. These stakeholders may be arranged in a hierarchy that approximately indicates their relative influence at present. The discussion that follows is placed in that hierarchical order.

Aid donors and agencies

The donors and aid agencies may be broadly grouped into three categories--bilateral, multilateral (including United Nations agencies and regional organizations), and non-governmental organizations (NGOs). The number of players in the Pacific aid game is increasing. The traditional bilateral donors of Australia, France, New Zealand, the United Kingdom and the United States, have been joined by Canada, Germany, Japan, the People's Republic of China, and a host of other governments who donate small quantities of aid. The importance of aid flows into the region is shown in Table 1.

The providers of aid are extremely important stakeholders in Pacific island countries in several ways. First, they combine to form a largely difficult-to-coordinate legion of players who determine the "rules" of the aid game to which they expect the recipients to adhere. Considerable duplication of activity has appeared between and among the various agencies, resulting in heavy demands on the available time of the limited skilled personnel in most aid receiving countries. It is perhaps also a truism that donors tend to see development and development planning in the context of a pipeline of public projects they can fund and have not fully appreciated the development role of private businesses, foreign investment, and local people, nor always appreciated the role of coordinated policy.

Second, aid programs and projects have been based on the assumption that aggregate economic growth models, with their focus on savings and capital formation, are the best

models to follow for development in the Pacific. This assumption is reflected in the national development plans that appear in most Pacific countries. Browne and Scott (1989) pointed out that such plans indicate the desire to strengthen cultural and national identities but also invariably stress the need to raise investment, diversify production, enhance foreign exchange earnings, and create employment opportunities. Furthermore, as discussed by Pearce and Turner (1990), development has typically been thought of in terms of material gains that are ultimately measured as increases in real per capita incomes. Pearce, Barbier, and Markandya (1987) argued that, in addition to income gains, increases in other elements of social welfare should also be accorded more significance--access to services, quality of life indicators, greater individual freedoms, and so on. These are the guiding norms to economic development that aid donors have often found difficult to incorporate in their Pacific aid efforts.

Third, donor countries tend to impose a range of restrictions on capital and other assistance provided to recipient nations that reduces the value of such assistance. Donor perceptions, intentions, and alternative motives, along with donor public sector inefficiencies, all affect the way in which aid funds may be used. Two examples serve to illustrate this point. Australia has donated a number of patrol boats to Pacific island nations that, ultimately, must run and maintain those boats, yet often cannot afford to do so. Most countries have been reluctant to refuse such a "gift," which has served at least partially to prop up an ailing Australian boat building industry. The second example arises in the former U.S. Trust Territories where it is now a requirement that the Federated States of Micronesia and the Republic of the Marshall Islands submit to the United States, at least every five years, an economic development plan to qualify for funds under the "Compact of Free Association."

In summary, the donors are important and powerful stakeholders in Pacific island economic management and policy formulation and tend to exercise very considerable control over development activities--so much so that perhaps the "tail is wagging the dog," and it is time that the recipient countries took greater control of their development programs, projects, and funding modalities.

Central governments and bureaucracies

The government budget, national interest rates and currency valuations are often prepared in response to short term, if not immediate, economic needs and these needs tend to prevail over longer term economic development considerations. Economic policy formulation and economic planning in comparison have not enjoyed much influence and support from key decision makers because they do not generally provide answers to the short term issues that pressure governments. The Department of Finance and the Central Bank, supported by international development agencies, may therefore effectively commandeer the planning process as short term economic management takes priority over longer term needs.

The public sector occupies a dominant position in the economies of virtually all Pacific island countries (see also table 1). The World Bank (1991) argued that there are three main reasons for this situation:

1. large aid inflows have been used mainly to finance public sector activities;
2. the public sector has taken the lead in economic activities because of a lack of private sector initiative due to cultural, historic, and land tenure reasons; and
3. the widely dispersed populations of Pacific island nations require larger investments per capita to provide infrastructure and services to the community.

In addition, former colonial governments set up large bureaucracies and their own trade regimes, based on their own domestic structures, that directly or indirectly helped to kill off domestic private investment and trade (Crocombe 1989; Fairbairn 1989).

As observed by Bertram and Watters (1985), the government sector is the largest employer and provider of cash incomes in most of the region's countries. However, while governments remain the major employers they are not necessarily the most efficient, nor the only, agents of development. Many governments have, since the late 1980s, endorsed the international vogue for a national policy supporting private ventures. Most have also endorsed the fashionable policy of commercialization and corporatization, if not privatization, of government holdings.

The large public sector bureaucracies are stakeholders in economic planning and management because they, in concert with the elected representatives in government, formulate policy, assist in setting development priorities, and direct developmental resources.

Elected officials also are stakeholders, as they, of course, are the ultimate decision makers when it comes to economic policy, planning, management, and development priorities.

Provincial/state governments and officials

Virtually every development plan produced in the Pacific makes reference to the importance of development activities at the regional level. For example, in its second National Development Plan 1992-1996, the Federated States of Micronesia gave prominence in its "Themes" in the Plan to national unity and to equity, with both these themes focusing on the need to take regional (state and outer island) needs into account (Federated States of Micronesia 1991). Similarly, Tonga's Sixth Development Plan 1991-1995 included a national development objective of achieving a more equitable distribution of incomes and access to goods and services between regional groups (Central Planning Department, Tonga 1991).

Despite the emphasis on regional activities that is espoused by various national governments, Dubsky (1986) noted that national interest takes precedence over regional planning. Dubsky commented that, "Centralization remains the prevailing approach to

development planning ... despite [the] explicit commitment to decentralization or regionalisation of planning" (p. 156). The relative importance of regional authorities in economic management and planning does, however, vary considerably from country to country. Solomon Islands and the Federated States of Micronesia make considerable efforts to involve provincial/state and even municipal (in the case of the Federated States of Micronesia) authorities in these activities. Conversely, in Papua New Guinea in late 1992 it was foreshadowed that the role of provincial government would be reduced, while economic management is already heavily centralized in countries such as Fiji.

In summary, regional planning is often promised in Pacific island countries, yet is rarely delivered in a meaningful way.

Voluntary non-governmental organizations

Various church-based organizations, volunteer agencies, and institutions, such as the Foundation for the Peoples of the South Pacific (FSP) and the Save the Children Fund, are active in developmental activities in Pacific island countries. These organizations tend to be typified by a high level of commitment but small budgets. They also, typically, work more at the "grassroots" level than do most government agencies. Consequently, it is highly likely that these organizations have a greater knowledge of the needs and aspirations of the wider community. However, while they are, therefore, significant stakeholders in the development game, they have relatively little input into planning or priority setting. Voluntary non-governmental organizations have rarely been included in the decision-making process, governments are often wary of the intentions of these organizations, and government/NGO conflict is not uncommon. Yet, as observed by Fairbairn (1969), some voluntary organizations, such as the Lutheran Church, have been involved in relatively successful development activities. These activities are also typified by a long-term commitment to the country in question.

Private sector

Private sector growth has led to economic development throughout the world, and the support of private development in one form or another became a popular theme in Pacific island countries in the mid- to late 1980s. The apparent failure of government bureaucracies to deliver development, or to function in an efficient manner, has helped give rise to an alternate focus on private sector-led economic development. As but one example, the People's Alliance Party manifesto in Solomon Islands, which was a medium-term "Plan of Action," was released prior to the national election in 1989 and gave considerable emphasis to private sector activity. The government subsequently pursued a policy of greater private sector involvement in a range of services; for example, many of the previous functions of the Ministry of Public Works were contracted out to the private sector.

The Government of Tuvalu also adopted an "Integrated Plan for Private Sector Development" in 1992 (PIDP 1992) that embraces a comprehensive range of strategies and actions to promote the private business sector.

The private sector (including foreign investors) is an important player in economic activity in South Pacific countries and most nations have indicated a desire that the sector should be further strengthened and play a more active role in economic development. However, as with NGOs, the private sector is barely represented at the national policy-making level.

The community

Last, but certainly not least, is the community--the people who make up the populations of the Pacific islands. Island communities continue to manage their own affairs and adapt to changing circumstances as they have done for centuries. It would be expected that development is ultimately a "people business." Yet it is apparent that many, if not most, communities in Pacific island countries are uninvolved in and largely untouched by national economic management and planning. In both Solomon Islands and Papua New Guinea more than 85 percent of the population is involved in subsistence agriculture with some cash cropping (PDP Australia 1991; Stein 1991). The "trickle-down" of benefits from (aid funded) capital projects has barely, if at all, reached most of these important stakeholders. The mode of development therefore appears to be inappropriate, and this inappropriateness is supported by the kinds of economic management and planning systems that have been in use in the region.

The role of elected representatives--Members of Parliament and Congressmen--is related to the community as a stakeholder in development. Are not the interests of people and private businesses represented by elected officials, and are not these interests reflected therefore in national economic management? There is no doubt that many elected officials do strive to represent their electorate. However, national issues and national interest can be a relatively new phenomena to some communities of Pacific island countries (Republic of Palau, 1994, chapter 3). They are also complex and poorly understood by the electorate, while the realities of development are perhaps confused and overwhelmed by aid. Local, rural, or outer island issues and requirements may alternatively be lost due to the prior focus on national issues. Consequently, the interests of all stakeholders in development may not be met through the medium of elected representatives.

Whither development?

There are a number of stakeholders in development activities in the island countries of the Pacific. Yet economic management and its associated systems of planning have been dominated by donors, large bureaucracies, and short term economic management issues. Other important stakeholders have been effectively excluded from development planning, while the effectiveness of decision making and planning structures is in question. Development approaches may not have taken adequate account of key resource markets and the need for competitive pricing in support of domestic gain. Attention is now focused on this last aspect of development in the Pacific.

The Approach to Development in Pacific Island Countries

Development efforts in Pacific island countries have been based on precepts of economic growth and development. More recent approaches to development have emphasized a move away from subsistence economies to market--oriented, trade-directed economies. These approaches have also highlighted increased economic diversification of the primary production base, as well as attempted to stimulate industrial development (Dubsky 1986). Unfortunately, the economic development goals of the Pacific governments, as expressed in their national development plans, have mostly not been realized. Their economies have failed to grow, and trade imbalances have become commonplace (Table 1).[3] The pursuit of economic development has, in many cases, altered traditional egalitarian values. This pursuit has sometimes worsened the natural environment, and has been accompanied by an increase in social problems. The move away from a subsistence base to cash cropping normally accompanies the type of development being pursued in the Pacific. Yet such a move has opened island communities to the vagaries of world markets and made them more vulnerable in terms of meeting family needs. Although the region has experienced some social gain it has also suffered social cost with minimal economic compensation.

The special features of the Pacific suggest that the region's countries need to carefully consider their own approaches to development. The limited resources and limited economic potential of most countries should influence the approach to economic development and management. At the same time, it needs to be recognized that family, village, island, and cultural interests are well established and, for most people, take preeminence over national interests. Yet these interests are not sufficiently and consistently addressed in the "modern," aid and capital driven, and bureaucratic approach to Pacific development.

The goals of Pacific governments, as stated in their national development plans, consistently include the following: the pursuit of economic growth, stability and equity, strengthened national identity and unity, greater self-reliance and economic independence, cultural and environmental conservation, an improvement in living standards and welfare, and increased trade and economic cooperation. It is extremely unlikely that these goals can all be met; rather, conflict is likely to occur between them (for example, economic growth will often be at odds with cultural and environmental conservation). Governments therefore are confronted by decisions about which goals to compromise, and the approach to development becomes one involving trade-offs between conflicting goals. However, these conflicts and compromises do not appear to be explicitly addressed by governments in the Pacific.

Kiribati and Tuvalu, two of the smallest and least developed countries of the region, have attempted a different approach to economic development that emphasizes a more substantial community and capital maintenance role. These approaches have, in part, arisen from a realization that donor, aid, and project driven development with its focus on short-term, discount preferred economic gains has, by and large, failed.

The establishment of the Trust Fund for Tuvalu and the Revenue Equalisation Reserve Fund (RERF) in Kiribati both reflect a greater focus on the support of the community and on long-term social maintenance. The establishment in 1987 of the Tuvalu Trust Fund can be nailed as one of the major achievements of aid in the Pacific. The original capital of A$27 million was contributed by Australia, Japan, New Zealand, the United Kingdom, and Tuvalu itself. The Trust Fund has risen to over A$60 million in 1995. The RERF, established in the early 1970s has grown from only a few thousand dollars to over A$300 million in just over 20 years. The government of Kiribati can now not only fund its own recurrent budget, which it has done since 1986, but also it can afford to invest its own funds in public infrastructure.

Both the Trust Fund for Tuvalu and Kiribati's RERF represent the direct establishment of a self-sustaining income generating resource that, although it offers little opportunity for domestic employment, gives the recipient government a greater opportunity for economic independence in the future. The trust fund established in October 1994 for the newly independent Republic of Palau and the minerals stabilization and investment funds of Papua New Guinea and Nauru may also yet contribute to their national economies in the manner of the funds of Kiribati and Tuvalu.

Notwithstanding the promise of these various funds, constraints on planning and policy formulation hamper needed investments. In Kiribati, for example, considerable problems continue in relation to the provision and maintenance of social infrastructure, particularly in South Tarawa (Jones, 1994, 1995). Despite the existence of the RERF, overloaded planning staff, a continued focus on tapping external aid, and a shortage of skilled technical personnel have slowed efforts at much-needed investment in social facilities such as sanitation and other urban improvements. That is, while the various trust and investment funds can be lauded as a step forward for development in the Pacific, the mere existence of the funds will not ensure appropriate developmental activities. Sound policies, supported by adequate planning, is needed to guarantee the effective use of the various funds.

The Role of Economic Planning and Policy Formulation

The discussion in the foregoing sections serves to indicate that economic management in Pacific island countries is a difficult task and one that is comprised of a multitude of complexities, compromises, and trade-offs. Someone has to help sort these out, particularly if there is to be a realistic effort directed to establishing a new development approach. That someone is likely to be the national planning agency, in an advisory rather than executive capacity.

All Pacific island governments have a role to play in stimulating, guiding, and protecting the economy, perceiving and setting the parameters for the private sector to exploit new international commercial opportunities, minimizing the economic destabilization effects of the international economy, and attending to the distribution of economic and social benefits. Additional issues of economic management that confront the Pacific islands today are the need to bring about more efficient government, to release indigenous private

sector activity, to realize the impact of current development policies and to formulate new policies and strategies that best suit the islands' peoples today. Some group in government has to analyze, monitor, and advise on these issues, and this group should be the government's own planning diaspora. The systems of planning presently in use in the Pacific are summarized in Table 2.

Unfortunately, "economic planning" has become discredited in many Pacific island countries. The cynical view of planning held by many, according to UNDP (1991), results from the belief that economic planning is associated with: (1) the preparation of a detailed blueprint of actions to be taken throughout the economy over the next several years; and (2) a system of governmental participation and intervention in the economy involving a large public sector and extensive use of administrative controls.

Both planning and government intervention have become, to a large extent, unfashionable in recent years. The promotion of the private sector and diminished responsibilities for governments and parastatal organizations have tended to dominate recent international economic thinking. However, as Hughes (1992) pointed out in his paper on privatization, these fashions have, historically, been subject to extreme fluctuations. Mercantilism has given way to strong government intervention and nationalization, with the latter in turn being overtaken by today's commitment to the private sector.

The need for a strong planning capability has also been emphasized in recent times by both the World Bank (1991) and UNDP (1991), with UNDP commenting that, "... the task of these [planning] offices is to assist government in identifying and designing the most effective means of promoting economic growth and development whether in the public or private sector" (p. 2).[4] The World Bank stated that, "Development planning helps provide Governments with a clear framework for establishing priorities for the efficient allocation of resources" (p. 81).

If planning authorities have an important role to play, yet Pacific island economies have failed to achieve their development goals, then there appears to be a fundamental weakness with planning. This problem does not, however, constitute an argument for abandoning planning, for to do so would be to lead to ad hoc decision making and a still greater lack of balance in development efforts. Rather, it raises several questions concerning the role of planning and the way in which that planning is undertaken in Pacific island countries. These questions include the following.

1. What are, or should be, the functions of economic planning agencies?

2. Is national economic planning well understood and accepted by Pacific island politicians and administrators?

3. Is the institutional structure used for economic planning appropriate?

4. What are the constraints on economic planning processes and economic planning agencies?

Table 2: Economic Planning Systems in Selected Pacific Island Countries

Country	Economic Planning Structure			Current Documents	Planning Staff in Line Ministries/Departments
	Central Planning Authorities	Regional Planning Authorities	Local Planning Authorities		
Cook Islands	Ministry of Finance, Ministry of Economic Planning and Development	N/A	Island Development Coordinating Committees (IDCC), Outer Islands Development Ministry (on some islands)	Cook Islands National Resources and Development Strategy Plan (NRDS) 1992	Fisheries, Agriculture, Conservation, Energy, Telecommunication, Education, and Tourism
Federated States of Micronesia	Office of Planning and Statistics	States Planning Offices	Municipal	Second 5 Year NDP	No
Fiji	Central Planning Office	No	No	Policies and strategies for the short- and medium-term	Including all major ministries, Commerce, Agriculture, Forestry, Health & Education
Kiribati	Ministry of Finance and Economic Planning	Ministry of Line and Phoenix Development	No	5 Year NDP	Some (Rural Development, Resource Development, Health and Education)
Marshall Islands	Office of Planning and Statistics, President's Office	No	No	Second 5 year NDP	No
Nauru	---	---	---	---	---
Niue	Premier's Office - Economic & Planning Office	No	No	Statement of Objectives	No
Palau	Office of Planning and Statistics	Provincial Planning	States Planning Commissions	Master National Development Plan and an Economic Development Plan	No
Papua New Guinea	Department of Finance & Planning	Provincial Planning	Town Planners	Public Investment Program	Economists in most Line Ministries
Solomon Islands	Policy Evaluation Unit (Prime Minister's Office), Ministry of Finance and Economic Planning Ministry of Provincial Government.	Provincial Planners	Muncipal	Programme of Action (Political Manifesto)	Some (Agriculture, Education, Health, and Home Affairs

Notes: NDP: National Development Plan
---: Not known
N/A: Not applicable

Table 2: Economic Planning Systems in Selected Pacific Island Countries, cont.

Country	Economic Planning Structure			Current Documents	Planning Staff in Line Ministries/Departments
	Central Planning Authorities	Regional Planning Authorities	Local Planning Authorities		
Tonga	Central Planning Department	No	No	5 Year Comprehensive Development Plan	Some (Agriculture and Education)
Tokelau	Planning and Statistics Unit	No	No	Development Framework Plan	No
Tuvalu	Ministry of Finance, Commerce, and Economic Planning	Local Government Department Planning Unit	Island Councils	Medium Term Economic Framework Plan	No
Vanuatu	National Planning and Statistics Office	Regional Development Planners	Town Council	5 Year NDP	Some (Agriculture, Education, Fisheries, Local Government, and Health)
Western Samoa	Economic Planning and Policy Research Unit, Treasury Department	No	Nol	Seventh NDP (Strategy Plan) PSIP	Agriculture, Education, and Health

Notes: NDP: National Development Plan
—: Not known
N/A: Not applicable

5. What approaches to development should economic planning agencies adopt?

6. Has technical support contributed to making economic planning more effective in Pacific island countries?

These questions, along with associated issues, are addressed below.

Functions of Economic Planning and Management Agencies

As pointed out by the World Bank (1991), the functions of central planning agencies usually include strategic and project planning, preparation of the annual development budget, and, in some instances, aid coordination. UNDP (1991) suggested that there are four core functions that the agencies should carry out. These are the following.

1. *Analyze policy issues affecting economic growth and development, which should also include the coordination of social development policy.*

Policy analysis is, unfortunately, neglected to a considerable degree in most Pacific island planning agencies. Pacific governments little realize the full impact of economic and development policies already in place, and few alternatives have been designed and implemented. The former government of Solomon Islands attempted to address this matter by establishing the Policy Evaluation Unit. This unit was separate from the planning functions of government but closely linked to them.

The World Bank (1991) suggested that Pacific island countries should replace their existing planning documents with two statements. These would be: (1) a statement of national economic strategy and policies; and (2) a public sector investment or expenditure program.[5] Both documents would be updated annually. The strategy and policy statement, the Bank argued, should be a short, comprehensive explanation of government strategies and policies for economic and social development and should be quite specific in terms of policy intentions. To make this proposal a reality will require that Pacific island governments support policy analysis and make policy analysis a priority for their planning agencies.

2. *Provide assistance and guidance in the preparation of medium-term development programs for key sectors.*

This activity implies that a strategic planning function should be given priority in Pacific island countries. Most existing national development plans include national economic and social goals yet do not often assign them priorities or establish time-frames for their implementation. The present approach to plan preparation is to provide some macro-economic background and then to present a listing of project proposals. A strategic approach involves basing economic and social development on government policy but prioritizing the areas to be addressed and actions to be taken. It should be based also on a medium-term time horizon of three years, with annual review, alteration, and updating.

In this sense planning would be undertaken on a "rolling" basis. Programs and projects would be derived from the goals and priorities set in the strategic planning process. Few sector-based development strategies have so far been designed in the Pacific other than in association with major external development initiatives.

An additional advantage of the strategic planning approach is that it allows countries to concentrate donor assistance on priority areas. It also assists the preparation of realistic budgets that enable line ministries to become readily aware of the staffing and cost considerations of aid projects. The World Bank (1991) noted that the procedures to put these processes in place are not overly complicated, with good examples being provided by Papua New Guinea and Fiji. Other Pacific countries could, when reorienting their own planning functions, usefully draw on the experiences of these countries.

3. *Ensure that the public sector investment program (PSIP) is in accordance with national and sectoral policies.*

Public investment, which is largely funded by external aid funds, plays a dominant role in most Pacific island economies. The allocation and use of public investment funds have a major effect on economic activity, social services provision, and economic prospects. UNDP (1991) observed that planning agencies should play a special role here through their functions of economic analysis and advice and, subsequently, the assistance they can provide to governments in setting priorities for public sector investment. The difficulty is that existing systems do not always provide enough information to allow planning agencies to fulfill this role.

Public sector investment programs are rarely coordinated with government recurrent expenditure, resulting in conflicting priorities, directions, and eventual recurrent cost funding problems where current public investments are not supported by future budgetary allocations. This problem can be alleviated by preparing both the PSIP and budget documents together, within sector frameworks.

The proposals from the World Bank and the United Nations Development Program (UNDP) concerning the establishment of public sector investment programs are closely tied in to the strategic planning approach discussed above. The World Bank argued that the development plan, aid flows, and the budget could all be integrated through public sector investment programs. These programs would project expenditure on a more practical two, three, or four year basis, clearly specify all costs and proposed finance sources, and be updated annually. In the first five year national development plan (1987-1991) of the Federated States of Micronesia more than 500 projects were identified. Less than five percent of these projects were actually implemented during the plan period. Therefore, one-off, long-term plans are unwieldy, of doubtful value, and should be replaced by a strategic PSIP approach as one of the functions of the government's planning agency.

4. *Undertake the monitoring and review of economic performance (macroeconomic analysis).*

This function is again linked to the strategic and public sector planning functions and to the policy analysis responsibilities described above. Monitoring and review functions should cover both key domestic and external trends. This procedure will allow for the identification of potential sources of economic instability, as well as ensure that current development policies are kept under review to assess their effectiveness and adjust them in light of the experience gained (UNDP 1991). This function has not been carried out in the region on a regular, ongoing basis.

Aid donors, as previously discussed, tend to exert considerable influence on the activities of planning agencies, as well as on the priorities set for development. In many cases Pacific island countries have not been sufficiently well organized, in an economic management and planning context, to resist these influences. However, a move to strategic, better focused planning, coupled with adequate policy analysis, monitoring, and review, and an annually reviewed PSIP, will allow the nations of the region to take more control over their aid program and, consequently, their approach to development.

Acceptance of Planning

As argued above, the principal functions of economic planning offices in the Pacific include the economic analyses of policy issues and the programming of governmental activities. In this context, and as observed by UNDP (1991), "economic planning" may be a misleading term. A more appropriate terminology may be along the lines of that adopted by Solomon Islands when it established its Policy Evaluation Unit (PEU).

In any case, the label used is largely an ephemeral matter. The central point is that national economic and development planning is generally poorly understood and little accepted in the Pacific region. This fact is partly explained by the relatively recent independent status of the countries in comparison with the far more established traditional, village, and island systems of government and management. Newly independent governments may also be wary of centralizing, concentrating, and otherwise supporting an apparently powerful, even though advisory, role. The government planning function can consequently be poorly placed and inadequately supported in government.

With the possible exception of Fiji, governments in the Pacific region appear to have been unable to come to grips with the role of national planning offices. It may also be true that planning agencies are themselves not clear about their roles. An argument could even be raised that few "planning" offices have ever actually "planned". No planning agency in the region has its own corporate plan with its mission statement, aims, objectives, and functions clearly spelled out. Such corporate plans are needed, and although they need be only brief they do need to be quite specific in terms of roles and responsibilities. They also need to be brought to the attention of the various ministries, aid agencies, and other bodies with whom the planning agency must deal.

Perhaps the most significant ramification of the poor understanding of the role of planning agencies is that many have been reduced to the status of an aid post office. Because of the dependence on international aid funds (Table 1), aid is often a major focus of the operations of national planning agencies, with aid donors exerting considerable influence on aid terms and priorities. Planning agencies can therefore suffer from an overemphasis on the preparation of one-off, aid-dictated plans and the documentation for project aid funding, primarily to meet donor requirements. Funding and aid expenditure may, as a consequence, take precedence over development.

Governments need to clarify the role and functions of their planning agencies and, in many cases, to reorientate their planning toward national development rather than external funding interests. Government planning processes can be bureaucratic and cumbersome at the best of times but a large volume of aid administration crowds out much needed policy and strategy development work. The perceived role of planning agencies as aid post offices has meant also that they are often seen by line ministry personnel as a hindrance to development projects--as the people who are holding up the aid funds. Again, this perception results from a poor understanding of the role of these agencies, and it reduces their credibility.

In summary, the responsibilities and functions of planning agencies in Pacific island countries are poorly understood and accepted. Removing the "planning" label may constitute a small but useful first step toward overcoming this situation. More importantly, however, planning offices need their own corporate plan to help clarify their functions, and they need to be correctly located in an institutional sense so as to be able to perform the tasks assigned to them.

Institutional Structures

Planning agencies in Pacific island countries play an advisory rather than executive decision-making role. This is the appropriate role for these agencies. In most cases the national planning agency acts as a direct or indirect secretariat to decision-making bodies. These bodies may be, in the first instance, either Cabinet or Congress, individual ministries, or a development coordination committee (or other development sub-committees). Development decisions are ultimately the responsibility of Cabinet or Congress, but the role of the planning agency should be to provide the best possible policy and strategic advice to the decision-making body involved.[6] Unfortunately, the "proper" role of planning agencies has been the source of misunderstanding and even misuse by both governments and aid donors.

Institutionally, it is important that planning agencies are not isolated as a separate ministry within government. Planning agency roles can overlap and conflict with those of other ministries such as foreign affairs and finance--yet it is imperative that they work closely with these ministries. Most governments have placed planning with the responsibilities of either the Ministry of Finance (e.g., Fiji, Kiribati, and Tuvalu) or the office of the head of state (Tonga and Vanuatu). These locations are appropriate for the planning

agency (as argued by Dubsky 1986), but those agencies that operate out of their government's Ministry of Finance have tended to enjoy more success in terms of coordinating development activities.

Virtually all the countries in the region suffer from insufficient collaboration, cooperation, and coordination between the various departments of government and between government and the private and rural subsistence sectors. One result of this situation is that planning agencies can become marginalized and discredited through little fault of their own but rather because of inappropriate institutional structures.

The planning process (including planning, policy development, and program and project formulation) is not only the province of central planning agencies. As observed by the Federated States of Micronesia (1991), planning is not the exclusive domain of the national or state/provincial planning offices. All other government agencies are also involved at all stages in the process--from formulation through to implementation. The role of the planning agency is to coordinate these activities and to maintain strategic direction in development undertakings. Sectoral plans are best prepared by the agencies and departments involved (who will be responsible for implementation) with assistance from the central planning agency.

The fact that all ministries, departments, and other agencies, in addition to the central planning authority, are involved in planning, raises questions about the location of personnel with planning skills. It is clear that key line ministries in the economic sectors (agriculture, fisheries, forestry, minerals, and environment), the social sectors (education and health), and the service sectors (transport and communications) have a critical role to play in planning a nation's development. Consequently, it is preferable to locate planners within these ministries. These planners bring a planning capability to key areas for development, and they provide a mechanism for liaising with the central planning agency. Ministries that have a planning capability are seen as better organized when it comes to development activities, whereas other sectoral ministries tend, to some degree, to stagnate in terms of development activities.

Also pertinent to the issue of line ministry planning capability is the question of regionalization and decentralization. A number of countries have embraced a political commitment to decentralization and have some planning capability at the provincial or state level. The principal danger of this approach relates simply to the already scarce skills available in most Pacific island countries. The complexities of decentralized administrations add to the problems of development planning and coordination, and regionalization has led to overstretched services of all kinds.

The lack of attention to rural and subsistence sector development is also common within the region. Regional planning, where it is said to exist, has largely failed in this context. Although national development plans tend to include statements of policy and intention to develop the rural, "subsistence," sector there are few programs in place. Governments have generally failed in their efforts to address the productive and other needs of the

majority of the population who live in the rural areas and outer islands. Such assistance has, effectively, largely been left to the non-governmental organizations. The failure to meet the needs of the rural subsistence sector results not so much from inappropriate institutional structures, but rather from poor collaboration between the central and regional agencies involved. This issue needs to be addressed by island governments.

Planning for rural development could benefit from the more widespread adoption of the "farming systems" approach to developing family units. This approach focuses on the needs of the community and the family farm, fisheries, and other local level enterprises. It is an adaptive, applied research, and development methodology that has been well tried and tested in other regions of the world.[7] Attempts to introduce the concept in the Pacific have been limited mainly to the work of the Australian Centre for International Agricultural Research in Tonga and Vanuatu, the work of the South Pacific Commission in the Cook Islands and Kiribati, and some efforts in Papua New Guinea. Similar efforts were also begun under the Rural Services Project in Solomon Islands in the late 1980s but ceased upon completion of the "project phase" of that project.

The private sector is also largely overlooked in development planning. UNDP (1991) reported that some countries have established the mechanisms for either permanent or ad hoc consultations at the national level with the private sector on development policies and programs, while others have yet to do so. With the greater emphasis that is now being placed on the role of the private sector in Pacific economic development, effective dialogue must be established between government and its agencies and the private sector. Formal mechanisms are needed for this purpose.

Similarly, a range of other non-government organizations are involved in development activities and need to be engaged in ongoing discussions with government. Again, formal mechanisms need to be established for this purpose, with a representative body such as Solomon Islands' Development Services Exchange providing the conduit for the interchange of ideas on development activities.

The availability of suitable statistics underpins successful planning, whether related to strategic priorities, the public sector investment program, or social goals. Planning and statistical services should be located nearby to one another and at least within the same ministry (as happens, for example, in Federated States of Micronesia, Kiribati, Tuvalu, and Vanuatu). Consequently, statistics personnel are aware of the data needs for national planning and management and can give priority to the most important pieces of information required. Furthermore, and based on resource scarcity, priorities must be set for the collection of those data most needed for economic policy making, for monitoring and review, and for the development of strategies, programs, and projects--the collection of data for the sake of having them is to be avoided.

In summary, the institutional setting has a major impact on the success of economic planning and development in Pacific island countries. The location of a nation's planning agency, its relationship to regional planning, its links to budgeting and statistical func-

tions, the role of sectoral planning through line ministries, and the place of both the subsistence and formal private sectors are all important. A proposed institutional structure for economic planning in Pacific island countries, based on the recommendations outlined above, is presented in Figure 1.[8]

Constraints on Planning

A poor acceptance of planning, the pursuit of an incorrect set of planning agency priorities, inappropriate institutional structures, and the lack of non-government sector inputs are among the major constraints on planning identified in this document.

In addition, there are technical constraints on the economic management and planning capability in individual countries in the Pacific region. These constraints include inadequate financial and personnel resources, a lack of appropriate knowledge and skills in economic analysis and planning, particularly in macroeconomic and sectoral policy analysis, and the limited capability of some line ministries to generate (or absorb) development projects (Dubsky 1986; UNDP 1991).

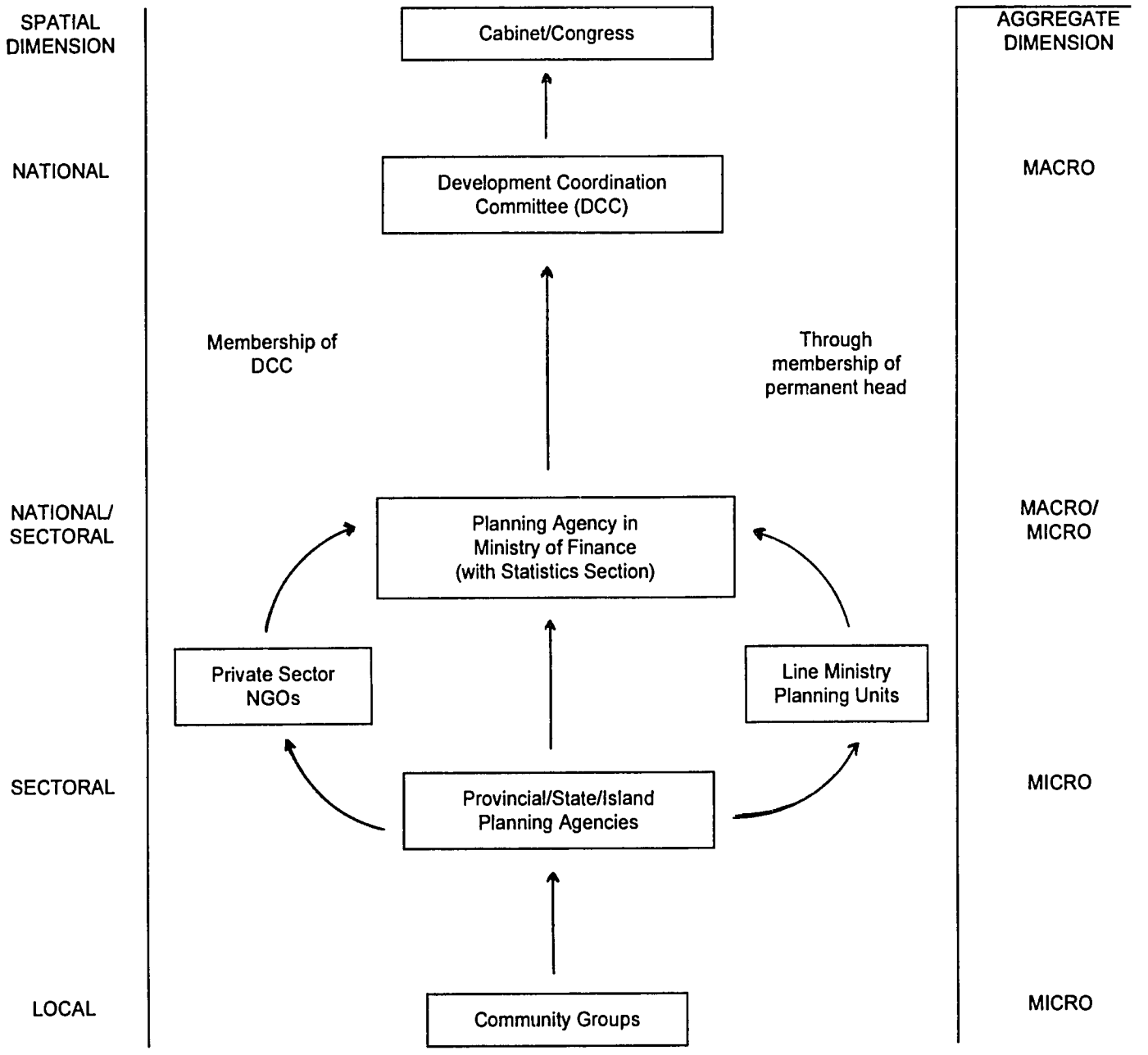
An additional constraint on investment programming is the heavy reliance on external aid. As observed by UNDP (1991) the availability of funds for individual projects depends on the preferences and approval of the various aid donors. However, if recipient governments are undertaking strategic and prioritized planning, donors will quickly become aware of recipient priorities. Consequently, and given that representatives of aid donors are also under some pressure to reach aid commitment targets, they will gradually become more responsive to the priorities set by the recipient countries. However, enforcing recipient priorities means that planning agencies, and politicians, must occasionally refuse aid projects--the "take it or leave it" approach of some donors such as Japan must be resisted in the quest for more balanced economic and social development in the Pacific.

A New Approach to Planning

The approach taken to development planning in Pacific island countries has, as previously mentioned, been based mainly on the preparation of one-off, five-year national development plans. Many of these plans are also subject to a mid-term review. This approach has been widely criticized in recent times as being inappropriate. It is also an approach that is founded on the wrong considerations. In particular, the approach has relied on drawing up a list of projects for funding by aid donors and, for this reason, has found some favor with donors. However, as discussed above, an approach that allows for flexibility in planning and provides the opportunity to respond to changing circumstances is now being encouraged.

The "new" approach has a number of advantages, not least of which is that it allows the so-called recipient countries to take control of their development program, rather than

Figure 1: A Planning Structure for the Pacific Island Countries



allowing donor agencies to set the agenda. In addition, it helps avoid the situation where every consultancy and piece of external advice for the next five years is based on a set of goals and objectives established at the beginning of a plan period that becomes increasingly less relevant to emerging development issues. Times change and so do a country's and each successive government's goals. These changes need to be reflected in economic planning and management, which in turn requires that there be flexibility in that planning and management.

The problems with the traditional multi-year national development plan of Pacific island countries have often been exacerbated by the fact that they have been drawn up with outside assistance. The local input into the plan has often been quite limited - a major shortcoming of the approach that has typically been used.

In addition, little attention has been given to policy formulation, or to policy revision, in national plans. The policy analysis role of planning agencies must be reemphasized, while project planning should be undertaken in line ministries.

Greater attention must be given also to the macroeconomic aspects of economic planning and management because these aspects provide guidance as to the structure, strengths, and weaknesses of the economy. Consequently, macroeconomic indicators provide background information that will assist in setting new strategic directions for a nation. Fiji is one country where a strong macroeconomic policy capability exists, due to the well-staffed macroeconomic division within the Ministry of Finance. While many countries provide an extensive macroeconomic prologue to their national development plans (e.g., Tonga), there needs, in almost all cases, to be a strengthening of the capability to undertake continuing macroeconomic analysis and policy development in Pacific island nations.[9]

A "new" approach to planning in the Pacific islands is recommended. This approach would focus primarily on national resources as opposed to sectors; it should begin with an analysis of the country's inherent demographic structure and in-built future population; and it should be contrasted with the current and immediate potential of the economy - that is, the potential of the economy to provide jobs, tax revenues, and government provided education, health, and other welfare services. This contrast would help planners prepare a human resources development plan that covers the entire economy. For most Pacific island countries this simple exercise would reveal clearly the relative importance of the subsistence and the rural economy. Social and economic strategies may then be developed that are based on a realistic appreciation of the potential for development. These strategies should be encapsulated in policies that are carefully prioritized. Capital investment programs and projects in support of these strategies would, therefore, be the last items to be derived from this exercise, and they would not be the primary exercise of development as currently is the case. Finally, economic policy encompassing monetary, fiscal, trade, and investment policies would be formulated to support the new approach.

Technical Support for Planning

Until 1992 UNDP provided national programs of development planning assistance to eight or more Pacific island countries. This assistance was composed of the provision of national advisers, related hardware, and support from New York. This assistance was primarily aimed at the improvement of macroeconomic planning and preparation of national development plans. Expatriate technical assistance, scholarships in economics and planning, and training opportunities in development planning have also been provided by other multilateral agencies (Asian Development Bank, European Community, World Bank) and bilateral agencies (Australia, New Zealand, United Kingdom), although usually on an ad hoc basis with no regard to a "Planning Agency Corporate Plan" as above.

The UNDP's assistance to national planning offices appeared to aim for a framework of macro level sophistication in planning that could not, at this time, be easily justified. Nor could this level of sophistication be sustained once the UNDP's assistance was removed. Despite the UNDP's program, the national coordination and implementation of sectoral and resource planning remain weak in most countries. Sophisticated macroeconomic modeling may further weaken the planning process and isolate planning agencies because planning is seen to become an even more highly skilled and esoteric exercise. While macroeconomic policy is important to national economic management and planning, the level of sophistication required must be kept appropriate to the needs of Pacific island countries, as well as to the skills available in-country once the expatriate advisers leave.

Other assistance to national economic planning in the Pacific region includes the following.

* The regional project planning courses organized by the Institute of Social and Administrative Studies (ISAS) of the University of the South Pacific (previously in conjunction with the South Pacific Commission).

* The regional policy planning and policy implementation seminars that are jointly organized by ISAS and the Economic Development Institute of the World Bank.

* The economic policy research and training programs of the Pacific Islands Development Program (PIDP) of the East-West Center in Hawaii.

* The ad hoc economic advice available from the South Pacific Commission, the South Pacific Forum, and ESCAP (Economic and Social Commission for Asia and the Pacific) Pacific Operation Center.

* The academic research and training programs of the Australian National University in Canberra and the Victoria University of Wellington, New Zealand, among other universities.

Unfortunately, all of these various areas of assistance have not been coordinated in the interest of planning agencies in the South Pacific. The review of development planning carried out by UNDP in 1991 appeared to be primarily directed at justifying the UNDP's withdrawal from assisting planning in the region. There has been no other attempt to make an overall assessment of the strengths and weaknesses of national planning agencies in the region. Dubsky's report (1986) is descriptive in nature and relies almost totally on comments from senior planners in five countries of the region.

The external assistance that has been provided has been concentrated on the provision of individual posts, individual technical assistance, and support for individual planning documents (such as national development plans). No attention has been given to the processes of planning. Furthermore, the planning agencies generally do not have their own internal human resource or institutional development plans (which should be a component of the corporate plans referred to earlier). Consequently, external assistance to the strengthening of national planning agencies has been ad hoc and incomplete. The continued aid funding of individual posts may or may not be provided in conjunction with training for a local counterpart. The funding of planning positions with matched training is about as far as such human resource planning goes. However, counterpart staff tend to be highly mobile, and after training they often move to other agencies, including regional and international bodies.[10] External assistance does not take account of the general need to strengthen the institution of planning.

An example of the lack of support given to strengthening planning relates to the preparation of national development plans. Many donors have funded one-off development plans but have done so without any complementary attempt by government to strengthen in-country planning and development implementation processes.

National planning agencies in most Pacific island countries need substantial strengthening if they are to undertake the functions listed above. However, the small economies of the region generally cannot afford to train and retain the range of planning skills that are required to plan even a small economy. Thus permanent regional support is needed. While such support has been provided for sectors such as agriculture, energy, the environment, fisheries, minerals, and tourism, in the region, it is not available to planning agencies; and the sectoral support that has been provided has commonly failed to adequately address the formulation of economic policy.

If regional technical support is to be provided then it should, first, take the form of hands-on, in-country operational assistance designed to build up a national planning capability, both within the central planning agency and within line ministries.

Second, there is a need to strengthen the processes of planning as opposed to the end output. These processes should include efforts to facilitate the establishment of effective national development coordination committees (where they do not already exist) or some other means of coordinating economic and social development planning.

Finally, a regional planning support unit is needed. The charter of such a unit would be to strengthen planning institutions and processes by the provision of in-country assistance to national planning agencies, line ministry planning units, and non-governmental organizations. The unit would preferably be staffed by planners from Pacific island nations and supported by multilateral aid agencies.

The Way Forward

The discussion to this point has been focused mainly on existing planning structures and weaknesses. Some reference has been made also to ideas to improve planning in Pacific island countries, with emphasis on the functions and institutional setting of planning in those countries. These ideas are revisited and extended in this section, which consequently provides a blueprint for planning in the Pacific. It is acknowledged that individual countries are at varying stages of development, are typified by unique resource endowments, and feature differing cultural and political backgrounds. Therefore, while the discussion that follows is intended to provide a general setting for effective development planning, the framework will need to be adapted to meet the needs of individual countries.

The primary objective of development planning, as previously highlighted, **is to, "... ensure that (scarce) resources are used as efficiently as possible to foster economic and social development"** (World Bank 1991:38). As also noted by the World Bank, planning processes should:

- not be oversophisticated,
- provide governments with a clear framework for establishing priorities for the allocation of scarce domestic and external resources, and
- not absorb scarce staffing resources that might be better deployed elsewhere.

Consequently, there are a number of approaches and strategies that Pacific island governments might adopt to make planning more effective and to ensure that it plays a meaningful role in national economic and social development. These are listed and described below.

The Approach to Planning

The approach of preparing five-year national development plans, where it still exists, should be abandoned. These plans are one-off in nature, quickly become dated, and imply an inflexible approach to economic management and development.

The approach to national economic management and development planning should emphasize four components of planning to ensure that both aid and domestic resources are used effectively and efficiently. These are attention to the macro-

economic, resource, sector, and policy components within an overall strategic focus to planning. The macroeconomic component should not, however, feature sophisticated modeling, but rather should rely on the analysis of macroeconomic indicators and data.

Furthermore, the resource and policy components should not be focused on economic considerations alone. National demographic structures and projected human resource development requirements set against economic potential should be the starting point of planning. Such comparisons should govern developmental efforts in the Pacific. Too often in the past human resource development planning has been restricted to the formal wage sector or to the public service and too little attention has been paid to the human resource development (HRD) needs of all society given the current economic capabilities.

National planning agencies should, therefore, move away from a predominant focus on project planning and focus more on policy analysis, including resource policy, and the provision of advisory (or secretariat) services to Cabinet, Congress, or other preeminent development decision-making bodies.

A strategic focus to planning would be supported by, and complementary to, the preparation of an annually revised public sector investment program (PSIP). The strategic plans, aid flows, and both the recurrent and development budgets could all be integrated through such programs. Consequently, these programs could be used to project forward expenditures, list all the costs of the investment program, and specify the expected sources of finance.

The role of development coordination committees (or their equivalent) could usefully be strengthened. These committees will be more effective working in the policy, macro-economic, and strategic planning framework outlined above and should play a key role in setting development policy and ensuring that development programs and projects accord with national priorities and needs.

Involvement in Planning

The role of the national planning agency is described above. However, apart from the national planning agency and the development coordination committee or its equivalent, a number of other "players" are, or should be, involved in development planning.

Line ministries clearly have an interest in planning. **Sectoral planning should become the responsibility, predominantly, of key line ministries such as agriculture, fisheries, forestry, education, and health**. To this end these ministries require a planning capability; that is, they should include a small planning unit that assists with sector-wide analysis, project planning, budgeting, and project monitoring and evaluation.

The staffing of line ministry planning units is, of course, an important issue. Experience in some countries (e.g., Tonga) suggests that it can be even harder to retain planning staff in line ministries than in the central planning agency. One solution is to establish a cadre of planners who can move between ministries and between ministries and the central

planning agency (as is done in some countries with accounts staff). A sensible approach would be to rotate staff between the main planning agency and line ministries so that these staff remain "in touch" with planning matters at both national and sectoral levels.

Regional planning is, in many ways, a more complex issue. On the one hand, there are sound philosophical reasons to endorse provincial/state level planning; it gets much closer to the community than does national planning and, consequently, may be more responsive to community needs. On the other hand, skilled planning resources are generally scarce in Pacific island countries, and governments must be careful not to spread those resources too thinly. Three responses to this situation are apparent. First, the "new" approach to planning being discussed here emphasizes a focus on policies and strategies rather than project planning. Yet regional administrations are most concerned with this latter function. Second, sectoral activities that are consistent with national policies and strategies should be attending to the needs of regional areas (and it is the job of the national planning agency to ensure that this process is occurring). Third, a national focus of planning on HRD (including rural and subsistence sectors) greatly lessens the need for separate regional and rural planning. Therefore, it is argued that regional "planners" are not needed but that project related tasks can be performed by line ministries and regional administrative staff, with the national planning agency ensuring adherence to national priorities.

There is a growing realization in the region that private initiative must be encouraged because societies and economies have largely failed to grow under a development model driven by state capitalism. At the current stage of institutional development in the Pacific, with governments paramount, private businesses now becoming established, and rural development institutions somewhat distant from government, all these interests need to be brought together into the development coordination mechanism to help derive development policy.

The Institutional Setting

A dominant theme in this document has been that effective planning cannot occur unless the institutional structure supports it. Relatedly, it is argued that effective planning has not occurred because of inappropriate approaches and processes as well as institutional settings. **The challenge is for countries in the region to place planning on a purposeful footing for it to contribute meaningfully to national development.**

First, the national planning agency should not be a separate ministry. **The agency should, rather, be linked with both the budgeting functions of government and the statistical services provision of government.** Given also that macroeconomic and other policy analysis functions are to be undertaken by the planning agency, the agency clearly should be placed within each country's finance ministry.[11]

Second, the national planning agency should ideally consist of four divisions: a macroeconomic division, a resource division, a sectoral division, and an aid coordination division. In some agencies these divisions would consist of only one official. The

divisions would be headed by the director of planning who would be a macroeconomist. The resource division would be subdivided into human and capital sections with the human section focusing on the directions of HRD for development and the capital section focusing on fiscal, monetary, trade, and investment matters; that is, the economic environment for development. The sectoral division should be tailored to the structure of the economy but probably include an economic sector (natural resources, industry, tourism, etc.), a social sector (health and education), and a service sector (transport, communications, and administration). The aid coordination division would be less involved in planning than the other two divisions yet would have an important role in ensuring that aid programs and projects accorded with national policies and priorities. This division would also ensure that aid resources and their flow are related to the budget functions of the Ministry of Finance.

Third, while the structure above provides general guidance, the staffing of the planning agency would depend on the size and diversity of the economy. A sizable rural development program, such as that in Papua New Guinea, would warrant more human resource planners. An established financial sector, such as exists in Fiji, would warrant more attention to financial planning. And active agricultural, fisheries, minerals, and tourism programs, such as in the Solomon Islands, would justify more sectoral planners.

Conclusion - The Need for a New Approach

Poorly structured national planning agencies, condemned to accepting a role as an aid post office, and/or spending the majority of their time on project planning, have not, in general, provided a sound framework for the establishment of developmental priorities, for the formulation of sound development policy, or for the efficient allocation of resources in Pacific island countries. This situation reflects a need to assert and to maintain the national interest, along with a now jaundiced view of what are the principal roles of national planning agencies.

It is time to rethink the approach to development planning and policy formulation in the Pacific. Rather than simply criticizing planning and planners, the opportunity to reorient their activities within an effective structure should be grasped. As argued in the foregoing discussion, **there is a need to take a strategic approach to economic planning and to engage economic planning agencies in policy analysis.** In addition, development planning needs to be refocused on the prior needs of the people as opposed to the needs of capital.

These changes will need to be accompanied by institutional restructuring in many countries, including the establishment of a planning capability within line ministries. Project planning would be undertaken within those line ministries.

Finally, the failure of development efforts in Pacific island countries is, at least in part, due to the acceptance and use of inappropriate approaches to development where the analysis of demographic structures and future needs in employment, education, health, and other welfare needs (demand), set against the realization of economic potential (supply), should lead developmental planning.

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End Notes

[1] Some may argue that planning offices and planners have never actually been involved in "planning."

[2] The exception is "partial" in the sense that, in an international context, Papua New Guinea is a small country, yet in a Pacific island context it is large and resource rich.

[3] Trade imbalances are in large part a feature of aid inflows and the consequent increase in imports. However, the long-term issue is how these imbalances will affect development. Aid encourages imports at the cost of domestic production, and it creates a taste for imported goods.

[4] This task includes planning for divestment and restructuring if a decision is taken to reduce the dominance of government.

[5] Papua New Guinea has been following this approach for a number of years.

[6] Obviously planning is subject to political forces and interference. Favored constituency projects, prestigious investments, and other political gains may detract from long-term development goals. However, political activity is a fact of life with which planning agencies (and other bodies) must live. This does not in any way reduce the importance of the professional, independent advice that planning agencies can provide.

[7] The farming systems methodology involves analyzing how local systems of livelihood work (in their entirety), discovering what motivates production and social activity, and then devising strategies for incremental assistance to rural communities.

[8] Present institutional structures in three Pacific island countries are described in the later section dealing with case studies.

[9] In many cases macroeconomic policymaking is, appropriately, assisted by the central bank.

[10] Social and cultural factors are also important. Local staff are less likely to question and analyze issues than are expatriates who are not constrained by local customs. They are also less likely to implement what they learn in training courses. The level of academic qualifications-- which may be the same for both the expatriate and the local staff member--often is not a constraint on effective planning.

[11] Australian and New Zealand Governments (1992) also commented that "Pacific island governments should improve institutional and procedural linkages between the public investment planning and recurrent budget formulation processes."