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MALOAFUA

STRUCTURAL ADJUSTMENT PROGRAMMES: THE CASE OF SAMOA

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Translation of thesis title

The thesis is entitled *Maloafua* which is a Samoan concept which has several meanings depending on the context. *Maloafua* can mean new growth, a new beginning, a new dawn. *Maloafua* is made up of the two key words *Malo* and *afua*. *Malo* means governance or government in its formal usage; however it can also be used to greet people informally or to congratulate a person. The second word *afua* describes a 'state of governance'. *Afua* literally means 'to grow' or refers to new growth, a change, a new phase or a new beginning. The concept is used by orators in their speeches to express their feelings of gratitude towards an important event that has eventuated, despite predicted difficulties. The full saying in Samoan is, '*Maloafua aeaie ia mea ua maua*'¹ which means, that after achieving what one has worked hard towards, one can now celebrate its fruits, or achievements.

The word *Maloafua* is also used in the village of *Saoluafata* as the *igoa-a-ipu* or title for the High Chief, *Tuala*, used during the Kava Ceremony. It is called before *Tuala* receives his kava during the Kava Ceremony in the village of *Saoluafata*. My husband holds both the chiefly title *Tuala* and the paramount title *Tagaloa* in the *Anoamaa* district. Choosing *Maloafua* as the title for the thesis is one way of acknowledging *Tagaloa Tuala's* support in my work. It is also appropriate as it indicates new changes in the government agenda. The thesis is a study of one aspect of the reforms, privatisation, which resulted in a change of governance in one Government department but which has broader implications for the present Government. It has resulted in the creation of a new phase, a new structure and a new beginning.

¹ I acknowledge the explanations given by Chief Feaga'ifu'e Leumu Elisara on the meaning of this Samoan saying. Feaga'ifu'e Leumu Elisara is an authority on *Saoluafata* village protocols and the oldest surviving *Matai* in the village. At the time of this work he was 84 years old.

ABSTRACT

Structural adjustment programmes have been promoted globally by international financial institutions as an answer to the financial problems of developing countries like Samoa. This thesis is a study of the history of structural adjustment programmes in the Independent State of Samoa, and focuses specifically on a case study of one particular programme: the restructuring and privatisation of the former Public Works Department (PWD). It seeks to compare the claims made for the reform process by development economists, development consultants and planners, politicians and reform managers, with the experiences of those who were involved in various roles in a particular type of reform: the privatisation of a Government utility.

The PWD was chosen by the Samoan Government to kick-start its institutional reform programme. The Department had, over the years, suffered from poor management, corrupt practices, overspending and unaccounted funds which were all revealed in an Auditor General's Report tabled in Parliament in Samoa in 1994. This caused great embarrassment to the Government which had then to respond to these accusations. Government saw the reform of the PWD as a means to respond to public criticism of its lack of oversight, and discontent with the standard of the department's services in public works, institutional construction, repair and maintenance programmes.

The study used a case study methodology to interview the people that were involved in the privatisation of the old Public Works Department (PWD). Various people who were, and are still, involved in the process of reforming Government institutions were interviewed. These included the politicians who both advocated and opposed the implementation of the reforms, the consultants who managed them for the Government and international agencies, and employees at all levels of the former Public Works Department. It explored PWD employees' personal and institutional experiences of the period before, during and since the reform of the agency.

Despite the propaganda on the benefits that reform programmes have for the countries that implement them, the study has revealed different findings. It identifies and examines some important differences between the claims made by various stakeholders about the reforms, and the experiences of those who were directly involved in various ways. It has shown that people in different positions have different experiences of the same programmes, and that their experiences are significantly influenced by their social location and, specifically, whether they are “insiders” or “outsiders.”

It concludes by suggesting that since the structural reform project is likely to continue in Samoa for the foreseeable future, it is useful to identify those lessons from the PWD privatisation which might be applied to future projects to mitigate their social and organisational impact.

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Abbreviations and Acronyms

ADB	Asian Development Bank
CDF	Comprehensive Development Framework
CRP	Comprehensive Reform Programme
EAP	East Asia and the Pacific region
EPC	Electric Power Corporation
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
HRPP	Human Rights Protection Party
IFI	International Financial Institution
IMF	International Monetary Fund
LMIs	Lower middle incomes
MDGs	Millennium Development Goals
MESC	Ministry of Education, Sports and Culture
NUS	National University of Samoa
ODA	Overseas development aid
OED	Operations evaluation department
PIRAM	Public Works Institutional Reform and Asset Management project
PMCs	Pacific member countries
PSC	Public Service Commission
PSRP	Policy and Structured Reform Programme
PWD	Public Works Department
RAMSI	Regional Assistance Mission to the Solomon Islands
SAC	Structural Adjustment Credit Programmes
SAP	Structural Adjustment Programme
SAPRIN	Structural Adjustment Participatory Review International network
SDUP	Samoa Democratic United Party
SES	Strategic Economic Statement
SNDP	Samoa National Democratic party
SOE	State owned enterprise
SWEL	Samoa Works Engineering Limited
UNDP	United Nations Development Programme
UNESCO	United Nations Educational Scientific and Cultural Organisation
WB	World Bank
WTO	World Trade Organisation

Part One

Chapter One

Overview of Arguments

Introduction

The topic of this thesis was chosen because of my interest in the changing processes that were taking place in Samoa as a result of proposed legislation to introduce policies to initiate the restructuring of Samoan Government institutions, and especially their impact on the Samoan public sector and on the services that it was traditionally tasked to deliver for the benefit of the public.

In 1991, the Government of the Independent State of Samoa instituted an ongoing programme of public sector reform. The reforms were wide ranging, spanning the economic, political and social arenas. They included the institution of a Value-Added Goods and Services Tax, (VAGST), the establishment of an old age pension, the extension of parliamentary terms, the extension of universal suffrage to twenty-one year olds and the implementation of a performance-based budget accompanied by the internal restructuring of Government Departments. Public sector reform occurred in tandem with

wider societal changes which included a new partnership between the public and private sectors.

The reforms were aimed at generating increased productivity and efficiency, greater equity and the alleviation of poverty. They were the Government's responses to a general downturn in the economy exacerbated by the extraordinary infrastructural damage and economic contraction caused by the two cyclones (Ofa & Val) in 1990-1991, the taro blight which wiped out the profitable taro export industry and the accumulation of significant debt levels by the national carrier, Polynesian Airlines Ltd (Treasury Department, 1996:17). In taking this reform path, the Government made some significant claims as a rationale for the introduction of the reform programmes.

These included:

an increase in overall sustained economic growth, to raise efficiency and productivity of State Owned Enterprises (SOE), to improve and strengthen the private sector, reducing the size and presence of Government in the economy, the public sector reforms will improve the efficiency and accountability of Government departments, strengthen health and education to ensure that health and education are accessible to all Samoans (Treasury Department, 1996: 14).

This carried the assumption that life in general would improve if the people allowed these changes to come about. The Government's agenda was to improve the accountability and transparency of all its institutions, and:

To channel an increasing proportion of its financial resources into the social sectors, to address issues like unemployment, youth crime, drug abuse, suicide, domestic violence and family breakdown (Treasury Department, 1996:6-7).

Government also aimed at reducing corrupt practices and nepotism within its workforce through increasingly transparent procedures and improved governance structures. These

claims were all embracing and assumed to be part of the structural adjustment reforms that the Government has implemented to date.

My interest in studying these reforms was to find out whether the claims that were made by the Government in respect of the structural reforms were realized, or not realized or partly realized, and why they did, or did not produce the expected outcomes.

Thesis Statement

If structural adjustment programmes are concerned with plans, policies and practices designed to improve the economy of Samoa and quality of lives of the Samoans, and then the success of the approaches will be evident in raising the relevant indicators in a positive way, to all groups of people in Samoan society.

In order to study the impacts of the reforms, I decided to use a case study focusing on the privatisation of the Public Works Department, to give insights into both the process and the experiences of those people affected, directly and indirectly, and by the restructuring process itself. It also provides an opportunity to compare the claims made about the benefits of reforms, with the experiences of those affected by the reform process.

Terminology

The study employs a range of concepts which need to be explained for the purpose of the thesis. The following concepts are discussed and defined to clarify the meanings used in the thesis.

Structural Adjustment Programmes (SAPs)

Structural adjustment programmes is the name given to a set of “free market” economic policy reform programmes imposed on developing countries by the Bretton Woods institutions, namely the World Bank (WB) and the International Monetary Fund (IMF). According to Stiglitz:

SAPs are programs that were designed to help countries adjust to and weather crises (Stiglitz, 2003a: 3).

These programmes, once approved by the IMF, placed conditionalities on loans and grants made to the borrowing countries for development purposes:

Developing countries were always in need of help, so the IMF became a permanent part of life in most of the developing world (Stiglitz, 2003a: 14).

Countries which are already devastated by the debt obligations often have little choice but to adhere to conditions mandated by the World Bank and the International Monetary Fund. SAPs are very much part of the globalisation process and:

...included social policies, financial policies, corporate laws and governance issues (McCann & McCloskey, 2003: 4).

Globalisation

The concept of globalisation has been discussed at length in the development literature. However, I have chosen the definition by Stiglitz, a former World Bank economist centrally involved in the process at the centre of this thesis, as the most appropriate for the purpose of this thesis. Stiglitz describes:

Globalization is a process which is responsible for the closer integration of the countries and peoples of the world. This has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge and (to a lesser extent) people across borders (Stiglitz, 2003a: 9).

An important explanation offered by Sassen states that:

Economic globalization represents a major transformation in the territorial organization of economic activity and politico-economic power. The sovereignty of the modern state was concentrated in mutually exclusive territories and the concentration of sovereignty in nations...economic globalization has contributed to a denationalizing of national territory (cited in Sage & Redclift, 1996: 10)

These explanations were aptly described by Susan George in her definition which noted that:

Globalisation is a process and a system which is being pushed forward and put in place by the very largest industrial and financial transnational corporations...it moves wealth from the bottom to the top (George, 2001: 12).

International Financial Institutions (IFIs)

The economic philosophy associated with today's form of globalisation has its origin in the Bretton Woods institution—the International Monetary fund (IMF) and the World Bank (WB). According to McCann and McCloskey:

the World Bank was charged with providing long term loans to developing countries to support their development whilst the IMF was given the role of

supporting an orderly international monetary system (McCann & McCloskey, 2003: 15).

McCloskey further stated that:

The combined efforts of these two institutions resulted in an insidious recolonisation process by economic means. IMF and the WB have orchestrated economic indebtedness throughout the Third World by facilitating a “bonanza” of irresponsible borrowing by developing countries (McCann & McCloskey, 2003:4).

Loans from these two institutions became conditional on the implementation of SAPs which extended their political and economic influence throughout the Third World in general, and particularly in those countries which were dependent primarily on IMF and World Bank finance for development. Another important financial institution is the Asian Development Bank which has an important influence through the provision of loans and grants for development projects in countries in the Pacific region. The term international financial institutions used throughout the thesis refer to these three institutions, International Monetary Fund, the World Bank and the Asian Development Bank. Where necessary or appropriate, particular institutions are specified.

Washington Consensus

This concept was used extensively by Government officials when they discussed and referred to structural adjustment policies. Kelsey, in describing it, states that:

In 1990, a United States academic John William set out the key elements of the Structural Adjustment Programmes which were referred or known as the “Washington Consensus” (Kelsey, 1995:18).

Kelsey elaborated that:

...these are fiscal discipline, public expenditure priorities, tax reform, deregulation, foreign direct investment, financial liberalisations, exchange rates, trade liberalisation, privatisation and property rights (Kelsey, 1995:18).

The title “Washington Consensus” reflects its origins in the IMF, World Bank and the United States Treasury, all of which have headquarters in Washington DC. Stiglitz, whose work on structural adjustment is seminal because of his intellectual role in the formulation and implementation of the policy and in its critique, succinctly stated the following about the Washington Consensus:

...this policy has all too often been to benefit the few at the expense of the many, the well-off at the expense of the poor. In many cases, commercial interests and values have superseded concern for the environment, democracy, human rights, and social justice (Stiglitz, 2003a).

These neo-liberal policies were agreed upon and framed by a group of international bureaucrats and technocrats who were based in Washington DC and were to be applied across the board to developing and developed countries.

Neo-liberalism

Neo-liberalism is a widely used term for the theory which drives the perspective inherent in the structural adjustment programmes. It is a set of economic assumptions which has competition as its core doctrine. Proponents of this perspective see human beings as existing only to work and to respond to the market forces. An explanation of this concept in the literature is provided by Elizabeth Martinez and Arnaldo Garcia in their book titled *Neo-liberalism, Origins, Theory and Definitions*. It stated that:

Neo-liberalism is a set of economic policies that have become widespread during the last 25 years or so. Although the word is rarely heard in the United States, you can clearly see the effects of neo-liberalism here as the rich grow richer and the poor grow poorer....Around the world, neo-liberalism has been imposed by powerful financial institutions like the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank....the capitalist crisis over the last 25 years, with its shrinking profit rates, inspired the corporate elite to revive economic liberalism. That's what makes it 'neo' or new (Martinez, 2004:12).

It is, therefore, not just to do with economic policies but it is also portrayed as a social and moral philosophy aptly described by Sassen as:

a philosophy in which the existence and operation of a market are valued in themselves, separately from any previous relationship with the production of goods and services, and without any attempt to justify them in terms of their effect on the production of goods and services; and where the operation of a market or market-like structure is seen as an ethic in itself, capable of acting as a guide for all human action, and substituting for all previously existing ethical beliefs (Sassen, 1996:36).

The institution of SAPs represented a neo-liberal programme designed to shape the economic policy of Third World Governments and which in the process, effectively limited their economic sovereignty.

Actors

The main actors in the institution of the SAPs are the international financial institutions, namely the WB, the IMF and the Asian Development Bank (ADB) which started to apply pressure on the governments of Third World countries including the Pacific countries, to introduce the reform programmes to service their foreign debts. Another important actor in the reform programmes is the World Trade Organization (WTO). According to McCloskey:

...the WB, IMF and the WTO make up a triumvirate of international financial institution (IFIs) that effectively control the policy agenda for global trade and economic development (McCann & McCloskey, 2003: 5).

The policy formulation and decision making processes of the WTO are effectively controlled by Canada, the European Union, Japan and the United States of America:

WTO was established in 1995 as a successor to the general agreements on tariffs and trade (GATT) with the aim of liberalising trade and reducing state protectionism of domestic markets (ibid: 2003:5).

The same authors further explain that the WTO's role of negotiating and implementing the rules of global trade provides it with enormous influence over the economic development of Third World countries. The lending policies of the WB and the IMF opened up the economies of Third World countries to inward investment from countries and corporations from the developed world, while the WTO has locked developing countries into unfair trade agreements that compounded their difficulties (ibid: 2003:6). Structural adjustment policies (SAPs) were designed to open markets and reduce the state's role in the economy SAPs became the only economic strategy acceptable to the US Treasury, the IFIs and other official lenders and donors. These actors and donors influenced the development agenda of the Pacific countries as well as Samoa.

The key actors in the Samoan case were the policy makers and the government of the day, in the late 1980s and 1990s. The Human rights Protection Party (HRPP) led by the Honourable Prime Minister, Tofilau Dr. Eti Alesana and the Minister of Finance, the Honourable Tuilaepa Sailele Malielegaoi were the main actors in negotiating a development plan for Samoa. The Prime Minister and Minister of Finance were advised by officials of the World Bank, the International Monetary Fund, the Asian Development Bank, the government of Australia and New Zealand and other international organisations and bilateral donors operating in Samoa and in the Pacific Region. As Slatter describes it:

Although economic restructuring is unquestionably externally driven, government policy makers in the Pacific Island states have also been swayed by the arguments of neoliberal policy advocates within the various agencies driving economic reform, into believing that economic restructuring will enable their small island economies to compete in a deregulated global economy, and to achieve much-coveted economic growth (Slatter, 2004:4).

The Pacific Island Countries were all influenced in one way or another to adopt the proposed agenda.

Claims

In recent years, neo-liberal economists (for example, Krueger, 2002; Bhagwati,1994; Greenaway & Panagariya 1998; Dollar & Kraay, 2002, 2004; Edwards, 1998; Henry, 2002; Hussain, 1996; Krueger, 1997; Krugman, 1994) have sought to establish the claim that economic liberalization promotes growth and reduces poverty in developing countries which adopt programmes and pursue them systematically. The argument goes that liberalization of markets promotes an enhancement in economic organization and management which, in turn, pushes forward economic growth and which ultimately improves human welfare. Any impetus to, and the achievement of, economic growth eventually reduces or alleviates poverty, improves the standard of living, closes the gap

between the rich and the poor, and brings about convergence between states through faster growth in the poorer countries. The best way to achieve economic growth, it is argued, is to abandon protectionist policies and seek rapid integration into the global capitalist economy. They further claim that liberalisation of capital accounts, trade and investment regimes and privatisation of national economies, will in the long run, attract more foreign direct and portfolio investment and thus create more employment opportunities for the poor.

Labour is the primary asset of the poor and the establishment of labour-intensive industries reduces unemployment, promotes higher standards of living conditions and thus breaks down the vicious circle of poverty. The neo-classical promoters argue that there is a declining incidence of poverty in East Asia and some Latin American countries, and further claim that the percentage of poor people under neo-liberal economic liberalisation is declining as a whole with a steady down turn on the world poverty curve (Krugman 1994; Hussain 1996; Berg & Krueger, 2002).

Contrary to the claims of the neo-liberals, several economists and social scientists (Greenway et al., 2000; Chen and Ravallion, 1997), have argued that the post-Cold War neo-liberal regime of liberalization fosters conditions which, instead of alleviating poverty, ensure its continued production in the developing countries by shrinking their prospects of economic growth. These critics further contend that the neo-liberal claim is an exaggeration of the benefits which global economic liberalization is supposed to sprinkle across the territories and peoples in the developing world. They further claim, that there are, indeed, hard economic data available that can rule out any benefits of economic liberalization, as far as poverty reduction is concerned.

In the decade of the 1990s, in particular, there has been a rise in the incidence of poverty in the developing world. Doyle (2000:81), for example, noted that the total number of the poor living below the "absolute poverty" line in 1992 was 1.4 billion; in 1977, the figure stood at 1 billion.

Chen and Ravallion (1997: 283-300) find no significant decrease in the number of the poor people in the 1980s and early 1990s. The World Bank (1998:2), the global institutional arm of neo-liberalism, also notes:

...an upward mobility in poverty incidence in the 1990s; especially by 1998, the total number of poor people rose to a figure as high as 1.3 billion who earned and consumed less than \$1 per day. This figure, judged by the criterion of \$2 a day, stood at 3 billion (World Bank, 2000: 2).

In another study, the World Bank mentions that:

...in spite of a decline in poverty in the developing countries from 28.3% in 1987 to 24% in 1998 based on US \$1/day, a significant number of 40 developing countries with 400 million people failed to register any increase in per capita income growth from 1970 to 2000 (World Bank, 2001: 3).

The World Bank study further notes that:

The absolute number of poor has continued to increase in all regions except East Asia and the Middle East. Overall, despite impressive growth performance in many large developing countries, absolute poverty worldwide is still increasing (World Bank, 2001: 3).

Programmes

The programmes that were instituted in Samoa targeted macroeconomic stabilization, reform of the economic system, the privatisation of Government owned enterprises and rationalisation of resources. In its first ever *Statement of Economic Strategy*, the Samoan Government promoted private sector development as “the engine of growth”(Treasury, 1996). The Government declared its commitment to reducing its involvement in public services in favour of contracting them out to the private sector. These statements employ

the terminologies and embody the programmes that originated in the Washington Consensus. State-owned enterprises were to be either privatised, or partly privatised, under this programme:

Deep cuts have been made to public expenditure, and a forceful start was made to reforming the fiscal system (Treasury Department, 1996: 3).

The IMF and the WB applied pressure on third world countries to pursue privatisation and those countries that pursued this policy were rewarded and given high marks which entitled them to continued access to support and funding from the organisations. It is not surprising to find that the Samoan Government has put in place a series of programmes to “pave the way for sustainable growth and stability”.

The Government of Samoa responded with the introduction of new legislation to facilitate the implementation of SAPs. The Samoan Government has also introduced planning processes over the last 10 years which were both embodied and reflected in documents known as the *Statement of Economic Strategy* (SES) to facilitate the smooth introduction of SAPs.

Thesis Structure

The thesis is organised in three parts. The first part is divided into two chapters. This chapter presents an overview of the Structural Adjustment Programmes’ (SAPs) arguments. Definitions and a discussion of concepts used in the thesis are followed by a brief outline of the arguments for the thesis. This is followed by a discussion of the various programmes implemented and an account of the claims that are made in the literature about the advantages and disadvantages of SAPs. Chapter one concludes with a section on thesis structure.

Chapter Two contains an outline of the anatomy of SAPs, which includes a full discussion of the rationales for SAPs in the 1980s, and the ideology which underpins the

SAPs. A discussion of neo-liberal economic approach which dominated the thinking behind the programmes is included with a general description of the main institutional 'actors' who promoted the programmes: the World Bank, the International Monetary Fund and, later, others. This chapter contains a discussion of the different programmes proposed by the institutions for the developing countries to implement, and the various macroeconomic and the microeconomic development benefits which were supposed to result from implementing these reforms. A critique of the development programmes is included as part of this chapter, as is a brief outline of the reform programmes which are now being proposed to replace SAPs. The chapter will conclude with a restatement of the problem, especially in relation to IMF, WB and United Nations Development Programme's claims of benefits at the micro-level are also discussed. The evidence for the claims is reviewed to establish whether these have been fully realized, partly realized or not realized and how various outcomes are to be explained.

Part Two starts with a review of the history of SAPs in the Pacific Region. It examines the events which led to the introduction of these programmes in the Pacific by the international financial institutions. The chapter discusses the programmes introduced in the Pacific and the different types that were claimed would improve the economies of the Pacific countries. A discussion of the various programmes implemented in the World Bank Pacific member countries like Fiji, Solomon Islands, Vanuatu, Tonga, Kiribati, Federated States of Micronesia and Samoa will be included.

Chapter Four focuses on the SAPs implemented in Samoa and discusses the programmes instituted in Samoa and the reasons why the Government promoted and then implemented them. The role of other donor agencies and donor countries in the process are discussed. The promised results of the SAPs, including both the improved macroeconomic performance and the improvement in the microeconomic situation and experience of the Samoan people, are outlined. This is followed by a discussion of governmental processes instituted and the legislation introduced to facilitate the introduction and implementation of SAPs.

Part Three begins with chapter five which focuses on the reform process in action. This part of the thesis contains an outline and discussion of the case study of the Public Works Department (PWD) which was the first of a number of Samoan Government operations to be privatised. The study focuses on the privatisation process and is constructed from accounts of the politicians who set the programme in motion, the bureaucrats who planned the process, the consultants who managed its implementation, and the employees of the Public Works Department who were affected in various ways by the privatisation process. It shows how their various social locations influenced their experiences and their views of the process. However, it concentrates on the experiences of those people most directly affected: that is the employees in the case study organisation. These include former employees' social, economic and business experiences of both the process itself and of their diverse experiences since privatisation. Their stories will provide evidence with which to test some of the claims made by the Government regarding the benefits of the restructuring programme. These claims are examined in relation to policies currently in place and their possible impacts in the future.

Chapter Six is entitled, "Contested Views of the Reform of the Public Works Department," and examines the sociology of power and the role of those who govern as opposed to the role of the governed. It discusses claims made by the Government for the privatisation of the PWD as well as its plan for the reformed department. The chapter also highlights the stories of the redundant employees as well as the accounts from all those involved in the process. The stories of all the participants interviewed were explored and recorded. The contested views reflected the different perspectives and expectations of those who were promoting the reforms, as well as the workers who became redundant, those who were assisted by the Government into business units, and those who remained with the restructured department.

Chapter Seven is entitled, 'Promises and Realities,' and discusses issues of the ways in which the power and interest of those involved in this reform programme influenced the ways in which they judged the programme's outcomes and shaped their perceptions of whether or not the programme was successful, and in what respects. It contains the

analysis of the promises made at various times under the different programmes and the realities of these claims.

The final chapter, Chapter Eight, is entitled; “Lessons from the Experience”. It draws together the pertinent issues from the findings in the study. It identifies and summarises the elements of the process which produced the most negative experiences in the PWD case, and suggests how these insights might be used to mitigate the negative social and economic consequences of both ongoing and pending structural reform programmes in Samoa. It acknowledges that while structural reform is bound to continue in Samoa, its negative effects can be mitigated if the factors which have been shown to produce them are managed, and the lessons from early experiences are incorporated into the planning of new programmes.

Chapter Two

Anatomy of Structural Adjustment Policies (SAPS)

Ideology

Structural adjustment policies (SAPs) were introduced and promoted in the 1980s by the major international financial institutions: the World Bank (WB) and the International Monetary Fund (IMF). SAPs are a set of neo-liberal policies introduced by IMF and the WB to make debt-strapped countries live within their means. These policies were also collectively known as the “Washington Consensus” which indicated their origins, in Washington DC, the headquarters of the two financial institutions which first conceived, and then incorporated, them as the bases of their lending philosophies and development policies. SAPs were based on a model of the market economy, or “market fundamentalism”, that reflected the neo-liberal ideology (Stiglitz, 2003a: 74). At the core of this model was a belief in ‘unfettered markets’.

These earliest explications of free market theories are often attributed to Adam Smith, the father of modern economics and a world-renowned economist, who argued in his classic 1776 treatise, *The Wealth of Nations*, that the market leads, as if by an invisible hand, to economic efficiency. Adam Smith’s invisible hand theory argues that market forces drive the economy to produce efficient outcomes (ibid: 2003a:12). However, Joseph E. Stiglitz, a former Chief Economist and senior Vice President of the World Bank, argued that Smith’s liberal ideas were not popular then and are not universally popular today. Stiglitz believed that governments have an important role to play in making markets work better,

especially, in limiting the impact of conflicts of interests that routinely appear in accounting, business and finance (Stiglitz, 2003b: 15). He regarded SAPs as neo-liberal policies based on a resuscitation of the laissez-faire policy ideas that were popular in some circles in the nineteenth century. He stated that:

...in the aftermath of the Great Depression and the recognition of other failings of the market system, from massive inequality to unliveable cities marred by pollution and decay, these free market policies have been widely rejected in the more advanced industrial countries, though within these countries there remains an active debate about the appropriate balance between Government and the markets (Stiglitz, 2003b: 74).

The revival of the ideology, according to Stiglitz, was due to the collapse of the state command economies of the Eastern Bloc in 1989 which created ideological space for “a new world order” founded on capitalism. The United States emerged as the only remaining superpower confident that its dominant neo-liberal economic development model could bring greater prosperity, security and equality worldwide (Stiglitz, 2003a: 74). Neo-liberal economic theory and philosophy dominated intellectual discourse during the 1980s and the 1990s, with its major promoters, the IMF and the WB, supported by certain key groups and institutions in the United States. Stiglitz’s argument about the important role that Government plays on making the market work better is supported by Heettje, a Professor of Economics at the University of Amsterdam, who argued that:

The state can be considered as a voluntary association of citizens of free will, or as a compulsory organisation, having for example, the power to tax. As a voluntary association the state reflects, in particular, the views, opinions, and preferences of the living generation with their rather restricted time horizon. Considered as a compulsory organisation, the state has the power to incorporate the interests of future generations into economic and social policy, even if their

interests are not incorporated in the preferences of the living generation (Heettje, 1989: 3).

The Government has compulsory powers that other organisations involved in economic activities do not have. The Government can use its powers to define and then proscribe activities for the “common good.” Governments must make an effort to persuade their citizens of the fairness of their policies (ibid: 23). However, the outcomes of neo-liberal policies, as promoted by and embodied in these structural adjustment programmes, were to be determined by the market forces so that the market alone determined who benefits and who loses.

McCann and McCloskey, both academics and political activists, described the sentiments put forward by the proponents of this ideology, who believed that the United States “had eclipsed the failed alternative path of socialism”, as arrogant (McCann & McCloskey, 2003: 2). The neo-liberal policies were founded on the belief that there was no need for the state or a government to govern or control the market, as free and unfettered liberal markets work perfectly. Moreover, active government intervention in a nation’s markets prevents them from operating at maximum efficiency and delivering optimal economic outcomes. McCann & McCloskey noted that:

Throughout the 1990s, neo-liberalism became an unchallenged article of faith proclaimed by many Western Governments and preached to the poor. This ideological dominance was manifested in a sharp swing to the right in political institutions across Europe and North America, and provided an ideological context for an accelerated form of globalisation which was promoted as the only legitimate pathway to development (McCann & McCloskey, 2003: 2).

In their book entitled, *From the Local to the Global*, they described the importance of understanding the causes of poverty, inequality and justice, as well as an awareness of issues surrounding globalisation in developing and developed countries. SAPs were

development strategies promoted as part of the globalisation process which promised, increased national wealth and prosperity to countries that adopted them. Structural adjustment programmes took different forms in different places. Macpherson, a professor of sociology, at Massey University, New Zealand in referring to SAPs stated that:

Despite the impression of unanimity conveyed by the label, there is not, in fact, a single set of policy prescriptions which can be referred to as a structural adjustment or a structural reform programme. There are rather a series of elements, derived from neoclassical economic theory, which are combined in various “mixes” by different sponsoring nations and agencies in particular settings (Macpherson, 2000: 3).

The interesting point about SAPs, according to Macpherson, was that:

The combinations reflect the donors’ and sponsors’ evaluations of the various nations’ circumstances and the characteristics of their economies. On the bases of such evaluations, different elements are, however, relatively standard, as is the theory from which they are derived and the language in which they are couched. The World Bank was arguably the earliest of the multilateral agencies promoting these programmes in the developing world, but the analysis soon found its way into other agencies’ analyses, policy prescriptions and development programmes (Macpherson, 2000: 3).

The development agenda was prescribed and promoted by the international financial institutions, which were flush with petrodollars, which they needed to recycle. The countries of the South borrowed heavily from these institutions, according to Stiglitz:

... not, because they needed to attract more funds but because of international pressure, including some from the United States’ Treasury Department. These changes provoked a flood of short term capital, that is, the kind of capital that looks for the highest return in the next day, week or month, as opposed to long

term investment in things like factories. Just as suddenly as capital flowed in, it flowed out and, when everybody tries to pull their money out at the same time, it causes an economic problem (Stiglitz, 2000: 1).

The developing countries borrowed heavily from banks in the north and when the interest rates on their loans skyrocketed, and the terms of trade shifted against their exports of primary commodities, it led to an explosion of debt service charges and of accumulated debt. Repayment became a major problem for most of these countries, and some were faced with a debt crisis. When they sought further assistance in the form of loans from the IFIs to service these charges, to avert economic failure, they found themselves confronted with new and more stringent conditions on their borrowing. These programmes became known as Structural Adjustment Programmes or SAPs. SAPs were an imposed regime and the countries of the South were forced to accept the conditions imposed in order to secure funds to repay the existing loans and to secure new ones. The conditions IMF imposed on debt-ridden countries gave them the opportunity to play a controlling role in the restructuring process. Many governments particularly countries of “Latin America, took on the added responsibility of repaying not only their own debts but also those of private companies, including loans they did not guarantee” (SAPRIN, 2004:1). The IMF, under the guise of stabilizing the balance of payments situation in a country, got engaged in the ‘financial programming’ of an applicant country’s monetary, fiscal and other economic policies under the general term ‘conditionality’ and employing its powers of surveillance over the member countries. Cheryl Payer (1974) outlined a model of the standard IMF stabilization programme of the time as:

1. Abolition or liberalization of foreign exchange and import controls.
2. Exchange rate devaluation
3. anti-inflationary domestic programmes, including:
 - (a) control of bank credit and higher interest rates;
 - (b) lower state budget deficits through curbs on government spending, increases in taxes, abolition of government subsidies;
 - (c) controls on wage increases; and

- (d) dismantling price controls; and
- 4. greater hospitality for foreign private investment (Payer, 1974:33).

Through these measures the IMF assumed greater powers of control over the longer term structural adjustment policies than short term stabilization policies they had before.

The structural adjustment programmes, and the ideology which underlay them, were not without critics. An important group of people, known as Structural Adjustment Participatory Review International Network (SAPRIN) came together for the purpose of investigating the impacts that SAPs were having on developing countries. SAPRIN was a network of civil society and World Bank economists, professionals and academics, and was a response to the growing unrest created by SAPs in both developed and developing countries. Its members collected and collated data in country reports to record and interpret the knowledge and experiences of civil society regarding the impact of structural adjustment policies on people's lives. The study entitled *SAPRIN* reached a number of conclusions on the effects of SAPs. In their joint report SAPs were described as:

...policies designed by the International Monetary Fund (IMF) and the World Bank (WB) to generate savings and foreign exchange with which to bring indebted countries' internal and external accounts into balance and facilitate the repayment of their foreign creditors (SAPRIN, 2004: 2).

These "neo-liberal" policies or the "Washington Consensus policies" represented a neo-liberal reform programme designed to dictate economic policy to third world Governments. These programmes were supported and welcomed by key United States institutions such as the United States Treasury which has close links with both the World Bank and International Monetary Fund.

According to Stiglitz (2003a), in order for the neo-liberal programme to work in developing countries, there were certain conditions that had to be in place before SAPs had a chance of success. The local market system required established property rights and

the courts to enforce them. The countries involved required a system of information coupled with well functioning competitive markets. The ideology underlying SAPs holds that an efficient market economy requires all the elements mentioned above to be well established. However, these conditions were not present in most of the developing countries that participated, either voluntarily or involuntarily, in the structural adjustment policy programme (ibid: 2003:74). There was, typically, a significant dislocation between what was required or expected and the way in which the societies and the economies concerned operated. These countries' dependence on the IFIs for funding to support their development programmes provided the opportunity for the IFIs to ensure that the preconditions for effective and efficient markets' were put in place by the Governments themselves. Structural adjustment policy reforms were effectively dictated by the financial institutions and implemented by Governments in those countries in return for financial loans that they could barely afford to service.

Therefore the 1980s was a decade of adjustment for much of the Third World countries. These included Africa and Latin America, and quite a number of other countries elsewhere in the developing world. The decade was also one of rising poverty especially in Africa and Latin America (Stewart, 1995: 69).

During the 1980s, free market ideology was preached in the United States under President Ronald Reagan and in the United Kingdom under Prime Minister Margaret Thatcher. The IMF and the WB became the new "missionary institutions" through which these ideas were pushed on the reluctant poor countries that often badly needed their loans and grants.

Composition of the Global Economy

The structural adjustment programmes were fundamental to the composition and operation of the global capitalist economy. The structural composition of the global economy was described by Mohammed Nuruzzaman, an academic and economist from Bangladesh, as being reliant on three main pillars. He described them as:

Firstly, global institutional arrangements built around the World Trade Organization (WTO), the International Monetary Fund (IMF) and the World Bank. Secondly, the massive capital accumulation drive by international capital under the leadership of transnational corporations (TNCs) which are often characterized as, "footloose" global economic actors. And thirdly, the unequal participation of Southern developing countries, who may better be labelled as "junior partners," in the global capitalist order that breeds and consolidates structural imbalances between the industrial North and the undeveloped South (Nuruzzaman, March 2005: 19).

The effect is that global financial institutions, the World Bank, the International Monetary Fund and the transnational corporations, underwrite the basic rules and regulations of economic, monetary and trade relations between states. The structural adjustment programmes (SAPs) engineered and implemented by the World Bank and the IMF are a key mechanism in this drive for capital accumulation.

The importance of capital accumulation was established in 1944 with the formation of the Bretton Woods institutions. The Bretton Woods institutions were formed to "support post war rehabilitation and promote international trade," but assumed greater salience in the post-cold war world in enforcing the rules and regulations of economic relations in unequivocal neo-liberal terms. The original Bretton Woods agreement included plans for an International Trade Organisation (ITO) but this idea lay dormant until the World Trade Organisation (WTO) was created in the 1990s (www.brettonwoodsproject.com). The World Trade Organisation (WTO) is the third key agent which, together with the World Bank and the IMF, makes up a triumvirate of international financial institutions (IFIs) that effectively control the policy agenda for global trade and economic development.

The key ideological thrust has been on reducing the role of the state, while allowing the market to shape the development process. Stiglitz noted that SAPs did not just happen but:

...the disintegration of the former Soviet Union in the early 1990s largely set the stage for an ideological upsurge of neo-liberalism that has gradually brought almost all states within its operational fold (Stiglitz, 2003b:xii).

SAPs determined the pattern of interaction between participating actors and also specified the role each actor might play within its broad parameters. Since the economically more advanced states of the north dominated and controlled the global economic and financial institutions, the rules and regulations crafted by these institutions consolidated and advanced the interests of these countries more than those of the developing countries. Removing and limiting the role of Government in the market systems, opened up national economies to global market forces, signifying the 'end of geography' and symbolising the reach of globalisation with far reaching implications for regional, national and local economies. The adjustment policies were framed by neo-liberalism. This point was further elaborated by Macpherson:

The proponents of this ideology designed a number of models for economic growth which embodied these ideas into their policy prescriptions and translated them into development programmes which have been peddled throughout the developing world as an example of a successful model. The latest of these neo-liberal models was the implementation of structural adjustment policies (Macpherson, 2000: 2).

Structural adjustment was the order of the day after the 1980s, and institutions like the Organization for Economic Cooperation and Development (OECD), International Monetary Fund (IMF), World Bank and the international credit rating agencies encouraged a range of developing countries to implement the "free market model" economies, that were, supposedly, exemplified by the Governments of the United States, United Kingdom and Germany. This approach to economic development views

Government intervention in the economy as causing “distortion, inefficiency and corruption” (Stiglitz, 1989: 173). According to Stiglitz, it also represents a “break with the post-Second World War development model” which had recommended state intervention in markets to rectify the failures of the private sector in promoting economic development. This idea was also reiterated and discussed in the work of Meier and Stiglitz, world experts in development economics, in their book entitled *Frontiers of Development Economics* 2001.

This economic model and its implicit world view provided the base for the adjustment programmes which came to include measures of:

...trade liberalisation, investment deregulation; privatisation of public utilities, marketing boards and other state enterprises; reform of the agricultural sector, the labour market and pensions; and the liberalisation of almost all domestic markets (SAPRIN, 2004: 2).

SAPRIN (2004) further argued that the “stabilization measures” designed by the IMF imposed strict fiscal and monetary discipline on countries, which were indebted, as a result of the debt crises in the 1970s. This had increased their vulnerability as a condition for receiving short term balance of payment credits.

The policies were intended to generate savings and foreign exchange with which to bring countries’ internal and external accounts in to balance and facilitate the repayment of their foreign creditors. SAPRIN further argued that:

...when food, fuel and transport costs soared with the removal of government subsidies, and street riots and protests consequently erupted in a number of countries, the World Bank stepped in with funds that were conditioned on longer-term, structural and institutional changes that had less immediate impact than the austerity measures required by the fund. These structural and subsequently,

sectoral adjustment policies were designed to open markets and reduce the role of the state in the economy (SAPRIN, 2004: 2).

In most cases, the developing countries had no real choices in the development agenda. In their quest for funds to meet national obligations, they were effectively coerced into agreements drawn up by the financial institutions which included acceptance of structural adjustment policies in return for borrowing privileges. These privileges caused imbalances in their national accounts leading to acute foreign exchange crisis that emerged, and which forced the countries into accepting, adjustment loans. Neo-liberal economic theory and philosophy dominated intellectual discourse, with its major influence coming from the United States. However, Macpherson (2000) pointed out earlier that SAPs were not uniformly applied and the various agreements “negotiated” depended on how each country was seen by the framers of the programmes. Countries were treated differently according to their particular economic settings and prospects.

The IMF and the WB put pressure on developing countries to liberalize their capital markets. This resulted in the destruction of existing jobs as inefficient industries closed down under pressure from international competition. This was not initially considered a significant problem because, it was argued, the old jobs would be replaced by new ones generated by a revitalized, and more efficient, economy. However, this reasoning made several assumptions about the ability of small economies to respond to these new “opportunities”. This paradox was identified by Stiglitz when he stated that:

IMF ideology holds that new more productive jobs will be created as the old, inefficient jobs that have been created behind protectionist walls are eliminated. It takes capital and entrepreneurship to create new jobs and firms, and in developing countries there is often a shortage of the former, due to lack of education, and of the latter, due to the lack of bank financing (Stiglitz, 2003a: 11).

In other words, it was up to those donors and sponsors to determine the guidelines for a country’s evaluation and they also decided the key elements. According to Macpherson:

The combinations reflect the donors' and sponsors' evaluations of the various nations' circumstances and the characteristics of their economies. On the bases of such evaluations, different elements may be assigned different weightings in various places. The central elements are, however, relatively standard, as is the theory from which they are derived and the language in which they are couched. The World Bank was arguably the earliest of the multilateral agencies promoting these programmes in the developing world, but the analysis soon found its way into other agencies' analyses, policy prescriptions and development programmes (Macpherson, 2000: 3).

Structural adjustment programmes also contained elements which were designed to improve a country's foreign trade and investment climate by eliminating trade barriers and investment regulations, to boost foreign exchange earnings by removing impediments to entrepreneurial, private sector activity which could generate new exports and to reduce Government deficits through cuts in spending. However, in most developing countries implementation of SAPs caused short and medium term financial instability which undermined economic growth in various ways.

Furthermore the cost of instability was disproportionately borne by the poor who were supposed to benefit from the new more efficient economies. According to Stiglitz, (2003a), the poor lost agricultural subsidies which helped them shoulder some of this burden. The compulsory nature of the policies also made it difficult for the countries to refuse if they wished to continue receiving World Bank assistance. For the international financial institutions the main promoters of the structural adjustment programmes (ibid:12) the attraction of this policy was that it would make countries economically viable and they would be able to repay their debts and to incur new ones (Somers, 2004: 145).

However, in the Pacific region, other donors like the United Nations Development Programme (UNDP), as well as Australian and New Zealand aid agencies all followed

suit in applying and supporting the World Bank and IMF agenda and applied similar criteria for their own aid programmes. The Pacific member countries were hard-pressed to accept the terms offered by the donor communities in order to secure the financial assistance they required for development purposes.

Programmes

Economists at the IMF and the WB designed a development model based on “structural adjustment”. The model sought to have all the countries in the programme place structural adjustment programmes at the heart of their debt management plans. They believed that this would make countries economically viable and allow them to repay their debts to international banks and agencies. Somers, a development expert and activist, expanded on this by arguing that:

Although the term “adjustment” suggests minor technical changes, it in fact represented an ideological battering ram aimed at economic revolution and typically involved two phases, stabilisation and adjustment. The former aimed to stabilise the macro economy by reducing inflation and cutting balance of payments deficits. The latter aimed to restructure the economy to allow a greater role for the private sector in resource allocation and production, and to roll back the role of the state in the economy (Somers, 2003: 145).

To add to Somers’ comments, the policies also promoted foreign trade as a key to economic development. According to Somers, a typical adjustment programme contained the following policies:

Remove price control, restrain wages, cut public expenditure, privatise state enterprises and marketing boards, eliminate trade barriers, promote exports and encourage foreign investment (Somers, 2003: 146).

The programs typically comprised similar key elements notably macroeconomic management and fiscal reforms. George Abed, a senior director of the IMF, stated that these key elements were what the World Bank and IMF believed would lead to:

...macroeconomic stabilisation and structural reform of economic systems and institutions do complement each other and that both are needed for sound economic growth (Abed, 1998: 2).

He elaborated further by arguing that sound fiscal policies work against inflation which is important given the relatively limited financial intermediation in most developing countries (ibid: 1998:2). Liberalisation programmes were those set to remove government interference in financial markets, capital markets, and barriers to trade. Stiglitz however, argued that:

...this program, especially the liberalizing of capital and financial markets contributed to the financial crisis of the 1990s and can wreak havoc on a small emerging country (Stiglitz, 2003a).

Different countries were affected in different ways according to their particular mix of policies and local circumstances. The African and Latin American countries were forced to shift from growing diverse food crops for domestic consumption to specializing in the production of cash crops or other commodities (like cotton, coffee, copper etc) for export. Farmers complained because the abolishing of food and agricultural subsidies in order to reduce government expenditures meant that they could not compete in the market.

McCann and McCloskey (2003) identified other activities carried out by countries under the SAPs programmes including: cuts to social programmes, usually in the areas of health, education and housing, coupled with significant layoffs in the civil service as part of public sector reform.

Currency devaluation measures which increase import costs while reducing the value of domestically produced goods were introduced. The liberalization of trade and investment and high interest rates to attract foreign investment were meant to earn more foreign reserves but typically provided unequal competition with the local businesses and forced many small businesses into bankruptcy.

Structural adjustment programmes also promoted the privatisation of Government-held enterprises. Government operations and assets were to be sold off to private companies, which would operate them more efficiently, and more profitably, because they would operate them on the basis of market signals and returns. These privatisations created job losses and insecurity among Government employees. These policies resulted in the destruction of jobs as inefficient industries were downsized by new private sector owners seeking to reduce labour costs, or closed down under pressure from international competition from lower-cost producers. This was, however, considered to be only a temporary problem because IMF ideology held that new more productive and more sustainable jobs would be created to replace those that had been subsidised by protectionism. This was not always the case as discussed previously.

Meggison, an economist and Netter, a social policy analyst, conducted a study on the “lessons” of privatisation research. They reported several findings which add to an understanding of these programmes. They found that, “the privatisation programmes of the last twenty years have significantly reduced the role of state – owned enterprises in the economic life of most countries”. They further added that “most of this reduction has happened in developing countries only during the 1990” and that the “State Owned Enterprise (SOE) share of “global GDP” has declined from more than 10 percent in 1979 to less than 6% today” (Meggison and Netter, 2001:380). Another important finding listed in the study which is worth mentioning here is that “Governments use three basic techniques to privatise their SOEs: share issue privatisations (SIPs), asset sales, and voucher or mass privatisations” (Ibid, 2001:380). There is great variation within the techniques used because privatisation itself is a complex process involving a host of political and economic factors. However, they reported that “voucher privatisation are the

least economically productive technique used, but those governments that use it generally have few other realistic options” (Ibid, 2001:380). Privatising state owned enterprises is a very important element of the SAPs agenda.

The World Bank and the International Monetary Fund believed that structural adjustment programmes were and are necessary to bring a developing country from crisis to economic recovery and growth. However, not all the countries that implemented the programmes were in crisis. According to Stiglitz (2003a), some countries’ economies were robust at the time that SAPs were introduced, but they were advised by the IMF and the WB to restructure according to their terms. In these cases, structural adjustment programmes were designed primarily to produce conditions, which would attract foreign investment. It reflected the WB and IMF’s conviction that economic growth was driven by private sector foreign investment and was seen as the key to economic growth and social development. This belief was in line with the neo-liberal thinking that the resulting national wealth would eventually “trickle down” throughout the economy.

The achievement of social well being was not an integral component of structural adjustment programmes, but rather a hoped for result by applying free market principles to the economy. The process of adjustment was described by many World Bank and IMF officials as one of ‘present pain for future hope’ for developing countries. These bank officials really believe that if a country undergoes stringent measures now they will benefit in the longer term: the logic of their theoretical model made this conclusion inevitable. However, this was not always the result discussed by those who do not support these programmes.

Critique

A number of critics (Garcia, 2002; Greenaway, 2004; Kelsey, 1995; Kiely, 2004; Macpherson, 2000; McCann & McCloskey, 2003; Reese & Fasenfest et al., 2004; SAPRIN, 2004; Stiglitz, 2003a; & 2003b; and Weber, 2004) representing a range of non-governmental organizations (NGOs), academics, social scientists, grass roots

development organizations, and development economists all argued that structural adjustment programmes imposed harsh economic measures which deepened poverty, undermined food security and self-reliance, and led to unsustainable resource exploitation, population displacement and dislocation. Of these critiques, the most important are, arguably, those of the economists who, as employees of the IFIs, designed, promoted and monitored the structural adjustment programmes. The critiques were founded on large, high quality data sets, and were often developed around their growing realization that the forecast results of the programmes were not being attained in practice, and that some were producing unanticipated and often contrary outcomes. Stiglitz stated that SAP policies designed to redistribute global wealth and to increase prosperity among the world's poorest citizens, had actually increased the gap between the rich and the poor in both local and global terms (Stiglitz, 2004: 15). Each of these issues is considered below.

SAPs and Poverty

SAPs impose harsh economic measures which have deepened, rather than alleviate poverty. Economic measures were imposed through capital-market liberalisation and trade liberalisation, which were an integral element of the structural adjustment packages. The IMF had put pressure on countries to liberalise their capital markets and to reduce trade protection, to remove obstacles to foreign direct investment and to reduce or remove tariffs and import licensing to ensure that the consumers had access to a wide range of goods and services in a competitive market. The presumption is that free markets had to be welfare-enhancing. Stiglitz has discussed the evidence by the World Bank research group which showed that such forms of liberalization did not necessarily produce the anticipated welfare enhancement and were systematically associated with social instability (Stiglitz, 2004:58). Furthermore:

When markets are imperfect, when information is limited, or markets incomplete, competitive market equilibria are not, in general, constrained Pareto efficient. In

the theory of the second best, the elimination of one imperfection (“liberalising capital markets”) may not lead to a welfare improvement, in the presence of other market imperfections (ibid, 2004: 61).

For example, neo-liberals justified the liberalisation of the trade on the premise that competition from imports leads to specialisation and the efficient allocation of resources while eliminating inefficient producers from the economy, thus removing the burden on society of sustaining such entities. Furthermore, they argued that trade liberalisation enhances the welfare of consumers and reduces poverty as consumers find opportunities to choose from a wide variety of quality goods and cheaper imports (SAPRIN, 2004: 36). Critics contend that the world trading environment was grossly uneven and has long been characterised by unequal exchange, transfer pricing practices, manipulation of prices by monopolies and imperfect competition among others. The SAPRIN report stated that:

Under such circumstance trade liberalisation, in the absence of policies and institutions to ensure equitable distribution, results in hardships and an increase in poverty (SAPRIN, 2004: 36).

SAPRIN reviewed seven sample countries which had implemented policies of trade liberalisation. They reported that despite the selected countries’ differences and diversities, a one-size-fits-all type of reform programme was implemented in all seven countries. None of the liberalisation programmes had any built-in provisions for compensation. In other words, they had neither safety-nets schemes nor support mechanisms for people who would potentially be affected by the reform-induced policy shocks (ibid: 48). Furthermore, trade liberalisation was accompanied by a proliferation of informal trade, as well as by an increase in illegal cross-boarder trade and resulted in the benefits of export growth going primarily to trans-national corporations at the cost of domestic producers (ibid: 48). SAPRIN summed it up by stating that:

Export growth following trade liberalisation was very narrowly based, resulting in trade and current account deficits and worsening debt (SAPRIN, 2004: 49).

The World Bank has also recognised that the recovery growth in the countries involved has been disappointing. The World Bank report stated:

Growth in the developing world has been disappointing, with the typical country registering negligible growth (World Bank, 2000: 64).

The debate on growth has now deepened to include concepts like “pro-poor growth”, that is growth which is substantially generated in the sectors where poor people are concentrated, which also challenges the IMF/WB “trickle down” theory of growth (Somers, 2004: 149).

Food Security and Self Reliance

SAPs typically affected national food security and self-reliance among different countries in different ways. One of the objectives of the reform programmes was to ensure food security. In this context, food security was understood to mean access to adequate and nutritious food by all people at all times. SAPs have been designed on the assumption that local supply is not important, as access to food could be obtained through the market. Structural adjustment programmes typically promote export-led economic development and the removal of trade barriers. In developing countries, this has resulted in the prioritisation of cash crops for export over subsistence (food) crops, and consequently, there have been negative effects on both food security and nutrition levels (Somers, 2004: 147).

Food and Agriculture Organisation of the United Nations (FAO), undertook some case studies in developing countries to ascertain the impacts of reform programmes on food security. Despite the prevalence of reform packages in developing countries over the last two decades, relatively little has been done to try to identify the consequences for food security and in particular, the factors that may influence those consequences. Existing reviews of experience point out many uncertainties, “while there is fairly convincing

cross-country evidence that exports are associated with growth, the evidence that liberalization increases growth is much weaker” (FAO, 2003:47). The same volume also argues that in Africa “substantial controversy remains over the effects of agricultural market reform” (2003:182). It attributes the mixed nature of the results to the fact that reforms often have been implemented only partially and inconsistently.

The FAO publication *Trade Reforms and Food Security, Conceptualizing the Linkages* (2003) identified other changes that influence household incomes, especially the incomes of poorer groups in the population and their ability to access adequate food. The report further stated that “in all the countries for which case studies have been presented, there has been a variety of macroeconomic and sectoral reforms that in some cases stretch back over more than a decade. Trade policy reforms have usually been only a part of this reform process, and in some cases have been introduced piecemeal alongside other shifts in policy (FAO, 2003:57). In this context it is difficult, if not impossible, to disentangle the effects on food security of one element of policy reform from the effects of others. What the studies do demonstrate is the changing nature of food security against an ongoing process of policy change. The report further argues that “in general the direction of these changes is the same for all: towards greater openness and competition in national markets with respect to both internal trade and international trade. But the institutional and infrastructural environments in which these reforms have taken place are widely different, as are the pace and sequence with which reforms have been introduced” (FAO, 2003:59). The extent to which individual policy shifts can be associated directly with specific food security outcomes is limited. The case studies have highlighted the complex and individual nature of the reform process.

Thomas and Morrison (2006), who wrote the results of the Food Security Case Studies for the Food and Agriculture Organisation (FAO) stated that:

In all the countries that they studied all have shown that there have been poor coordination and sequencing of policies, with the impact worsened by unstable world market prices. At the beginning of the reform process, the Governments did

not appear committed to implementation of the new measures. With declines in food security, the poor have tried to cope by borrowing, begging or relying on relief food, but these are not sustainable ways of solving food insecurity. The country study suggests that increased domestic support measures are needed to allow the agricultural sector to develop within the framework of the WTO agreement on agriculture (Thomas and Morrison, 2006: 86).

The policy lessons that the authors of the study showed, particularly for countries in the earlier levels of development, that “trade reforms can be damaging to food security in the short to medium term if they are introduced without a policy package designed to offset the negative effects of liberalisation” (Ibid:87). However, the authors elaborated that “where reform packages are carefully designed and implemented to ensure that positive results are generated for the poor, in the short and medium run as well as the long run, reforms can be conducive to poverty reduction and improved food security” (Ibid:87).

Prioritising of cash crops for export market by farmers, is not conducive to poverty reduction and improved food security for those people and countries involved. An example of this contradictory outcome of prioritising cash crops can be illustrated by evidence from Kenya, where family incomes increased through greater export revenues, but women and children’s nutritional status declined because fewer subsistence foods were produced (Somers, 2004:149). SAPRIN also found that the agricultural reforms have increased inequalities in countries like Bangladesh, Uganda, the Philippines and Mexico. Export promotion, import liberalisation and the withdrawal of Government support in the agriculture sector have served to reinforce differential access to resources for production:

Where exports have expanded and earnings increased despite being subject to world price fluctuations, much of the economic benefit has accrued only to large scale producers, as small farmers have lacked equal opportunities to enter and gain within a liberalised market. Constraints such as lack of rural infrastructure, particularly in more remote areas where poor are concentrated, were inadequately

addressed in the reform process. In addition, the concentration of land use for large-scale production of export crops has replaced cultivation of food crops for local consumption and has tended to push small farmers to overexploit marginal-quality land (SAPRIN, 2004: 150).

In the light of the level of vulnerability of the rural poor and the decline in the income levels of farmers, agricultural reform policies should have been oriented to address both local food production as well as access to adequate, quality food by all population groups. Food security and self reliance for the local people remains threatened under SAPs.

Unsustainable Resource Exploitation

While SAPs were supposed to attract the private funds to exploit natural resources, and to increase the wealth available to nations, critics contend that they have in fact led to unsustainable resource exploitation. SAPs required increases in exports to generate foreign exchange in order to service national debt. In most developing countries, the most important exports include primary products and minerals. Stewart (1995) has argued that the acceleration of resource extraction and commodity production resulted in environmental degradation as countries increased exports of primary resources. This resulted in ecologically unsustainable harvests and increased production which created other problems such as:

Deforestation, land degradation, desertification, soil erosion, desalination, biodiversity loss, and increased production of greenhouse gases, as well as increase levels of air and water pollution. These long-term environmental impacts can be an aftermath of the imposition of SAPs (Stewart, 1995: 50).

Other environmental impacts of the programmes can come indirectly through the reduced role of the Government in the control and management of natural resources that have

been given over to the private sector. Under these regimes, the interest of the markets, rather than the cultural and social values of the community, will be served first. This is especially true of mining and logging. In the Philippines, intensive shrimp farms were encouraged to meet market demands and a study conducted to monitor the negative impacts found that:

....mangroves were destroyed through their conversion into shrimp ponds and the pollution of the water systems through the use of chemicals, pesticides, and antibiotics as well as the accumulation and discharge of untreated residues such as prawn waste and uneaten food (SAPRIN, 2004).

The environment has been a secondary consideration to matters of economic growth and the liberalisation of the global market in commodities. Developed countries have largely prioritised the values of neo-liberalism over sustainable lifestyles and eco-friendly means of production. Protecting the environment has long been the primary concern of non governmental organisations and environmentalists rather than the state agencies or the markets.

In this policy context, the environment has been systematically marginalised within the process of development. In 1987, the environment first entered the development debate when the World Commission on Environment and Development led by the Bruntland Commission presented its landmark report, "*Our Common Future*", to the United Nations General Assembly. The Bruntland Report, as it is now known, offered the first definition of sustainable development by suggesting that: "Development is sustainable when it meets the needs of the present generation without compromising the ability of future generations to meet their own needs" (Bruntland Commission, 1987: 218). There are several examples of development projects, promoted as part of SAPs throughout the developing countries that have impacted negatively on the environment (see for instance Malig, 2004; Ramos, 2000; Greenpeace and Friends of the Earth web sites at www.greenpeace.org; Shiva, 1993). Malig, an environmental economist, argues that:

The problems created by SAPs have been exacerbated by a drive towards recklessly exploiting natural resources to fuel trade in commodities. This has resulted in a severely ravaged environment. Despite all the laudable rhetoric on sustainable development and equitable growth on the world stage, development still adheres to three basic principles of the free market formula: liberalising, privatising and deregulating. These principles have underpinned the agenda of the IMF in its dealings with debtor countries, regardless of social, economic, political or environmental conditions. The IMF's adjustment programs have a "one-size-fits-all" ideology which means that the same neo-liberal economic approach underpins its dealings with all the developing countries irrespective of their stage of economic development or the extent to which they have stripped away their natural resources (Malig, 2004: 222).

SAPs which were designed to lift countries out of poverty have instead institutionalised and exacerbated poverty and economic stagnation in the Third World, with the environment being a major casualty.

Gender Issues

Gender issues had been relatively absent from development debates until Esther Boserup, an economist and campaigner for the rights of women, in her ground breaking book called *Women's Role in Economic Development*, published in 1970, outlined the negative impact that colonialism had on women in developing societies, including the allocation of gender roles based on farming and trading premised on the mistaken belief that farmers and traders were men. Yet, despite extensive research on the gendered nature of division of labour in developing countries and of the consequences of transforming the organization of production, SAPs take little account of gender issues.

According to Somers (2004: 147), prioritization of cash crops for export can also result in a redistribution of income within households from women to men. Where men generally take responsibility for cash crops while women grow food crops to feed the household,

women effectively subsidise export production but do not control or derive direct benefit from it. Consequently, the women's share of the family income is reduced, causing them to become more dependent than before and reducing their economic significance and influence over family decisions.

The macro thinking behind the structural adjustment programmes takes little account of gender issues and the gender-based division of labour. Cutbacks to public services result in a greater workload for women as they struggle to pay the extra fees to secure health care and education for their families. The cutbacks often place these services out of reach for the many women and marginalised groups of people:

Relative access to and control of resources (such as land and credit) by women and the position of women in most cultures were affected in varying degrees under SAPs (SAPRIN, 2004b: 66).

Some women from certain developing countries lost their economic power over the use of the land as it was prioritised for the men's work. The SAPRIN report noted for instance:

...that in Zimbabwe land ownership is vested in the heads of families who are usually men and women headed households have difficulty acquiring land as land serves as collateral for access to agricultural credit, women have very little access to bank loans (SAPRIN, 2004: 67)

Overall, as a result of trade liberalisation, the women have been the main victims of retrenchment in the formal sector and, as a result, have been forced to stay home or to become engaged in formal businesses in which incomes and other benefits were at a minimum (SAPRIN, 2004:67). Men also suffer from retrenchment in the formal sector as a result of government department cutbacks. Basically the design of SAPs did not take into consideration the existing gender-based division of labour, relative access to resources by women, and the position of women in different cultures. More recent work

on gender issues, which includes debates on the roles of men and women and their relationship to the economy and development, have come from Leonard, 2004; Scott, 1995; Sen, 1994; United Nations, Department of Economic and Social Affairs, 2000; and Leonard, 2001. These works have shown how the economic transformations that have accompanied structural reform programmes have further marginalised women and have deprived them of power which they may have formerly held.

The Gap Between Rich and Poor Countries

SAPs were supposed to produce more efficient economies and to increase the productivity and prosperity of developing countries. There was considerable economic potential locked up in arrangements which were created and maintained for political purposes, and if this was harnessed, it was argued, significant growth and, ultimately, a reduction in the size of the gap between the wealth and earnings of rich and poor nations respectively was possible. The critics of SAPs have argued that the programmes have in fact increased the gap between the rich and the poor countries. SAPs were criticised for widening the gap between rich and poor countries. Stiglitz argued that:

The programs over-emphasised the restoration of the balance of payments instead of adopting a more equitable approach to resolving the debt crisis. They undermined the state's sovereignty and limited its role for socio-economic intervention through a fixation on deregulation, privatisation and dismantling of the state in the name of "free markets" (Stiglitz, 2004a: 60).

In other words, these programmes exacerbate the disparities between rich and poor within developing states by facilitating income concentration amongst the wealthy and by excluding the poor from decisions and the control over resources:

SAP measures are often imposed by non-democratically elected bank officials who undermine democracies and democratic process and often conflict with the public will. The programs lack transparency, accountability and public participation in its design and implementation (McCloskey, 2003: 233).

The literature has pointed out that SAPs hurt the poor countries disproportionately through cutbacks in social programmes. These include the withdrawal of subsidised services and introduction of 'user pays' charges, privatisation of government operations with consequential massive layoffs of lowly paid labour, and budget reduction of social services which have been proven to have led to malnutrition, school and hospital closure, as well as recurrence of previously eradicated diseases and deepening poverty in most of these developing but poor countries (ibid: 233). SAPs undermined national food security in a number of states through an over reliance on investment that is short term, concentrating on the export sector. This makes many basic necessities inaccessible to local people as currency devaluations reduce the buying power of local wages. In Africa:

Women's groups, trade unions, urban waged workers from all walks of life and non-governmental organizations critique the programs and challenge the basis and the assumptions underlying the design of the programs and an assumption that a uniform set of principles can yield successful policies for all countries irrespective of their differences. "It is also too narrow and relies mainly on fiscal and monetary instruments and has little relevance to long term development goals (Tsikata, 2004: 20).

The overall 'reform' programme under SAPs has been a disappointment to some groups and blamed for increasing vulnerability among poor nations and marginalised groups that the World Bank and IMF needed to launch a new initiative, to address the rising levels of poverty as well as the level of dissatisfaction even among developed countries, regarding these programmes. According to SAPRIN:

... the so called trade off—short term pain for long term gain- has little basis in empirical fact (SAPRIN, 2004: 5).

Several studies have tried to show a systematic relationship between globalization and growth and between growth and poverty reduction. According to Stiglitz;

The message of these studies is clear: open your economy, liberalize, and you will grow, and as you grow, poverty will be reduced (Stiglitz, 2003a: 73).

And:

Growth sometimes helps poor people but sometimes it does not. Poverty increased in Latin America in the 1990s and even in many countries where there was growth (Stiglitz, 2003a: 82).

Stiglitz argues that the studies that were done to support the SAP programmes had technical problems as they were asking the wrong questions. Stiglitz (2003a) maintains that:

There is no theory or evidence which supports the view that opening markets to short term, speculative capital flows increases economic growth. But there is considerable evidence and theory that it increases economic instability and that economic instability contributes to insecurity and poverty (J. E. Stiglitz, 2003a: 50).

In responding to these criticisms, the United Nations has come up with a set of goals known as the Millennium Development Goals (MDGs) as an initiative to address the poverty issues. These goals, which reflect a continued commitment to the key elements of the earlier structural reform programmes, were formalized from the Millennium Declaration, which was part of the United Nations General Assembly Agenda:

The UNDP acknowledges the failed development agendas of the 1990s, but the report still acknowledges the need for economic reforms through macroeconomic stability, the need for strong institutions and governance to enforce the rule of law and control corruption, and the need to promote social justice and involving people in decisions that affect them and their communities and countries (UNDP, 2003: 50).

In a similar move, and in response to international pressure, the World Bank and the IMF have changed their strategies and have, in 2001, introduced a new set of programmes known as the Poverty Reduction Strategic Programmes (PRSP) to reduce poverty. These programmes were initiated by the financial institutions to replace the by now notorious and largely discredited SAPs. The WB and IMF are now claiming that PRSP will promote growth and reduce poverty, as well as the associated external financing needs of a country's macroeconomic, structural, social policies and programmes. Yet the poverty that existed was the result of SAPs that these two institutions were responsible for in the first place.

International agencies such as the United Nations Development Program, have reformulated the entire language of development within a "rights-based" perspective concentrating on human development as defined in much earlier documents on development (UNDP, 1990: 60). Development has accordingly been partially redefined away from traditional notions of raising per capita incomes, towards the idea of extending multiple democratic, human and social rights to populations.

Within this context, a literature has emerged that is dedicated to identifying how both the intended beneficiaries and key stakeholders of development processes can participate in the appraisal and implementation of projects and programmes (Pimbert & Wakefield, 2001; Thompson et al., 2000; Van Genugten and Perez-Bustillo, 2001; World Bank, 1996). The UNDP, as a key development agency, has reformulated the perspective of

development, taking into account the views of stakeholders, in planning their human development needs:

... issues of participation and democratic governance and their relationship to development outcomes have recently become a major and renewed focus of debate and discussion (Reid, 2005: 29).

In other words, there has been a return to the themes of poverty reduction and the need to concentrate development policy on improving the social conditions and the lives of the poorest members of many communities and countries.

On the surface, it appears that these multilateral organisations are proposing strategies that will reduce underlying poverty, but this has been contested by Stiglitz who has suggested that it is simply another way of targeting the poor countries, as the ideology behind the strategies has not shifted from their neo-liberal assumptions that under-pinned earlier structural reform. In other words, supplying the market is the core expectation of the neo-liberal position, and poor countries will still have to produce and compete in a globalised market. This, according to Stiglitz (2003a:96) will increase poverty, rather than reduce it.

The macroeconomic claims of the programmes were not being realized, and the President of the World Bank, James D. Wolfensohn, accepted a challenge from the global non-governmental organisations to review structural adjustment programmes (SAPRIN, 2004: 5). Unlike the planning of the programmes which had largely excluded those most directly affected by them, the review made provision for the inclusion of their views. According to SAPRIN, national public forums gave affected populations an opportunity to present their experiences under SAPs:

These NGO networks grew to include more than 300 organisations in Bangladesh while in Ecuador; over 450 organizations participated in these review workshops. The civil society coordinating council composed of workers, women, students,

farmers, fishermen and, small and medium scale industries and environmentalists, all participated in the review (SAPRIN, 2004: 11).

The review noted the active role that SAPs have had in promoting and deepening poverty and debt in the countries that implemented these reforms. Stiglitz claimed that export-led growth has not become a driving force in most of the developing countries, that growth from exports that was registered have tended to be concentrated in (to benefit) the hands of a few elites thereby exacerbating existing inequalities (Stiglitz 2003a:192).

It appears, from both the macro and the micro view, that the claims made about SAPs have not been realised at the global or the country level. SAPs did not live up to the promises of those who promoted their benefits at either level during the 1980s and the 1990s. The programme may have changed its name, but neo-liberalism is still the development orthodoxy for many institutions, even when they have adopted new terminology.

SAPs in the Pacific Region

The Pacific Region was not exempt from the economic restructuring that has occurred globally. Pacific Governments were persuaded, in some cases heavily pressured, to undertake economic reform in conformity with the new orthodoxy, despite growing evidence of the failure of SAPs to achieve their stated objectives in the poorer nations in the South. It is important for the thesis to examine the claims made in the Pacific countries as these countries were brought in at the end of the era of SAPs, when many of the claims that were known to have failed, were still promoted within the Pacific countries.

Policy prescriptions for the economic restructuring introduced in the Pacific were the same as those the World Bank offered to other countries that were unlike the Pacific countries which included Africa, Ghana, Brazil and South America. The programmes were first advocated in Fiji by the Centre for Independent Studies (CIS). Slatter (2004)

described the CIS as an “economic think tank “ which laid the foundation for “rethinking, economic development and aid policies in the Pacific” (Ibid:83). The CIS, supported by Australian International Development Assistance Bureau (AIDAB), put out publications which advocated policy reforms as early as 1988. The ideas promoted by the CIS further influenced the changing nature of aid and development discourse in the Pacific. Slatter further wrote that:

The CIS’s analyses of Pacific economies pre-dated the World Bank’s Pacific reports of 1991 and 1993 which set the stage for a concerted effort by multilateral and bilateral donor agencies in advancing economic restructuring in the region. Yet, there are obvious echoes of the CIS authors’ perspectives and arguments in the World Bank reports. The reiteration of ideas and notions first articulated through the CIS publications and then given authority by their re-assertion in World Bank reports, would eventually cohere into the (reform language mantra), articulated alike by international and bilateral donors and governments in the region (Slatter, 2004:99).

Fiji, the first Pacific country to undertake reform programmes in the Pacific, faced similar challenges that countries which implemented these programmes were facing. Slatter’s work aptly describes the politics of economic restructuring which started from the global financial institutions and wielded its forces to the Pacific. Multilateral institutions, developed countries and private corporate entities were all part of these global forces. Slatter’s work drew links between the restructuring of Pacific countries and strengthening of regional bodies by multilateral agencies and the Pacific donor countries to achieve a regional wide approach to the restructuring process.

This thesis is concerned with examining the claims made by the promoters of the SAPs in the Pacific in general, and in Samoa in particular. Since it is difficult to establish whether claims made to the states of the region as a whole, were wholly or partly met, a case study has been employed in this thesis, to study in some detail the case of Samoa to establish whether the claims made by the promoters, both the economists of international

financial institutions and local politicians who made promises to their constituencies, were realised in practice, This thesis sets out to document a particular programme which is at the heart of the Samoan reform programme and to examine its consequences. It seeks to do this by comparing the claims made for the programme with the experiences of those who were actually involved in the programme

Methodology

Studying the consequences of SAPs which have been implemented in the independent State of Samoa has arisen from a long term concern with development issues and a growing interest in how these issues impact on the social, cultural, political and environmental worldview of Samoans. As a lecturer at the national university of my country, the National University of Samoa, I have been interested in how development policies and agendas, introduced from time-to-time by “outsiders”, affect our way of life in the islands. I have been involved in community development and grass roots non-governmental organisations’ work over many years, and have been active in health and environmental organisations.

My interest in studying the impacts of SAPs stems also from personal experience as I am surrounded by family members and friends who in some cases, were involved in the introduction or implementation of, and, in other cases, were affected in various ways by, SAPs in Samoa. The information from those affected both directly and indirectly, led me to believe that there might well be an alternative view of the impact of these programmes, and that these could usefully be collected and compared with the “official” view promulgated by Government and the representatives of international financial institutions.

My sociological training led me to believe that it was highly likely that there was a disparity between the various accounts of the process, and that it was possible that one view was likely over time to gain acceptance not because it was necessarily “more

correct” than another, but because it was more widely promulgated by people with more power. It was, therefore, entirely possible that alternative narratives of the consequences of structural reform in Samoa would go largely un-noted into obscurity.

The study of the structural reform process in Samoa seemed highly appropriate. The process and consequences of reform are central concerns within the sociology of development, and relatively little material had been published on these issues as they applied to the small, vulnerable, economies of Pacific states. The study allowed me to consider some of the theoretical debates and findings within a context with which I was very familiar, and which, while focused on a particular state, could possibly provide insights into how other, similar Pacific states might have been impacted by these programmes. It was one in which my professional, personal and political interests coincided. A closer familiarity with the issues, I decided, would contribute to my understanding of the issues, my university teaching and would allow me to contribute to the ongoing public debate about development in my country.

To meet the objectives of the study, the development of an appropriate methodology was central. When the structural adjustment programmes were first introduced in Samoa there was concern and criticism among the academics, social scientists, policy analysts, non governmental organisations and other elements of civil society regarding their potential impacts on the different groups within Samoan society. Their views and criticisms of structural reform programmes stemmed often from personal, disciplinary and organisational perspectives and were often highly political. Few could be said to have been truly critical in the sense in which it is used in critical social theory. Dant in his book, *Critical Social Theory*, stated that:

...the act of criticism situates us in a position in the world which has interests, ours and those of others that might be different from ours (Dant, 2003: 10).

Therefore, applying a critical theory approach to this study can be beneficial in establishing a world view that is different from the one that is being used by those who

are promoting and supporting the implementation of structural adjustment reforms in Samoa.

Engaging a critical perspective in this thesis has advantages for the researcher, and is often critical to good social research. It has the advantages of being able to present clear arguments which articulate one's position on an issue so that other people can hear or read about them. Another advantage is that participants can articulate their own issues in their own terms and are empowered by them in the process. Theodore Adorno (1998) discusses the word critique, as having a different Greek origin in the word *krino* from which derives the word critique, criticisms, critic and crisis.

Dant further noted:

The critic is one who is in a position to make judgements, who decides whether something is good or bad, who points to faults that, if rectified, would lead to something better (Dant, 2003).

The study engages a critical perspective to examine and challenge the claims made for structural changes by the architects of these programmes. The critical approach can assist in broadening horizons in intellectual debate and challenging ideas about important world views. My interest in adopting a critical perspective is to both enrich my knowledge about who benefits from society, and why certain groups are marginalised.

This thesis uses a *case study approach* to study SAPs. This was necessary because structural adjustment programmes in Samoa now include a range of activities in a number of fields from macro-economic reorganization, through reform of governance processes, to the privatisation of government trading operations and public utilities. It would be frankly impossible to generalize about this plethora of activities as if it was a unified single programme. It would be equally unrealistic to arrive at a generalization about whether this plethora of activities was in some sense "successful", in that they have produced the changes and outcomes which were forecast by their architects. Others have, equally clearly, been less "successful" in that they failed to produce predicted outcomes,

or worse, produced unanticipated and generally unsatisfactory ones. Furthermore, whether or not any one activity is more or less successful depends on how 'success' is both defined and measured and by whom. A project which is considered 'successful' by one group of people who define and judge its success on the basis of macro-economic indicators, may equally be considered 'unsuccessful' by those who define and judge the programme on the basis of its personal consequences for them at the micro-economic level.

To overcome these issues, and to acknowledge the complex nature of social reality, it was decided to focus on a single case study: the privatisation of a public utility, the former Public Works Department, which was one of the first structural reform projects undertaken in Samoa. This narrowed the focus of the study and avoided the possibility of inappropriate and inaccurate generalizations about the consequences of many and varied elements of structural adjustment programmes which have occurred since that time in Samoa. The study of a particular case allows us to focus on a single set of facts and associated data and on the consequences of the process of reform in a particular time and place.

It also allows us to explore the varying ways in which different people involved in that programme defined and judged its 'success'. The approach allows us to explore the views of the IFIs who promoted the reforms, those of the politicians who adopted these reform programmes, those of the consultants who managed the change process, those of the bureaucrats who managed the re-formed organizations, and those of the employees who underwent the experience of structural reform. It allows us to see the ways in which various groups' interests defined 'success', the measures each used to establish how 'successful' programmes were and how each of these allowed them to explain away other competing perspectives. It allows us to understand, ultimately, how structural location and professional interest affected both the impact on the various groups and the ways which various groups come to view the same process.

This approach also allows us to establish how one particular assessment of the ‘success’ of the programme comes to dominate the national discourse of structural adjustment. This approach involves establishing the various claims and assessments of the programme, and the bases of the reasoning which underlies these, of:

- the representatives of IFIs and the Samoan politicians who between them promoted the introduction of the structural adjustment programmes into Samoa,
- the Samoan politicians who opposed their introduction,
- the planners and consultants who between them facilitated and managed the process of reform and
- the employees of the former Public Works Department who underwent the process.

This involved a combination of historical archival and field research. Documentary information collected came from four main sources of data. The data was collected from texts, historical documents, records and official reports produced by the World Bank, International Monetary Fund and the Asian Development Bank. This provided an insight into the timing and form of their introduction. The study also used Samoan Government material which included budget reports from the Ministry of Finance, material from the debates in the Samoan Parliament, and relevant government reports which relate both to SAPs in general and to this particular case. The study also drew on confidential reports from the consultants and reports from the Pacific Island Forum Secretariat. Material relating to the introduction and implementation of the reforms was published in local news media and this was also used. This reportage came from both the Government and privately owned newspapers.

The field research generated the qualitative data and was collected from unstructured interviews. These interviews were conducted with politicians, government officials, public servants, consultants, employees and community people. A full list of all of those interviewed for this project is contained in Appendix C of this thesis. Interviews were conducted to collect people’s experiences of their social reality on the impacts of the reform programme. These interviews were approved by the Massey University Human

Ethics Committee (MUHEC) and the required information sheets and participant consent forms are contained in Appendix B to this thesis.

As one who lives in a society in which change is occurring rapidly, one is constantly exposed to a series of unsolicited observations on reform and its consequences. This material comes from family members, professional colleagues, students and friends, and from coverage on radio, television and in newspapers. Given that one cannot avoid the contexts in which these observations are made, these inevitably contribute to the views which one, both consciously and unconsciously, over time and become the context, and part of the substance, of this study.

Key Research Tasks

The key research tasks were the conduct of interviews, the conduct of content analysis, and the collating of the data from the documents. In fulfilling the key research tasks, several sources of information were consulted. The relevant general literature on Structural Adjustment Programmes (SAPs) and their role in social and economic development was identified, noted, recorded and analysed. Donor agencies' reports were examined for statements of their development agenda. Information was gathered from the World Bank, IMF and ADB documents, which outline their development plans for the Pacific island member countries. Official reports produced by the Government of Samoa, were identified, examined and studied to assist in the thesis proposal and the research itself. Documents and reports from the Samoan Government outlining its development plans and agenda were collected and perused.

The Samoan Government's annual budget statements were examined, to track the different programmes that the Government prioritizes through the funding allocations. Confidential reports, from Parliament, Government departments and from the consultants, were used as important primary sources. The documents consulted provided primary historical and statistical material for this thesis.

Information was also collected from the Hansard record of Samoa's parliamentary proceedings to track the dates and passage of legislation introduced to facilitate the introduction of SAPs. The Hansard record was also examined for the statements made by the Members of Parliament on the reforms. These statements were analysed to establish how the issues, and the associated impacts, were raised and debated in Parliament. Parliament is an extremely important forum in Samoa where its proceedings are broadcast on national radio and are widely listened to by the public. Politicians' statements in Parliament are directed as much to the public as they are to members of the house. These statements reflect, in important ways, how MPs 'translated' technical arguments about the benefits of macro-economic reform for the Samoan economy, and of Governmental reform for bureaucratic efficiency, into terms which could be understood by, and might win the support of the Samoan electorate. The parliamentary discourse is an important insight into the ways the claims were made by the politicians on behalf of primary promoters of structural reform.

All of the documents consulted were available in the English language. The Hansard record of parliamentary proceedings is in both Samoan and English, and the material from this record was drawn from the English language version of the debates. In some cases, English would have been the language which was actually used in a debate, but in the vast majority of cases it would have been a translated version of the Samoan used in the debate.

The second part of the research comprised a series of unstructured interviews. The interviews were conducted with some of the key people who participated in the privatisation process. These included the members of the cabinet, Government executives, Government officials, bureaucrats, consultants and employees from different levels of the PWD, as well as members of NGOs. The interviews were different since the various groups were involved in somewhat different ways in the process and their experiences of the process derived from these. The contribution from these people's lived experiences enriched the thesis by supporting, refuting or being neutral about the claims that are part of SAPs.

The unstructured interviews were conducted in the Samoan language and translated by the researcher. In translating the material, the researcher sought to provide a colloquial rendering of the Samoan account, and where it was necessary to achieve this, some material has been excluded. In these cases, this omission is indicated in the usual way. In situations where the researcher can not provide a literal translation for a particular word, the Samoan word is produced with an explanation of its general meaning.

In the interview with the Prime Minister of Samoa, the Honourable Tuilaepa Sailele Malielegaoi, I was advised to use a tape recorder, to facilitate the data collection process and all subsequent interviews were recorded. The tape recorded information was transcribed and translated into English. The interviews with the workers from the former PWD were interesting as some of these men were quite happy to share their experiences but at the same time, preferred to remain anonymous. I have given these workers fictitious names to protect their identity. The interviews were relatively unstructured and open ended:

Unstructured interviews are an informal discussion that has no strict guidelines, allowing the discussion to be open and not necessarily concise in its nature (Berg, 2004: 7)

Berg further commented that:

...advantages of unstructured interviews are good in the initial stages of the project as they provide a general understanding of the problem (Berg, 2004:7).

The interviews ranged from one to three hours long. Keeping to the time was difficult as most respondents wanted to tell their stories. In some cases, I had to terminate interviews and go back to clarify participants' views on issues that were unclear. The researcher observed and recorded the interviews with the assistance of an audio tape recorder to keep an accurate record of the process. These records were then transcribed and searched for key variables, themes and ideas, and explanations by the researcher for the material

relevant to the thesis. In using this method the researcher became aware of the disadvantages of this approach. One disadvantage of unstructured interviewing method is the time factor. This form of interviewing allows the participant to determine the pace, and the direction from which the topic is approached and covered, which may result in the collection of significant amounts of material which may prove largely irrelevant.

The unstructured interview may also take longer and can tend to drift off the issues at hand if the researcher is not in a position to correct the direction of the conversation. Given that in each case an asymmetrical relationship existed between the interviewer and the interviewee, it was often not possible to do this without risking the relationship which was central to the collection of the data. The data collected can be difficult to analyse if the respondents were not focused on their responses on the topic at hand. John Creswell stated that:

Authors of qualitative research methodologies during the 1980s e.g., Stake, 1994, Lincoln & Guba, 1985 constructed a language distinct from the traditional research language in order to emphasize the qualitative paradigm (Creswell, 1994: 6).

Discussing the different points about qualitative research can highlight issues that researchers need to reflect on while preparing for the fieldwork.

Importance of the Case Study Method

The thesis has adopted a case study methodology to approach the subject matter of SAPs and indeed, some of the reasons for the selection of this method have been dealt with above. This section deals less with the specifics and more with the general arguments for adopting this method. The case study methodology was chosen as it involves the systematic gathering of information about a group of people that needed to be interviewed in order to understand how they function and operate before the reforms took

place and how the choices they took after the reforms were introduced, affected them. According to Berg:

...the case study method tends to focus on holistic description and explanation, and enables the researcher to capture various nuances, patterns, and more latent elements that other research approaches might overlook (Berg, 2004:251).

Berg elaborated by stating also that any phenomenon can be studied by case study methods. Several proponents of this methodology have written about its strengths and its important role in research. (see Borg, & Gall, 1998; Yin, 2004; Stake, 1994). Stake, referred to case studies as:

...one where qualitative inquiry dominates, with strong holistic, cultural, phenomenological interests (Stake, 1994: 10).

Using a case study is an appropriate way of collecting data for studying what happened to people as a result of the reform programmes by which they were affected. A case study allows an in-depth investigation of a particular event in order to understand the problem fully. Dye and Harrison describe case studies:

...as a method of investigation which may involve examination of a single business firm, a single town or a single society (Dye & Harrison, 2005).

The case study method is a way of comprehensively looking at one special "case." There are constraints involved, in any method used and being aware of its shortcomings assists the researcher to ensure that the chosen method is appropriate and fulfils the tasks required. The case study method used enhanced the academic rigor of the project, and can be used to test the claims by its promoters as against the accounts of the people who experienced them. Case studies have advantages over other methods, in studying real life events. A best-selling author for case studies, Robert Yin, stated that:

...case studies investigate real life events, especially when the goal is to practice sound research while capturing both phenomenon or its context (Yin, 2004: xii).

Other proponents of this methodology have offered similar assessments of the method's value, a range of case studies have proven their academic value as research tools. Researchers, Simons, H. (1980) and Yin, R. (2003), have noted the value of case studies in academic research, and other proponents, such as Perry, C. (1994), Leonard-Barton, D. (1990), Bradshaw (2005) and McAdams, D. (1979) have all written about the benefits of this methodology. These researchers have documented and established the strengths of case studies as a methodology and its role in data collection. They pointed to the fact that a case study as a methodology has been used widely in educational research and evaluation. Simons (1980) argued that the advantages of case studies in educational research assists researcher as often it involves an in-depth, longitudinal examination of a single instance or event. Other benefits involve the acquisition of multiple sources of data and produce large amounts of data for analysis. McAdams (1979) wrote about the advantages of case studies used by researchers from many disciplines to build upon existing theories and or produce new theory to dispute or challenge existing ones.

The advantages of using this methodology are its applicability to real-life, contemporary, human situations and its public accessibility through written reports. Case studies results relate directly to the common readers everyday experience and facilitate an understanding of complex real-life situation.

Research Issues

Several specific research issues needed to be addressed. To interview various people involved needed a Samoan cultural approach as most of these participants were high chiefs in the traditional sense, and formal cultural protocols and practices were necessarily observed at all times. This is expected in the Samoan culture, and was essential to ensure that rapport is established and maintained, procedures were culturally sensitive, and to get the honest responses from those interviewed. My social standing in

the community and my status as a mature Samoan *tamaitai* (woman) working as a senior lecturer in a national tertiary academic institution, have given me a unique opportunity to access information from people from across the age, socio-economic and gender divide. However, this position also creates certain research issues which must be formally outlined and reviewed.

I have been involved indirectly in politics through my late father who retired from commerce to politics, and through my husband who was a member of the Cabinet for nine years, from 1996 to 2005. He was a Minister in Cabinet during part of the period when SAPs were introduced and implemented. I also have relatives who were involved in the reform process as consultants, government officials and PWD employees. Some of my duties as a Samoan spouse required that I attended functions and activities in the social circles which included members of political elites, the business elites, judicial elite, Government officials, academics, religious elites, NGOs, and in all of these contexts, I encountered discussion and debate around the structural reform which the Government was undertaking. This routine social intercourse, which preceded the decision to undertake this study and occurred throughout the study period, produced a significant amount of unsolicited insight into the ways in which the process was perceived and experienced by various elites, and alerted me to a number of issues which subsequently became central to the thesis.

However, routine social contact with Samoans from beyond these elites also provided me with significant insights into their experiences and views of the reform programmes. As a wife of the village paramount chief, I was expected to take a key position in the village women's organizations and the district communities, and to take a leading role in several village projects and activities. Since Samoans expect leaders to lead from the front, this activity brought me into ongoing contact with people from the villages and district in which I have these responsibilities.

My social location gave me virtually unlimited access to a range of information from official, personal, confidential and community sources. Much of this took the form of

unsolicited comments which I heard in the process of my daily life. I am conscious of the fact that many of these comments were partisan and were, in some cases, shaped by people's perceptions of my role, albeit an indirect one, in the process. While they provided valuable insights into the public's perception of the programmes, I needed also to distance myself from these sources and to form my own view about the impacts of these programmes.

It was important to me, as the researcher, to have first hand accounts from those affected by the privatisation, in order to ascertain whether the claims by the proponents of SAPs, have been realized among those affected by the privatisation of the Public Works Department. My background and social connections opened doors and allowed me to move freely within the social groups concerned. The trust and respect accorded to me as a researcher have enabled the people concerned to be free and open with their accounts, and the free flow of information, which occurred, does, I believe, add to the credibility of the thesis.

I am fluent in both Samoan and English and have carried out the translation of all the interviews on this project. Using semi-structured and unstructured interviewing procedures was useful as it allowed the free flow of information and the participants apparently enjoyed sharing their experiences without reservation and in the language of their choice.

Ethical approval for this thesis was acquired from the Massey University Human Ethics Committee and approval for the project was obtained both from the Government of Samoa, through the Prime Minister's Department and from the National University of Samoa which has responsibility for the oversight of both theoretical and applied research in the country.

The next chapter discusses SAPs in the Pacific. It examines how the Pacific member countries of the World Bank were treated by the International Financial Institutions and discusses the imposition of SAPs as part their development plans. These countries

include Tonga, Fiji, Solomon Islands, Vanuatu, Kiribati and the Federated States of Micronesia which include Palau and the Marshall Islands, and the different programmes they were persuaded to accept and implement as conditions of their development loans.

PART TWO

CHAPTER THREE

STRUCTURAL ADJUSTMENT PROGRAMMES

IN THE PACIFIC REGION

Introduction

Structural adjustment programmes were introduced to the Pacific by the World Bank towards the end of the 1980s. The programmes were introduced after an international review of world economies by the staff of the International Monetary Fund (IMF) and the World Bank (WB). The evaluation of the aid programmes by these institutions started with the African countries and was then extended to the rest of the world. They also evaluated the countries in the Caribbean group and then extended the process to the Pacific Islands. All of the countries reviewed were members of the World Bank, and were influenced by the aid given by these two key world financial institutions. The programmes that were promoted in the Pacific came as a result of the review in the late 1980s. That time, there were only six borrowing countries, even though there were nine member countries of the World Bank Pacific group.

The Pacific Island countries were undergoing socio-economic changes during the late eighties and early nineties, due to several factors. Several of the island countries were faced with natural disasters. The Federated States of Micronesia were faced with severe droughts. The economic downturn in East Asia worsened, reducing export opportunities and economic growth throughout the region. Island leaders were uncertain as they

struggle to secure the future of their countries' economies. Pacific Island states were caught up in the rhetoric, the ideology and the economic policies of globalisation.

According to Stewart Firth (1998), the Pacific countries were likely "to follow the footsteps of larger countries namely Australia, Japan and New Zealand in particular whose aid and investment confer influence over the regional agenda". Firth further added that; "the key phrases in the region that were bandied about by Pacific Island Government officials were almost all about economics" (Firth, 1998: 2).

Firth referred to almost all of the elements of SAPs. These are improving the attractiveness of "the foreign investment regime", "right-sizing the civil service", "focussing on the needs of the private sector", "reducing the public sector subsidies", "meeting benchmarks in the reform process", "promoting integration into the world economy", "enabling public enterprises to operate on commercial principle", "improving the business environment", "achieving effective private public sector partnerships", and "adopting measures to reduce infrastructure service", and "energy costs for the business sector" (Firth, 1998:2).

Understanding the Pacific context is important before the structural adjustment programmes can be understood, as several forces were in play. Physically, the Pacific member countries are diverse in nature, size as well as other features. John Overton, has aptly described it as a region "marked by much diversity in terms of culture, environment and history (Overton, 1994:265). Overton elaborated that;

Island states are frequently fragmented so that small islands with small populations may be spread over vast expanses of ocean creating problems of communication and integration. In practice local economies are not well linked and outlying islands face high transport costs and infrequent services (ibid 1994:265).

This recognition of the various circumstances within the Pacific region is important and was not fully appreciated by the World Bank and IMF. Pacific countries under the World Bank and IMF programme, which were all different physically, culturally, politically and economically, were assumed to be a singular group and subjected to a 'one size fits all' programme which was destined to fail in some situations. World-wide, states have been shifting their foreign policy focus from security to economics and the same changes have come to dominate the Pacific. Australia hosted the first meeting of economic ministers from the South Pacific Forum countries in 1997 and in 1998 Forum Economic Ministers Meeting (FEMM) adopted a plan to ensure that the Pacific countries become integrated into the global agenda.

The agenda was promoted and encouraged at the regional level for Pacific countries so heavily that, by the time the World Bank and IMF came to visit, the officials were already briefed. According to Sutherland, a Deputy Director of the Forum Secretariat between 1993-1996, the reason that 'donors with the greatest influence in the region' (namely Australia, New Zealand, the World Bank and the Asian Development Bank) took concerted action to force Pacific Island governments to restructure their economies was to ensure that adjustment programmes took place (Slatter, 1994:117). Slatter further argued that: 'the Forum Secretariat played a pivotal role in the implementation of this externally driven programme of economic, financial and trade reforms aimed at achieving region wide economic, financial and trade liberalization'(Slatter, 1994:118). This reform agenda became the core business of the Forum Secretariat.

New Zealand and Australia were heavily committed to economic restructuring within their own countries by 1994. As they were major donors to the Pacific Islands, they intended to apply the same neoliberal policy prescriptions to the recipients of their aid in the Pacific. They did this, in part, because they were convinced of the early domestic success of the policies and because, politically, it would have been impossible to exempt the recipients of aid from the austerity measures which were being imposed on their own citizens. By 1998, the Asian Development Bank was the lead financial supporter of structural adjustment in the Pacific Island states, funding programmes in all of the World

Bank member countries, Federated States of Micronesia, Fiji, Kiribati, Republic of Marshall Islands, Samoa, Tonga and Vanuatu.

The World Bank carried out its review of its Pacific member countries as a way of enforcing the rules, already being increasingly accepted at the regional level, on individual states. The review of six of its nine Pacific member countries (PMCs): Fiji, Kiribati, Solomon Islands, Tonga, Vanuatu and Samoa in 1992-2002 and the findings there, showed how the different countries were treated. The report entitled *The Evaluation of World Bank Assistance to the Pacific Member Countries* was a follow up report to a 1992 Operations Evaluation Department (OED) report entitled *Operations Evaluation Department Evaluation Report* that assessed bank assistance to the PMCs during the 1980s (World Bank, 2005a: 5). The earlier review compared the economic performances of the six Pacific member countries with those of the economies of the Caribbean and Indian Ocean Islands of the Maldives and Mauritius because of their structural similarities to the Pacific Islands. These similarities include their small size; the open island economies, and isolation from major trading powers. However, these countries' economies were booming at an average 5 percent annual growth for the Caribbean and 7 percent growth for the Indian Islands annually while, by contrast, the PMC economies were registering average annual growth rates of 0.6 percent in the same period.

It was reported by the review team that the economies of the Pacific member countries had demonstrated slow and erratic growth patterns compared to the Caribbean Islands and the Indian Ocean Islands. The World Bank was clearly disappointed by the Pacific member countries' efforts as a substantial amount of aid money had already been expended there with only very limited results. The majority of the PMCs economies in the late 1980s recorded an average of 0.6 percent per annum growth rate, and the World Bank wanted to use the experience of the Caribbean Islands and Mauritius Island to assist them in identifying the causes of the weak performances of the PMCs (World Bank, 1991a: 11). This lack of growth was described as being due to various factors which the report alluded to as political instability, declines in tourism and damage from

natural disasters. The overall assessment of the World Bank was that the PMCs' development aid programme needed to be restructured in order to achieve a growth record similar to the Caribbean Islands or Mauritius with similar structural characteristics and other similar lower-middle income countries. The World Bank saw the lack of progress as a consequence of excessive government intervention in the nations' markets.

The Pacific countries also faced formidable development constraints. The vastness in distances between them and the world markets in which their mostly primary products are sold means that transport to markets is a costly exercise. Their local markets are small and dispersed and isolated from each other due to high costs of freight and irregular shipping services. Air transportation provides daily links but the costs of air freight act as a constraint on volumes. In some cases, the cultural systems run counter to market oriented activities and discourage profit-driven trading and the individual accumulation of capital for capital's sake.

The introduction of the policy approach known as the Structural Adjustment Policy (SAP) was designed by the World Bank as an appropriate way to assist PMCs in achieving similar economic growth rates to those of Asia and Caribbean countries, and other middle income countries. Once the member governments agreed to this process, it opened the way for the World Bank to influence political processes and decision making in the Governments of these Pacific countries, in ways which were intended to produce higher economic growth rates.

SAPs were introduced through a range of programmes implemented by the member countries to address what was identified by the banks as their structural weaknesses. However, these programmes were shaped so the island countries could meet repayment obligations defined by these financial institutions according to the reform agenda. The island countries were made to agree to these conditional ties as part of this assistance.

Diversity and International Financial Institutions

The Pacific is a vast and diverse region and though Pacific states have many similar features, their individual differences are marked and distinctive. The World Bank acknowledged this diversity and described the PMCs as one diverse group, with limited economic linkages and political cohesion. The following Pacific countries are currently part of the World Bank group: the Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Palau, Samoa, Solomon Islands, Papua Niu Guinea (PNG), Tonga, and Vanuatu. However all the countries except PNG were members in 1991 (World Bank, 2005a: 1). The report elaborates on the diversity of the Pacific region, stating that:

The PMCs are not a homogenous group. They differ widely in their population sizes, income levels, customs, cultures, natural resource endowments, physical attributes, colonial heritages, languages, degrees of social cohesion, and economic and social policies. The total population of 2.1 million people is scattered across a vast area of the Pacific Ocean.' The PMCs are relatively young nations, with the average time since independence being just 27 years. Many PMCs have considerable nation-building tasks following independence and political instability continues to be a debilitating factor in some countries. Most of the PMCs have retained strong traditional cultural systems and in some cases, integrating traditional ways with the modern ways of life has proved a difficult and traumatic challenge (World Bank, 1991:1).

The following table (Table 1) illustrates the diverse characteristics of the Bank's Pacific member countries. The table shows the differences in terms of population size, land area, population densities and number of islands among others yet, despite these differences, the World Bank continued to advocate the one policy prescription, Structural Adjustment Programmes (SAPs), but included a range of programmes which were combined in different ways and different mixes which were then introduced to the different Pacific countries. Overton (1999) discussed the ways in which different discourses about

development in Fiji have contributed to socio-economic transformation in that country. These development discourses were complex for Fiji alone and it shown the complexity of the system within Fiji. I would argue that given the complex nature of the different Pacific countries, a single set of policies for the six member countries, will not suffice for most of the Pacific countries' development purposes. A set of structural adjustment policies which was designed originally for the countries of Africa and Latin America was adopted wholesale in the Pacific. The policy did not take into account some of the different features of these Pacific member countries except insofar as they were accommodated in somewhat different programmes. A series of programmes were developed from the policy to incorporate the agenda set by the World Bank.

However, even though SAP was a 'one size fit all', generic policy, the different programmes introduced to the different PMCs developed at the country levels showed some flexibility and acknowledged the diversity within the region. But the programmes designed as part of the structural adjustment policy were developed without the form of consultation which should, ideally, take place between governments and their civil society groups. This disregard for the different sectors of the communities suggests that the programmes might have been expected to fail. One might ask why, in societies in which the maintenance of respectful relationships is central to social stability, the governments would have moved on significant policy matters without the typical consultation. In the case of the PMCs, they had no choice but to accept the prescriptions as some were suffering hard economic times and needed to borrow money. The only way open to them was to adopt and implement the Structural Adjustment Programmes suggested by the financial institutions at that time which, in places, meant that there was no time for the consultation which might otherwise have occurred.

The differences between the Pacific member countries are varied and quite marked (see Table 1). The table shows that populations between the island countries range from a low of 20,000 people to the highest of 835,000 people. Land areas of the countries also vary, from the smallest island having 181 square kilometres to the largest island which has 27,990 square kilometres. Population densities vary between the countries with Solomon

Islands showing the lowest density of 15 people per square kilometre, while the Marshall Islands show the largest density of 315 people per square kilometre. Population densities do indicate the constraints and opportunities that these island countries face when it comes to development planning. The number of islands in each country varies: from 8 to 1225 Islands, and the average size of islands also varies significantly. The potentially valuable exclusive economic zones of the PMCs range from 120,000 square kilometres to the largest country which has a zone of 2,131,000 square kilometres. The PMCs also vary in ethnic composition, which affects the nations' social and political dynamics, with most of the countries comprising at least three ethnicities and a multiplicity of mixed ethnicity and different language dialects per country.

Table 1: The Nine Pacific Member Countries

Country	GNI per capita 2003 \$	Pop. 2003 (000)	Land area (km ²)	Sea area (000km ²)	No of Is.	No of Lang.	Main Population Group	Popn. Den. (per sq.km.)	Year of Independence (From)	Year Joined Bank Group
Fiji	2,360	835	18,270	1,290	332	10	Melanesian/ Polynesian /Indo-Fijian	45	1970 (UK)	1971
Kiribati	880	96	730	3,550	34	2	Micronesian	127	1979 (UK)	1986
Marshall Islands	2,710	53	181	2,131	1,225	2	Micronesian	315	1979 (USA)	1992
Micronesia	2,090	125	701	2,780	607	17	Micronesian	155	1979 (USA)	1993
Palau	7,500	20	460	629	200	4	Micronesian	42	1994 (USA)	1997
Samoa	1,600	178	2,830	120	8	2	Polynesian	61	1962 (NZ)	1974
Solomon Islands	600	457	27,990	1,340	992	74	Melanesian	15	1978 (UK)	1978
Tonga	1,490	102	720	700	170	4	Polynesian	140	1974 (UK)	1985
Vanuatu	1,180	210	12,190	680	80	110	Melanesian	17	1980 (UK/France)	1981
Totals		2,076	64,072	13,220	3,648	225				

Source: World Bank, ADB, UNDB

There are no common land borders between the island countries, but there are regional political coalitions between them through bodies like South Pacific Commission (SPC),

now the South Pacific Community, Forum Fisheries Agency (FFA), Pacific Islands Forum (PIF), Pacific Islands Development Programme (PIDP), and others which seek to provide a regional platform for island nations to address problems common to them as Pacific member countries. In varying degrees, they face a range of development constraints common to small island countries such as high costs of social and economic infrastructure provision, as well as vulnerability to external economic and natural shocks. This awareness of common problems and the value of seeking common solutions to them has, in recent times, led to a degree of unity on the need for regional approaches which has been developed and expressed in the Pacific Island Forum's 'Pacific Plan'. On the other hand the unity in these approaches masks considerable real differences between the situations of members and may make it more difficult to secure consensus on specific matters.

Some of the PMCs, like Samoa and Tonga have relatively affluent mixed cash and subsistence lifestyles which are supported by the remittances sent by relatives who migrate to industrialized countries like United States of America, New Zealand, Australia and Europe. Other states, particularly in Melanesia, have severely limited opportunities for emigration which effectively limits their access to remittance revenues. In countries like Kiribati there are high costs of social and economic infrastructure provision, due to its small size and high population densities in the urban area (World Bank, 2005a: 2). Other states have smaller numbers of larger islands and these costs are somewhat less. Most of the island countries are susceptible to natural disasters such as hurricanes, which have caused major population shifts, but states are affected in different ways by other climatic phenomena such as global warming and accompanying sea level rise and coastal degradation.

A study on internal migration, remittances and development from the Geography Department at the University of the South Pacific, shows that the populations of most of the Pacific member countries are highly mobile, and there is a growing trend for the people to move from the rural to the urban areas for employment and education purposes (Muliaina, 2005: 2). An increase in this internal migration has given rise to other

development issues like the lack of town planning, inadequate urban infrastructure and the development of ghetto type settlements. Squatter type settlements often breed social problems including crime, sanitation and health problems which are associated with under-employment, lack of access to clean water, overcrowded housing and poor housing facilities (Muliaina:2005:2). These factors all combine to make any long term development plan which assumes population stability a problem.

In some of the PMCs, a steady flow of international migration has also acted as a brake on population growth. In others, such as Vanuatu, the Solomon's, and Tuvalu, the absence of opportunities to emigrate, as well as resources to assist in improving employment opportunities, has effectively trapped populations and produced high population growth rates. This out-migration pattern has been ongoing for almost a century and these migrants and some of their overseas-born descendants continue to remit money from abroad to support their family incomes in the various island countries. The adverse effect of the overseas migration is that many of the villages in the rural areas are now sparsely populated (ibid: 3). Despite the growth constraints that the Pacific countries faced in the 1990s, they have achieved quite high levels of income compared to other developing countries. The World Bank Report (1991) stated that:

Gross national products (GNP) per capita among the six [borrowing countries] were in the low to middle income range for developing countries. Fiji has the highest GNP per capita over \$1500 followed by Vanuatu and Tonga with \$800 each (all \$ are U.S. dollars). The Solomon Islands and Kiribati were at the lower end of the spectrum with incomes of \$400 - \$600. Fiji's higher income levels result from a fairly broad-based growth process involving agriculture, tourism and manufacturing whereas in Western Samoa, Tonga, and to a lesser extent Kiribati, remittances have been important in underpinning incomes and consumption standards (World Bank, 1991a: 4).

The 1991 report acknowledges the role of remittances in supporting basic incomes and consumption in Tonga and Samoa. However, while the World Bank acknowledges the

role that remittances play in underpinning current incomes and standards of living in Samoa and Tonga, the Report (1991), questions the sustainability of remittances over generations, and the same report alluded to the risk of building on the assumptions that the same levels of support would always be available. These concerns, based on evidence of relatively rapid remittance decay in overseas-born populations elsewhere, might indicate the World Bank's lack of understanding of socio-cultural elements in these Pacific countries' cultures. Wood Salele, a Senior Lecturer in Economics at the National University of Samoa, argued that, "whilst an influx of remittance money into an economy may be assumed beneficial, the extent of the benefit depends profoundly on how the money is consumed" (Salele, 2004:2). The consumption patterns that Salele is referring to (in relation to Samoans in particular) depends on socio-cultural activities and most of these may be used to buy food and meet cultural expenses and not necessarily for investment purposes. Salele further argued that "most of the subsistence payments are spent by the recipients on consumption of basic goods" (Ibid, 2004:2). For example, a family can spend money on buying food to consume or on church donations as part of their religious obligations.

Remittance money assists the country's economy towards increasing sales for the commercial business and can contribute to a rise in total output. Salele further argues that the benefits of remittance payments especially to those who previously had little or no access to capital before, functions to assist them in organising social, cultural and religious activities to improve their communities back in their respective countries of origin (Ibid, 2004:3). Some migrants remit money as donation for public infrastructure, education and other causes that will assist increase well-being in their homelands. As long as migration policies in the more developed countries continue to allow migrants from the Pacific Islands into their countries, there will always be enough new migrants from these countries that will continue to remit funds back to their country of origin to maintain the high level of remittance.

The 1991 World Bank Report outlined the Pacific member countries' characteristics and opportunities for development, as being varied and different from each other. Some

island countries possess natural endowments like the extensive oceanic resources including fishing, and an untapped seabed for mineral mining, fertile land and favourable climates for agricultural products and attractive sites for tourism development (World Bank, 1991: 3). However, not all the countries have fertile and arable land, especially Kiribati which is an atoll of very limited fertility and is environmentally fragile. To develop any of these natural endowments, the PMCs need capital which is why they were dependent on the World Bank, the IMF, and on their bilateral donors for financing and development aid.

The evaluation of World Bank assistance to the Pacific member countries shows that, by the early 1990s, some of the countries had achieved social indicators comparable to those of middle-income countries but none of them had made significant income growth over the prior decade. The report further stated that the relatively high standards of living were comparable to other developing countries through their income and welfare indicators:

The Pacific Islands have achieved quite high levels of income compared to other developing countries as indicated by their GDP. The standards of living for Fiji, Tonga and Samoa are well above the level of a typical low to middle income developing countries. The life expectancy at birth in these three countries is higher than average for Asian countries and near that for industrialized nations. However improving living standards has been less successful in Kiribati, Solomon Islands and Vanuatu. In the two Melanesian countries, a large part of the adult population is illiterate, only half the people have access to safe water; intestinal diseases and malaria are endemic (World Bank 2005a:13).

The economic performance of PMCs during the 1980s was described by the World Bank review as generally flat.

As a group, the six countries recorded an average growth rate in real GNP of only 0.6 percent per annum during 1980-1988, below the annual population growth rate of 2 percent. As a result, GNP per capita declined during the period. Growth

is low in the Pacific Islands despite very high, sustained levels of domestic investment. External trade was marked by a decline in export growth, a widening of the merchandise trade gap and the maintenance of external balances principally through increased remittances and external assistance (World Bank, 1991a: 6).

Of more concern to the World Bank was the fact that the economic growth rates in Pacific states were significantly lower than their rates of population growth. Four Pacific states registered negative growth in the previous decade and, without remittance income, Tonga and Samoa would also have suffered negative growth (World Bank, 1991a: 6). The World Bank regarded this situation, which resulted in declining GNP per capita and declining standards of living as unsustainable, and in need of change.

The World Bank Report also noted that Pacific countries faced formidable development constraints. The vastness in distances between them and the world markets in which their mostly primary products are sold means that transport to markets is a costly exercise. Their local markets are small and dispersed and isolated from each other due to high costs of freight and irregular shipping services. Air transportation provides daily links but the costs of air freight act as a constraint.

In some cases, elements of Pacific cultural systems run counter to market oriented activities and discourage profit-driven trading and the individual accumulation of capital for capital's sake. Pacific cultures have traditionally encouraged investment in socio-political activity which, over the long term, insured people against certain risks and guaranteed some degree of social security. Resources invested in this socio-political activity were not available for other more conventional forms of 'productive investment' and this undoubtedly stifled economic growth rates.

But, after considering a range of internal and external constraints on Pacific states' economic performance the World Bank Report concluded that:

The PMCs' weak growth performance came not so much from an adverse external economic environment as from an inability to adopt needed structural reforms. Although delayed macroeconomic responses to shocks sometimes required austerity measures, macroeconomic management was largely sound. The policy shortcomings were more related to growth strategy. In particular, the islands' inward-oriented approach has not produced satisfactory results in the past decade (World Bank, 1991a: 25).

Timing

The timing of the introduction of the structural adjustment programmes was significant. They were introduced during the late 1980s, at a time when most of the PMCs had achieved social indicators comparable to those of middle income countries. They were enjoying high public investment rates, good human capital formation rates and relatively high living standards (Bank 2005a:3). However, the World Bank assessment study stated that even though the PMCs were enjoying these benefits, their economies were registering zero growth in per capita income (World Bank, 2005a:3).

The World Bank report showed that the relatively high social indicators were attributed to an "affluent subsistence system", mainly as a result of large inflows of worker remittances, and high levels of external aid that supported large public investments in the social sector. As long as this standard of living could be maintained with remittances and aid flows, there was in the World Bank's judgement, no reason for governments to take the policy measures to produce income growth. The World Bank and other international financial institutions therefore concluded that the PMC's economies needed to be challenged in order to stimulate more stable economic growth (World Bank, 2005a:3).

Several social indicators among PMCs improved in the 1990s. Table 2 shows that life expectancy increased in most PMCs between 1990 and 2000 and ranges from 63 years in Kiribati to 71 years in Tonga compared to the 1990 figures which were respectively 59

and 70 years. The East Asia and Pacific (EAP) regional average is now 69 years compared to the last average of 68 years in 1990s. The infant mortality rates are at, or below, the Lower Middle Income (LMIs) country averages. However, adult literacy, widely regarded as a key element of increases in productivity, rose in most PMCs, except in Vanuatu and the Solomon Islands where more than 35 percent of the adult population are illiterate.

Access to basic social services is also variable within the Pacific member countries. In Tonga and Samoa, access to basic social services is nearly universal while in other PMCs, at least 20 percent of the people lack access to health care services and less than half the population of others have access to improved water services.

Poverty is an issue which the World Bank is facing now as part of its Millennium Development Goals (MDGs), and is an important issue facing most Pacific member countries. The Asian Development Bank reported that poverty is an issue with some of the member countries: for example, fifty percent in Kiribati, forty percent in Vanuatu and Micronesia, thirty percent in Fiji and twenty percent in the Marshall Islands live in poverty. The World Bank Report further stated that:

...significant rural imbalances exist in many of the PMCs with infrastructural qualities, access to publicly provided services and economic opportunities dropping off outside urban centres (World Bank, 2005a: 15).

In Vanuatu and the Solomon Islands, 80 percent of the populations are outside the formal economy and rely on subsistence production for their livelihood. The Polynesian countries have small labour markets and limited opportunities for formal employment in either the public or private sector, and this reality has resulted in high levels of emigration to metropolitan states around the Pacific as discussed.

Table 2: Social Indicators: Trends

	Life Expectancy. at Birth (Years)		Adult Literacy (% of population)		Infant mortality (per 1,000 live births)		Access to improved water source (% of pop.)	
	Early 1990s	Early 2000s	Early 1990s	Early 2000s	Early 1990s	Early 2000s	Early 1990s	Early 2000s
Fiji	66	69	89	94	23	18		47
Kiribati	58	63	90	93	62	51		48
Marshall Islands	69	65	91	97	61	37		14
Micronesia	65	67		72	24	20		41
Palau	67	68		92	27	17		79
Samoa	68	69	98	99	25	20	69	91
Solomon Islands	65	69	30	30	27	20	61	71
Tonga	70	71	99	99	24	70	96	100
Vanuatu	65	68		34	48	34		44
EAP	68	69	81	87	42	34	71	76
LMA	68	69	82	87	41	33	75	81

Source: World Bank; ADB; UNDB; Government Reports

The World Bank and the IMF were both disappointed with the economic growth in the PMCs through the 1980s and 1990s. The disappointment was based on the findings of their assessment study in which they found that, while PMCs were enjoying certain benefits, their economies were registering zero growth in per capita income (World Bank: 2005b:3). By the end of the 1990s, there was still little sign of economic growth and the Bank stated that:

... the goal of stimulating economic growth was not realized in the 1990s (World Bank, 2005b: 3).

Economic growth in each of the PMCs during the period 1992 to 2003 remained modest and was below the levels achieved in the East Asia and the Pacific (EAP) region and

below lower middle income (LMI) country averages. Table 3 shows that the per capita income growth stagnated or declined in five of the nine PMCs. The region's major productive activities and their returns continued to be well below their expected potential. In fisheries, for example, of the US\$2 billion in tuna extracted from the Pacific each year, just 3 percent accrues to Pacific countries in royalties and license fees (Bank, 2005b:3). Nor was tourism, considered a major source of potential income and revenue, able to attract the numbers of visitors to produce the returns expected of it in the PMCs. Tourism in all the PMCs together attracted less than 600,000 tourists in 2000 compared to 465,000 received in the Maldives alone which, in turn, is less than 10 percent of tourist arrivals in Hawaii (World Bank, 2005b:13).

Table 3: Per Capita Income Growth

	GDP growth rate 1992-2003 (annual average)	GDP per capita growth rate 1992-2003 (annual average)
Fiji	3.2	2.0
Kiribati	4.1	1.8
Marshall Islands	-0.5	-1.7
Micronesia	0.9	-1.1
Palau	1.4	0.5
Samoa	4.1	3.4
Solomon Islands	0.3	-2.4
Tonga	2.3	2.0
Vanuatu	2.4	-0.4
EAP Average	7.5	6.3
LMA Average	3.4	2.3

Source: World Bank, WDI 2004

The growth rates in the beginning of the nineties, before the structural adjustment programmes were introduced, showed that the performance of the PMCs were much better before the SAPs was introduced than at the end of 2003, by which time SAPs had

been in operation for around 10 years. The above table shows that per capita income growth stagnated or declined in five of the nine PMCs, part of the explanation for the lack of growth during the 1990s, during which time the programmes were implemented was stated by the report as:

The region's economies continued to be significantly affected by external natural and economic shocks (World Bank, 2005a: 15).

The cost of cyclones and other natural disasters in the region in the 1990s exceeded some US\$1 billion and placed significant strains on individual economies. Natural disasters, including cyclones, had damaged every PMC during the 1990s (World Bank, 2005a: 15). The 1986 cyclone in Fiji affected nearly a third of the population. The 1990 and 1991 cyclones in Samoa, for example, caused damage that was reported to be estimated at 82 percent of Samoa's GDP that year, destroyed a quarter of the homes and contributed to the loss of more than half of the food supply (World Bank, 2005a:15). Fiji has also suffered massive floods and hurricanes in the late 1990s.

The low-lying atolls in the PMCs are increasingly vulnerable to climate change and rising sea levels for example, it was predicted that severe inundations in Kiribati by 2050 could cause annual damage of up to 35 percent of its 1998 GDP. Vulnerabilities associated with dependence on a few commodity exports also remained high (ibid: 16). The World Bank Report (2005) stated that in the Solomon Islands, a large drop in GDP followed the collapse of timber prices in 1997. While in Samoa, the taro leaf blight epidemic in 1994 virtually eliminated the production of taro which previously had accounted for fifty percent of Samoa's exports. Efforts to mitigate vulnerability to external shocks by building levels of reserves above prudential norms have yet to be successful. The report stated that:

Samoa was the only country which managed to maintain average international reserves equivalent to 5.5 months of imports. The average reserves among the borrowing PMCs during the past decade ranged from 1.7 to 3.6 months, compared

to 6.7 months in EAP countries and 6.9 in LMI countries (World Bank, 2005a: 15).

Given the factors mentioned above, the constraints on their development, and their ongoing need to borrow, the Pacific countries were forced to accept the World Bank's Structural Adjustment Programme because they were not in a position to refuse. They were pressured to accept the terms offered to them by the financial institutions to obtain access to credit from international financial institutions to fund basic development programmes for their growing populations with their steadily expanding material expectations. Access to credit and loans for the development of the exports of goods and services, on which the island nations depended, were subjected to the terms and conditions issued by the financial institutions through structural adjustment policies (SAPs). The timing of the introduction of the policy and the programmes, were strategically important as the World Bank noted that the "region's economies continue to be significantly affected by external natural and economic shocks" (World Bank, 2005a:15).

Promoters of SAPs

The main promoters of the Structural Adjustment Programmes in the Pacific were, and remain, international financial institutions, namely the World Bank, International Monetary Fund and the Asian Development Bank which provide significant amounts of development assistance finance to the region. PMCs have all depended on other sources of development funding such as the United Nations Development Programme (UNDP), whose leverage in the PMCs results from the fact that all of the states depended heavily on external assistance to help finance their development expenditure. But the same policies, and similar programmes, were also promoted by multilateral and bilateral donors and so it was difficult for the island states to circumvent the pressure to adopt packages of policies and programmes.

Multilateral partners include:

The Asian Development Bank (ADB), the European Union (EU) and specialized agencies of the United Nations family mostly United Nations Development Programme (UNDP) and United Nations Educational Scientific and Cultural Organization (UNESCO). The ADB and EU accounted for 82 percent of multilateral overseas development aid (ODA) provided to PMCs in 1998 (World Bank, 2000:19).

The ADB has a regional office in Vanuatu and is in the process of reviewing its regional representation to move to a sub-regional office structure. Fiji is the main centre for regional representation from the United Nations and the European Union. The scale of involvement by development partners, and their perception of the lack of institutional capacity of PMCs to manage and drive aid effectively, make the issue of aid coordination very important from their perspective (World Bank, 2000c: 19).

More than twenty bilateral partners maintain programmes in the Pacific, which reflect both their colonial histories and national interests. The World Bank report listed over twenty developed countries that provide bilateral assistance to the PMCs.

The largest aid flow to the Pacific comes from four bilateral donors with significant economic, geographic or political interests in the region: Australia, New Zealand, the United States and Japan (see Table 4 below). The report stated that the top four (Australia, Japan, New Zealand and, in the case of compact countries, the USA) accounted for over 95 percent of bilateral official development assistance (ODA) in 1998. Other bilateral donors like Canada, China, and the European Union are present locally, with Australia having by far the largest number of regional offices. These countries had, in some cases, been through their own structural adjustment programmes and were, in

turn, promoting the same sort of policies which they had implemented under pressure from the international financial institutions.

The Pacific Island Forum Secretariat is funded by the Governments of Australia and New Zealand as part of their leadership role in the Pacific. At the 1994 Forum Economic Ministers meeting (FEMM), Australia was reported to offer aid to assist forum countries to allow the tracking of financial flows, including any funds used to support terrorism (Pacific Island Forum Secretariat, 2005: 4). According to Ganesh Chand, Minister for Economic Planning in the Fiji Labour Party led peoples' Coalition Government, which governed Fiji for a year until the coup of May 2000, the focus of the Forum Secretariat changed to incorporate issues arising from WTO, and the Forum Secretariat's annual convening of Forum Trade Ministers Meetings (FTMMs) was essentially for the purpose of discussing liberalisation (Chand 2001). Slatter rightly pointed out that:

... in promoting regional free trade as a stepping stone to global free trade, the Forum Secretariat was being entirely consistent, albeit misguided in its self appointed role as institutional facilitator of economic (and now trade) liberalisation, and that it was propelled by a genuine belief that what it was doing would benefit the Pacific Island states whose governments it served (Slatter, 2004:165).

New Zealand and Australia are both active partners in the Pacific Agreement on Closer Economic Relationships (PACER) and the Pacific Island Countries Trade Agreement (PICTA). The PICTA agreement is intended to expand the free trade area and to facilitate easier trade within the region. PACER encourages economic relationship between the Pacific member countries. However, the meaning and implications of both PICTA and PACER for the Pacific Island states were described by Slatter as part of the 'Pacific Islands Forum's contribution to paving the Pacific's way to trade liberalisation' (Slatter, 2004:172). Slatter further questioned the process used and stated that:

The failure of the Forum Secretariat to assess the likely impacts of (PACER), and the arguments for trade-led growth advanced to further rationalise the Pacific Island states' collective endorsement of free trade. The way in which the regional free trade agreements were marketed, the speed with which they were drafted and ratified, the general absence in any of the Pacific island countries of public consultation and debate on either of the agreements, and the short-circuiting of national parliaments for proper endorsement, altogether reflect poorly on the Forum Secretariat and raise questions about its political accountability (Slatter, 2004:173).

Slatter quoted Lopeti Senituli, Director of the Tongan Human Rights and Democracy Movement, who pointed out in a communication to members of the Pacific Network on Globalisation (PANG), in February 2002;

...the Social Impact Assessment on PICTA is being cleverly used to give the impression that since PICTA will have minimal impact on Pacific Island countries, PACER will also have minimal impact. A used car salesman could not have done a better job...the money spent on...the PICTA study is money down the drain...what Pacific Island countries need to see is a Social Impact Study on PACER (Slatter, 2004:185).

These two agreements, especially PACER, allow New Zealand and Australia to be part of the free trade consultations with any Forum country that wishes to introduce free trade with a developed country or developing country which has a per capita GDP higher than that of New Zealand and or Australia. New Zealand and Australia are stepping up their involvement in the region through the Pacific Island Forum Secretariat. The *Auckland Declaration 2004* was a statement agreed to by the leaders of the Forum to develop a 'Pacific Plan' which would create stronger links between the sovereign countries of the region and to help identify sectors in the region that could gain most from the sharing of resources of governance and the alignment of policies (Pacific Island Forum Secretariat,

2005:5). By 2006, this earlier agreement had been refined and became the *Pacific Plan* which was signed off by representatives of member nations.

On the ideological front, the ideas and typical images of the Pacific that were being floated in the media and official meetings encouraged the acceptance of ideas proposed by the regional organisations in order for them to accept the implementation of the reforms. The negative images were prominent among the media of the donor countries and facilitated the implementation of SAPs. The images portrayed in the media described the Pacific Island countries as those moving towards the nightmare of mass unemployment, a decline in health, environmental degradation and overcrowding. Fry (1997) stated that the images 'portrayed a region in danger of falling off the map' and went on to warn of 'an approaching doomsday or nightmare unless Pacific Islanders remake themselves (Fry, 1999: 1).

The agreements and the central role of the Forum Secretariat in promoting the interests of the donor countries especially New Zealand and Australia signals a changing relationship between the Forum countries and their trade partners. The Forum is the main organisation which spearheads regional trade liberalisation via regional trade agreements. Consistent with the leadership role assumed a key part in driving economic restructuring.

The following table shows that the level of funding from most of the bilateral donors has declined over the years. The following table lists the donors and their contributions between the years 1994-1998.

Table 4: Bilateral Official Development Assistance (ODA):1994-1998 (\$US Millions)

	1994	1995	1996	1997	1998
Bilateral Donors					
Australia	61.2	52.6	50.4	49	44.1
Belgium	0.1	0.1			
Denmark			0.2	0.3	-0.2
France	13.7	11.7	11	9.2	9.9
Germany	4.3	1.5	1.8	0.5	0.9
Japan	101.1	110.4	95.7	97.6	89.4
Netherlands	0.4	0.9	0.6	0.6	0.4
New Zealand	18.4	27.1	29.1	29.7	25.5
United Kingdom	12.7	8.6			
United States	320	216	219	144	179
Total	531.9	427.9	407.8	330.9	349

Source: Geographical Distribution of Financial Flows to Aid Recipients. OECD 2000

The above table shows a significant decline in the total aid given to the PMCs over the five years to 1998. In fact these declines were more significant than is immediately apparent because during this period the populations of the recipient nations were increasing steadily, and the per capita aid levels were declining even more quickly than is obvious from the above table which considers total levels. However, the period from 1998 to 2002, the same report showed the following figures, which indicated further decline in aid to the Pacific countries by the following donors: ADB 6%, Australia 13%, European Union 6%, France 2%, Japan 20%, New Zealand 6%, USA 43%, International Bank for Reconstruction and Development/ International Development aid 1% and other 3 %, (OECD 2000) indicate a reduction in the level of aid to the Pacific countries. Taking these figures into account shows that throughout 1994-2002 there was a significant decline in aid to the PMCs.

But the largest bilateral aid donors have somewhat different interests within the region which reflect their historical linkages and current interests. The largest aid donor during this period is the USA whose aid was focused on the North Pacific countries within the limited term compact arrangements. Australian aid was primarily for Melanesia states and with less going to Polynesia while New Zealand aid went primarily to Polynesia nations. Only Japan, which has a rather shorter history within the Pacific, distributed its aid more broadly.

The Focus of Aid Expenditure

During the period 1992-2002, the main aid donors in the Pacific region were the United States, Japan, Australia, European Union (EU), Asian Development Bank (ADB) and New Zealand) (World Bank, 2005a: 9). These countries and institutions were the official financiers and accounted for ninety percent of gross disbursements to the PMCs. The World Bank Report stated that:

Other than the United States and Japan, all the other donors focussed their assistance on social sectors. The United States assistance comprised largely of budget support to Micronesia and other countries which have compact of free association arrangements (World Bank, 2005a: 11).

Japan's assistance is more evenly distributed across the nine Pacific countries with nearly fifty percent of it being spent in the transport and energy sectors. Australian aid targeted health and education which together took up forty-five percent, and the rest was spent on other issues like governance and security. Sixty percent of the New Zealand aid was spent on education and other social services, while the rest was spent on capacity building.² The ADB was the largest multilateral lender with active programmes in each of the Pacific member countries. Approximately thirty-three percent of ADB aid focused on

² Support for reviews of governance, institutional strengthening and capacity building are all in fact contributions made through aid budgets to the process of structural reform in these states. Each of these programs is intended to improve the efficiency of the markets and transparency within the agencies charged with their regulation.

Government and civil society, thirteen percent on water supply and sanitation, nine percent on education, eight percent on multi-sectoral operations and the rest has been spent on development of policies. The European Community assistance concentrated on education and health and infrastructure. The overall evaluation of the World Bank's assistance to the Pacific before this period was reported as:

...Lacking in focussed and measurable goals, in turn its relevance and effectiveness was difficult to assess. The 2000 Pacific regional strategy focussed almost exclusively on instruments, eg "innovative lending" but it never defined a set of objectives towards which the instruments would be deployed the Bank's Pacific Regional Strategy fell short of being a viable, coherent assistance strategy in that it was not a regional integration assessment strategy RIAS (as designed for the West African countries) nor a compilation of individual country strategies (as in the case of South Asia), nor a presentation of a common set of objectives and strategies for all the Pacific member countries (World Bank, 2005b: 11).

Aid has largely reflected bilateral strategic interests and has often been directed towards service delivery, for example, law and order, schools, hospitals and, in a few cases, rural employment creation to avoid social conflict. The effect on growth of these measures has been uncertain.

There is also now a growing concern among the donors regarding aid effectiveness and development outcomes of their aid programmes. The donor countries, and the international financial institutions, are also mindful of rising poverty or hardship levels within the PMCs as well as the risk they face in not meeting the Millennium Development Goals (MDGs) and of the security concerns presented by the member countries. There is growing concern that member countries could become the bases for activities by criminals seeking areas in which there is less surveillance of their activities. The bulk of aid is now targeted towards poverty reduction and the achieving of the Millennium Development Goals.

Programmes

The Pacific Member Countries have instituted a number of structural reform programmes since the 1980s in response to external pressure, and in their pursuit of economic growth. The international financial institutions criticised the performance of the Pacific Governments in terms of governing their economies. The criticism of too much government was discussed in the 1991 World Bank report, *Pacific Island Economies: Towards Higher Growth in the 1990s*. Governments' efforts had, it noted, been misdirected into the protection of high-cost local economies from foreign competition. (World Bank, 1991: viii) The same report outlined the policies and programmes that the Pacific member countries should introduce and implement if they were going to seek development loans. These development policies became the base for the formulation of long term development programmes for the Pacific member countries. The focuses of these programmes changed through the 1990s, and have changed again in the period since 2000, but a similar core set of prescriptions have been maintained throughout the entire period.

These programmes were shaped by the neo-liberal agenda based on market-oriented economic reforms and programmes focussed on: fiscal discipline, limited government, privatisation, taxation reforms, economic and labour market deregulation, trade liberalisation, private sector expansion and export oriented expansion (Stiglitz, 2000a: 16). These fundamental ideas reflected the "Washington Consensus" views about appropriate policies for the developing countries. The programmes, were originally based on neo-liberal economic ideas, including the central notion that the market rather than the state is the most efficient allocator of resources and provider of goods and services and, that, in the market, all competitors are, or should be, equal and have free access to opportunities, resources and a level playing field.

The programmes were reviewed in the early 1990s as a result of falling commodity prices throughout the Pacific and the impact of natural hazards which affected most of the PMCs in the late eighties and early nineties. The Pacific countries were facing hard times

and needed capital to rebuild damaged physical infrastructure and to restore primary production destroyed or damaged as a result of a series of cyclones. Most of the aid was redirected initially into rebuilding the countries and their economies. Longer term development plans were addressed once they completed rebuilding, but in order to access capital, they had to adopt the World Bank's agenda outlined for them.

The World Bank's power came, in part, from its possession of formidable amounts of economic and social information and its considerable analytical resources. This information has accumulated from years of sectoral analyses and project work in most developing countries including the Pacific. The WB keeps a memorandum on each member country which provides information which forms the basis of the dialogue with officials. By this means, it has elevated its consultants to economic experts and endowed itself with the authority of knowing what is best for each the country.

To improve the policies, and to fine tune them for local circumstances, the World Bank adopted a consultative mechanism whereby its officials sought to influence the development process by ongoing dialogue on development policy issues with each member country. But the Bank had, by now, established 'allies' within the PMCs. Although the programmes were externally driven, Government officials and policy makers in the Pacific member countries had been swayed by the arguments of neo-liberal advocates and they, in turn, have become advocates within the various local agencies driving the reform programmes. These local elites, some of whom had significant commercial interests, supported the introduction of the World Bank and the IMF agenda in most of the PMCs.

Individual countries responded differently to the programmes based on these ideas, and so these programmes were again restructured in the late 1990s to accommodate governance issues. The programmes instituted in the different countries all emphasised economic growth and promoted the development of the private sector as the "engine of growth". The 1991 World Bank Report recommended that PMCs institute macro-economic policies to reduce fiscal deficits to more manageable levels, introduce

appropriate wage and exchange rate policies to maintain external competitiveness, and keep wages in line with economy-wide productivity, introduce legislation to restructure the tax system in order to broaden the tax base, lower direct taxes, eliminate trade inhibiting taxes, and shift towards an indirect tax system that “does not discriminate across productive sectors” (World Bank, 1991: ix).

The report also recommended tariff reform, including the reduction of tariff levels and removal of protective arrangements, as an essential part of tax reform. Corporate rates set at rates conducive to private investment and growth (ibid: iv) and the promotion of policies for the reduction of workers in the public sector as a cost saving measure were also recommended. The challenge issued to the PMCs was to provide a policy environment that would facilitate private investment. The PMCs were also encouraged to expand their export production, deregulate economic and labour markets, privatise or corporatise state owned enterprises and strengthened the private sector (ibid:iii). These were the main policy prescriptions in the first analysis given to the PMCs by the World Bank. The report further warned that a new pattern of aid allocation would be likely in the future with private entrepreneurs receiving a share of aid resources through the channelling of finances through the commercial financial system (ibid:viii).

Since 2000, the programmes have changed, and now take into account poverty reduction strategies which seek to align the objectives to the United Nations Millennium Development Goals, as well as changes in the World Bank’s policies. These changes have produced both positive and negative impacts on the island nations and each has different experiences of these programmes. The World Bank review report stated that most PMCs have reform programmes in place or under development (World Bank, 1999:5). Table 5 lists the different programmes within the PMCs. The reform programmes implemented were all somewhat different. Table 5 shows the different titles as well as the different focus accorded to each country programme. For example, in Melanesia, Vanuatu’s Comprehensive Reform Programme (CRP), was first endorsed in 1997, focused on reform of financial systems as well as strategies to promote good governance among the public sector. The Solomon Island’s Policy and Structural Reform

Table 5: The Pacific Reform Agenda

Prerequisites for Sustainable Growth and Development	Solomon Island - Policy and Structural Reform Program	Samoa - Statement of Economic Strategy	Vanuatu - Comprehensive Reform Program	Kiribati - Development Strategy	Federated States of Micronesia - Public Sector Reform Program	Regional Organizations	Non-Government & Volunteer Organizations	Multilateral and Bilateral Engagement (past & present)
Good and Clean Government	Major focus	Major focus	Major focus	Major focus	Major focus	South Pacific Forum, SPC, FEMM, PIDP	Major Focus	ADB, Australia, New Zealand, UN, UK
Justice System	No explicit focus	No explicit focus	No explicit focus	No explicit focus	No explicit focus		Focus	New Zealand, Australia
Financial System	Major focus	Major focus	Major Focus	Major Focus	Major Focus	South Pacific Forum, FEMM	Focus	ADB, Australia, WB
Social Safety Net and Social Programs	No explicit focus	Central role played by village, churches and NGOs.	Focus	Focus	No explicit focus	South Pacific Forum, SPC	Major Focus	Australia, New Zealand, UN
Education	Focus	Separate strategy developed and linked to SES	Focus	Focus	Focus (retraining of civil servants)	South Pacific Forum, SPC, USP	Major Focus	Australia, New Zealand, WB, EC, UN, UK, Japan
Health	Focus	Separate strategy developed and linked to SES	Focus	Focus	No explicit focus	South Pacific Forum, SPC	Major Focus	Australia, New Zealand, Japan, WB, UN, EC, Japan
Water and Sewerage	No explicit focus	Separate water and waste management national policies	No explicit focus	Focus	No explicit focus	South Pacific Forum, SPC, SPREP, SOPAC	Major Focus	ADB, Australia, EC, UN, Japan
Energy	No explicit focus	Identified as a priority	No explicit focus	No explicit focus	No explicit focus	South Pacific Forum	Focus	ADB
Roads, Transportation & Telecommunications	No explicit focus	Identified as a priority	Focus	No explicit focus	No explicit focus	South Pacific Forum, FEMM	Focus	ADB, Australia, New Zealand, EC, WB
Environment and Natural Resources	Major focus (forestry)	Identified as a priority	No explicit focus	Focus	No explicit focus	South Pacific Forum, SPC, FFA, SPREP, SOPAC, CROP	Major Focus	New Zealand, Australia, ABD, WB, UN, EC, Japan
Rural Strategy	Major focus	Separate strategy developed and linked to SES	Major focus	Focus	No explicit focus	South Pacific Forum, SPC, CROP, SPREP	Major Focus	Australia, New Zealand, EC, UN
Urban Strategy	No explicit focus	Not an explicit focus	Major focus	Focus	No explicit focus	South Pacific Forum, SPC, FEMM	Major Focus	ADB, WB, UN
Private Sector Strategy	Major focus	Major focus	Major focus	Major focus	Major focus	South Pacific Forum, FEMM	Major Focus	ADB, Australia, NZ, UN, EC, WB.

Secretariat of the Pacific Community (SPC), Forum Economic Ministers Meeting (FEMM), Forum Fisheries Agency (FFA), South Pacific Regional Environment Program (SPREP), South Pacific Applied Geoscience Commission (SOPAC), The University of the South Pacific (USP), Council of Regional Organizations in the Pacific (CROP), Pacific Islands Development Program (PIDP).

Source: World Bank (2000). Pacific Regional Strategy, Washington DC, Pg 18

The above table provides a summary of the types of programmes that were introduced in the different Pacific Island countries. On closer examination, the Pacific countries were all given the same set of criteria they need, to meet as part of their sustainable development agenda. The names of the programmes were all different but they were measuring the same criteria. The Solomon Island was implementing a Policy and Structural Reform programme, Samoa was following, statement of Economic Strategies, Vanuatu's was called the Comprehensive Reform Programme, Kiribati was The Development Strategy, and the Federated States of Micronesia called their plan the Public Sector Reform Programme.

The core focus of all these programmes, irrespective of the Pacific country, is macro-economic stability and stimulating the private sector as the engine of sustainable economic development (World Bank, 2000b: 19). However, different countries were treated differently as shown in the above table. The World Bank prioritised different sectors and targeted different ways of approaching the same fundamental issues. It is important to note that the bilateral and multilateral donors to the PMCs supported the reform programmes proposed by the financial institutions.

An assessment of the World Bank's operation, undertaken by the Operations Evaluations Department (OED) of the World Bank activities in 1991 and 1992, concluded that:

...the Bank was generally unable to make an effective contribution to the development of the Pacific member countries during most of the 1980s (World Bank, 2000a: 19).

Other conclusions reached by the OED study were:

* The Bank's direct contribution to resource transfers to the Pacific Island member states had been very limited;

- * the Bank's lending had not been guided by any well conceived strategy to contribute to long term sustainable development in the Pacific Island member countries;
- * The Bank had not been able to make effective use of project lending as an instrument of policy dialogue; and
- * the Bank's past experience did not clearly establish areas of comparative advantage for Bank assistance to Pacific Island members (World Bank, 2000a: 25).

The same OED report, it identified a number of lessons to be incorporated in the Bank's future programme. These lessons, which remain relevant today, pointed to:

- * Poor definition of strategic objectives made it difficult to tailor lending to achieve these objectives and had an adverse impact on project quality and sustainability;
- * The absence of long-term strategy contributed to inadequate sector and economic work;
- * Long-term strategy development needs to include active collaboration from the other development partners in the region; and
- * Future lending activities in member countries and with development partners need to be based on shared strategy and policy goals (ibid: 25).

The continuing validity of these assessments has been reinforced through the *Asian Development Bank's (ADB) Assessment of its Assistance for Reform Programs in the Pacific*, report (1993) which found that:

- * Reform programs have to have broad political ownership and to be open to and driven by wide participation if they are to have any chance of success.
- * In designing and supporting reform programs the issues of scope, phasing and pragmatism in the design of interventions needs to be considered explicitly.

* Reform is a long term process and longer term perspectives, by both countries themselves and development partners, are essential.

* There is a need to clearly establish the link between inputs, processes, outputs and impacts. To be able to do this timely and reliable information is required.

* Culture plays a crucial role and needs to be accepted as a legitimate consideration in designing reform programs (Asia Development Bank, 1993: 26).

The World Bank learnt from its evaluation report, and it reformulated a programme which it called the Comprehensive Development Framework (CDF). This new programme establishes a balance in policymaking by highlighting the interdependence of all elements of development including social, structural, human, governance, environmental, economic, and financial.

This demonstrated the new willingness of the World Bank to “address the holistic nature of Pacific society and, to move beyond discrete indicators of economic performance and human capacity and to address, in concert, fundamental, long-term issues of the structure, scope, and substance of societal development as part of their change in perspective” (World Bank, 2000: 26).

This new paradigm highlights four major areas of development. These were identified as: structural, human, physical and sectoral. These areas were identified as important ones for World Bank programmes to address simultaneously if it was serious about sustainable economic development in the Pacific. Country specific programmes incorporating these elements in different mixes needed to be developed and adequately funded to be effective. The four crucial areas identified are described as follows:

- **Structural** elements include honest, competent governments committed to the fight against corruption; strong property and personal rights laws supported by efficient legal and judicial processes; a well-supervised financial system promoting transparency; and a reliable social safety net.

- **Human** development requires universal primary education along with a sound secondary and tertiary system; and a health system that focuses on family planning and child care.
- **Physical** concerns centre around the efficient provision of water and sewerage; expanded access to reliable electric power; access to road, rail and air transport along with telecommunications; and preservation of the physical environment and cultural heritage.
- **Sectoral** elements include an integrated rural development strategy; sensible urban management; and an enabling environment for the private sector (World Bank, 2000: 27).

The World Bank's new development agenda embodied targets in each of the four areas of the CDF. Fighting poverty is now the current central mission of the Bank (World Bank, 2000: 27) and is at the core of the CDF. It reported that poverty in the Pacific varies both in terms of its incidence and its defining characteristics. The existence of strong cultural and social systems in the Pacific continues to ameliorate and mask the incidence of absolute or abject poverty, but there are clear indications that these systems, and the values that underpin them, are under strain as a result of modern lifestyles and the consequent weakening of traditional communal support systems. For instance, it noted among the causes some of the following reasons:

Rates of youth suicide throughout the region are some of the highest recorded in the world. Towns and informal settlements continue to grow at a rate that see young people and their families removed from traditional support structures and the incidence of urban poverty growing at an increasing rate (ibid: 28).

The demographic profile of the Pacific reveals a young population with some 40 percent of the population under 15 years, and a further 20 percent between 15 and 24 years (ibid: 27). This emphasizes and points to the continuing and sustained pressure on any Government's capacity to establish and maintain health and education systems capable of providing even a basic level of service for its rapidly growing future population without

significant increases in a state's revenues, or significant declines in population growth rates.

The impact of poverty also varies within the region, with the larger Melanesian countries of the Solomon Islands and Vanuatu sharing some features. For example, they have no access to out-migration and its benefits, low adult literacy rates and levels of access to safe water, that place them on a par with the experience of countries in Sub-Saharan Africa (ibid: 28).

Despite this, according to the World Bank's report, sustainable progress against poverty can be achieved on the current development agenda as long as new reform programmes are broad-based and owned and driven by the country concerned. The World Bank is confident that such programmes can lead to broad-based economic growth and employment creation. The same report also claims that the World Bank supports country specific reform programmes and that its support is evident in the level, the scale and type of assistance given to individual countries (ibid: 28).

Country Developments

There are nine PMCs. However, only six countries, namely Fiji, Samoa, Solomon Islands, Tonga, Vanuatu and, more recently, Kiribati were borrowing from financial institutions in the beginning of the reform programmes. Kiribati has only recently joined the group and the other three countries, namely the Federated States of Micronesia (FSM), Marshall Island and Palau were assisted by the United States under a Compact of Free Association and did not participate in the early programmes promoted or financed by the world financial institutions. The following country profiles discuss the development programmes currently in operation in the eight PMCs. The Samoan case is not covered here and will be discussed in greater depth in the next chapter.

Fiji

Fiji became independent from the United Kingdom in 1970. Its legislative consists of a bicameral parliament comprising of an appointed upper house, the senate (32 members), and an elected lower house, the House of Representatives (71 members). It has a total land area of 18,270 sq km and a population of 848,000 (2004 estimate).

Fiji has the largest economy of all the Pacific member countries and is the least aid dependent nation among the World Bank's clients. The Bank reported aid levels averaging \$US38 per capita over the period from 1999 to 2000. The 2000 political coup resulted in an economic decline with significant members of its business community emigrating to other countries and resulting in a collapse in business confidence in Fiji (World Bank, 2005a: 34).

Fiji is the largest of the PMCs and has a relatively well-managed and diversified economy. Prudent macroeconomic management along with tax and trade reforms, which began in the 1980s, helped Fiji diversify its economy and helped it achieve a 3 percent growth rate by the 1990s.

The key growth sectors included the garment industry, tourism, gold mining, fisheries, agricultural crops and timber. The sugar industry which was Fiji's largest merchandise export, has been in sharp decline since the mid-1990s, undermined by inefficient processing and the expiry of land leases for farmers (World Bank, 2005a:34). The investment levels during this decade remained low, with private investments averaging 4 percent of GDP. The 2000 coup undermined public confidence as it caused a period of isolation from the rest of the world and resulted in a 3 percent drop in GDP. The political instability led to high levels of emigration among the Indo-Fijian community especially among skilled professionals and a consequent loss of capital. It also led to fiscal pressures and further undermined the confidence of potential investors (ibid: 34).

The financial institutions were concerned about Fiji's inability to service its loans with them, and therefore wanted to promote structural adjustment reform programmes to encourage the growth of the Fiji economy. There is an inherent assumption that if the economy improves, the international debts can be serviced. Since 2001, expansionary fiscal policies have been put in place and have resulted in a turn around of its real GDP growth. Sustaining Fiji's past record of macroeconomic stability and raising public sector efficiencies are high priorities for their reform programmes. An important concern for the SAP is engaging more of the population in the development process, especially the marginal rural population which is migrating to urban areas causing strains to Fiji's urban centres.

According to the World Bank Report, some of the constraints to greater private sector investment and growth are high cost and erratic utility provisions, price controls on a range of consumer goods and services, high interest rate spread, limited access to financial services and an ineffective commercial litigation system (World Bank, 2005a:35). This analysis is in line with their agenda as the World Bank sees privatisation and liberalization as the key to economic growth.

Four World Bank financed projects were implemented in Fiji between 1988 and 2003. The road upgrading project (1988-1992), helped Fiji establish an effective arterial road network. It also increased the participation of private firms in road works and construction projects, and improved road safety. The telecommunication project helped commercialize Fiji's telecom utility, modernize the telecom network and broaden access to its telephone services (ibid: 35). The housing project helped to introduce a new policy framework which assisted Fiji in developing affordable housing plots and helped finance loans for housing construction. The sound progress of these projects was hindered by continuing political instability in Fiji and the lack of follow up activities by the banks in monitoring and managing the projects. These factors undermined infrastructural development and contributed to the failure of these programmes to be sustained in the long term.

The early structural reform programmes targeted infrastructure development. In 2001 to 2003, however, the foci of the structural reform programmes changed to include high quality technical advice and analytical support provided on a grant financed basis (World Bank, 2005b: 36). As recently as 2004, the programmes have targeted public sector efficiency and effectiveness and improvement of private sector development and investment. These include strengthening the Government capabilities in service delivery, improving the incentives for private sector growth and employment, strengthening the management and sustainability of the resource based sectors, and improving access to regional labour markets (ibid: 36).

The reform programmes have now included the Millennium Development goals as a more recent target of the structural reforms. Foreign reserves stood at about three months of imports of goods and services in 2003–2004 (ibid: 36). Fiji has for a long time relied on its sugar industries for its main exports, but the loss in 2005 of preferential trade arrangements with the European Union has affected this industry. The garment industry in Fiji is also suffering major setbacks since it lost the preferential trade arrangements with the United States in 2004, making it difficult for Fiji to compete effectively international competition from lower wage economies. Tourism remains a strong foreign exchange earner and construction activity is on the increase as a result of infrastructural developments.

The World Bank's activities in Fiji are to support the Government in its structural reforms and, in particular, in lowering the costs for business, improving private sector employment prospects and encouraging a sustainable strong economic growth (ibid: 39). International financial institutions are also mindful of Fiji's political upheavals following the 1987 and the 2000 coups and are promoting national stability as a key concern in strengthening the preconditions of what they see as fundamental prerequisites to Fiji's long term prosperity.

Fiji has several development partners who assist in their development activities. All donor activities are now coordinated to support different sectors in Fiji. The Asian Development Bank assists Fiji in the areas of transport and communications, energy,

agriculture, natural resources, water, sanitation and finance. Australia provides bilateral aid in health, education and justice sectors. The European Union has prioritized education as its main focus especially technical assistance and improving the quality of both formal and non formal education. New Zealand through, NZAID, provides NZ\$4.1 million in bilateral assistance to support the Government of Fiji in law, justice, community and economic development, education, training and health (ibid: 40). Japan assists by providing US\$10.13 million for industrial development, marine resource development, infectious disease control as well as rural education and health services (ibid: 40). All the donors now work collaboratively to provide for the different sectors within Fiji, and this is also an indication of the collaboration between the financial institutions and agents providing aid to Fiji.

Solomon Islands

The Solomon Islands has been independent from Britain since 1978. The Solomon Islands has one of the most diverse language groups in the Pacific. It has two official languages and 87 listed indigenous languages and 30 dialects which create challenges for both governance and development. It is currently run by a parliamentary democracy with a single 50 seats legislative assembly based in Honiara. It has a land area of 29,785 square kilometres and a sea area consisting of 1.35 million sq. km. The population of the Solomon Islands is 470,861 (2004 estimate) and is growing at the rate of 3.1% per annum (World Bank, 2005b: 65).

The Solomon Islands has a dual economy and is “the poorest of all the PMCs with a Gross National Income of \$600 per capita” World Bank, (2003). Agriculture accounted for only 5 percent of GDP in 2003 (World Bank, 2005b: 65). Its major products are copra, marine products and timber. Subsistence activities dominate the lives of 80 percent of Solomon Islanders, which means that the majority of the population remains almost entirely outside the formal economy. The formal sector comprises logging, tree cropping plantations, commercial fishing and a large public sector. A logging boom in the mid-1990s raised GDP growth to over 5% per annum between 1992 and 1996. In 1997, the

timber market collapsed as a result of the Asian crisis, and exposed the fragility of its economy and its underlying policy weaknesses.

In 1998, and faced with an impending macro-economic crisis, a reform-minded Government started introducing structural adjustment programmes (World Bank, 2005b: 65). The Government's intention in introducing these programmes was to stabilize the economy and to stimulate the private sector to respond to the Government's agenda. However, in late 1999, the Solomon Islands plunged into political turmoil and civil strife due to ethnic tensions. The security situation worsened, public administration deteriorated and by mid-2003 had reached a state of near collapse. Intimidation and the extortion of public servants by rebels, as well as rampant corruption, led to fiscal crises. The general public was also subjected to this treatment. During this period, the Solomon Islands fell into arrears with respect to all its external creditors, including the World Bank and the Asian Development Bank.

The reform plans were interrupted by this outbreak of ethnic-related violence which resulted in a coup in 2000, and a situation of lawlessness existed until 2003 (Bank 2005b:62). An Australian-led regional military intervention helped restore law and order but the fighting took its toll with the country's formal economy in a state of virtual collapse, and the country itself was facing severe financial crisis (World Bank, 2005b: 62). According to the World Bank report, GDP contracted by 4.5 percent a year, dropping the country from a lower middle income country to a least developed one. The real hardship was prevented because most of the people can exist quite well within its subsistence economy. However, access to basic social services deteriorated and social indicators were predicted to decline (World Bank, 2005b: 63).

There were four programmes introduced in the Solomon Islands as part of its structural reform programme between 1992 – 2003. The Structural Adjustment Credit (SAC) programme, which is the one and only programme of its kind introduced in the PMCs, two projects targeting primary education, and one project targeting the improvement of community health. The only successful programme, according to the World Bank report,

was the Structural Adjustment Credit programme (World Bank, 2005b:63). The SAC was introduced to support the reform minded Government of the day, and has aimed at phasing in a basic policy framework for a market-oriented and private sector led economy. The fiscal and monetary policies introduced under the SAC project assisted in stabilizing the country's economy in 2003 (ibid: 63). It also introduced the enforcement of forestry legislation which kept logging at sustainable levels. The project was not sustained after the outbreak of civil unrest in the country after 2000. The other three projects were successful in the beginning but also failed to provide the quality of services they were intended to achieve. This, coupled with the political instability within the Solomon Islands themselves, made these attempts at reforms unsuccessful.

In 2003, an Australian-led regional intervention force; the Regional Assistance Mission to the Solomon Islands (RAMSI) was deployed at the invitation of the Solomon Island Government under the Facilitation of International Assistance Act (2003) (ibid: 64). Law and order was quickly restored and has been effectively maintained. In addition to the security force, RAMSI has the following components:

Provision of a police presence which is expected to remain for up to 10 years to maintain order and also to rebuild the Solomon Island's police force. It is also expected to provide technical assistance to support restoration of the budget process and more efficient and accountable public spending and to provide development assistance to underpin peace and reconciliation (World Bank, 2005b: 65).

RAMSI-funded advisors and staff have been placed in the legal and judicial system and in economic and central government agencies, including the Ministry of Finance, to re-establish systems and to train and retrain counterparts to assume control. The general public supports RAMSI because it has stopped the day-to-day violence, intimidation and abuse of power.

Improvements in security have boosted public confidence and have reinvigorated formal business activities. As a result of the restoration of law and order, real GDP growth rebounded sharply from an average of negative 8.6 percent over 2000-2002 to 5.6 percent in 2003 (ibid:65). Export levels have improved as well as growth in primary production and construction activity. The report stated that as a result of the improvements in food supply and the stabilization of the nominal exchange rate, inflation has fallen from 10 percent in 2002-2003 to an estimated 6 percent in 2004-2005 (ibid: 65) This improvement was due to a more efficient method of tax collection aided by amnesties on penalties, the cessation of payments to the ex-militants, a tightening of expenditure controls, and significant grant based budgetary support from the donors. The aftermath of its political and economic unrest has left the Solomon Island more aid dependent than before the reform programme commenced. But, with security provided by the presence of RAMSI and significant technical support, the Solomon Islands is rebuilding its infrastructure as well as its capability to manage its domestic affairs.

Kiribati

Kiribati gained independence from Britain in 1979 and has a strong cultural tradition based on an egalitarian ethic of mutual help and cooperation. It is the most remote country of the Pacific member countries, and became a member of the World Bank in 1986. Kiribati has a population of 97,813 (2004) spread across an area roughly the size of Europe (World Bank, 2005b: 40). Kiribati is also the poorest of the PMCs with a gross national income (GNI) of \$880USD per capita (2003 figures) as reported by the World Bank (ibid: 40).

The Government has established a significant public sector role in investment, employment and service delivery. The public sector now accounts for more than 75 percent of formal sector employment. The Government's plans to develop the private sector have been hindered by the large and ineffective public sector, and Kiribati social indicators remain the lowest in the region (World Bank, 2005b: 40). The private sector

has largely been confined to subsistence fishing and agriculture, copra production and small scale service activities around the capital town. The Government has been encouraging the growth of private sector activity since 1999. Tourism, commercial fisheries and small scale business activities such as seaweed farming and black pearl farming, are some of the activities promoted by the Government to grow the private sector around its capital city (ibid: 40). Limited economic activities and opportunities in the outer islands have contributed to the increase in squatter settlements in the city, putting pressures on the urban services.

Kiribati faces difficult challenges in the agricultural sector due to an inhospitable natural environment. There are no forest resources, and no known mineral resources and only coconuts, breadfruit, pandanus, pawpaw, bananas and swamp taro grow in its infertile soils. Kiribati is dependent on two primary exports, namely copra and fish. The sharp decline in the prices of copra in the mid to late 1980s coupled with a drought at the same time, reduced export earnings leading to a severe deterioration in the balance of payments.

Kiribati does possess abundant ocean resources, including fish and other seafood in its 200 mile exclusive economic zone (EEZ) (ibid: 40). However, the fish export was plagued by poor and irregular air flights to Hawaii and other locations, including Japan (World Bank, 1991: 165). Tourism has not really developed in Kiribati because of the scattered and isolated islands with irregular, or no, transport system between them. There are infrastructural constraints and Kiribati does not have the means to address these problems.

Kiribati receives income from remittances from those who work and live overseas temporarily, and this income can not be relied on as a form of ongoing benefit. The shipping lines for which Kiribati seamen work, were constantly seeking ways of reducing their labour costs by eliminating the sorts of positions for which they have been recruited. Kiribati's main source of income is from external grants and fishing license revenue. It is also assisted by the Revenue Equalisation Reserve Fund (RERF), which was established

in 1956 and is invested in various currencies, and funds the government's expenditures (World Bank, 1991: 45).

As a small country, Kiribati is faced with major development constraints and will be dependent on aid for most of its development projects. Kiribati was not in a position to negotiate development loans with institutions like the World Bank because they were being assisted by Australia and the country uses the Australian dollar as their legal tender. The World Bank consults with the Government of Australia regarding the aid for Kiribati. The World Bank has assisted Kiribati in a project titled Global Environmental Facility (GEF) to assist with adapting to climate change (ibid: 45). However, apart from assisting Kiribati with climate change, the World Bank is ready to continue having dialogue with Kiribati on its future priorities as reflected in its national development plan for 2004-2007.

Tonga

The Kingdom of Tonga consists of about 170 islands in three main groups: Tongatapu and Eua, Vava'u and Haapai. The Tongan population was estimated at 102,000 in 2003. The population has grown only 0.5 percent per annum in the recent past due to high emigration. Tongan society is relatively homogenous with the Tongan language spoken throughout the country. Tonga has the most fertile islands of the PMCs and has been blessed with an extensive fishing zone and relatively unspoilt and attractive outer islands. Tonga has good growth potential in agriculture, fisheries and tourism (World Bank, 2000: 67). Social indicators remain high with literacy rates and access to education, health services and clean water facilities close to universal. Growth in Government services has increased but productive activities have declined over the years.

Various constraints prevent greater private economic activity, including the land regime with concentrated ownership among the royal family and nobles; significant public sector involvement in commercial activities; large commercial interests (including power, telecommunications and banking) owned by members of the royal family; a heavy burden

on farmers and wage earners from both Government taxes and church contributions; a high tariff regime; and a complex investment approval process (World Bank, 2005b: 67). Strains have become apparent in the economy with expansion policies and civil unrest pushing inflation to over 10 percent in 2002-3. A protracted public service strike, and significant wage and salary increases granted to end the action, have worsened the economic situation still further. After nearly 150 years of monarchy, Tonga's first political party was formed in early August, 1994 by commoner politicians campaigning for the promotion of democratic principles and constitutional reforms which would have reduced the power of the monarchy and increased the power of the people. The reforms envisaged by the promoters of political reform could have a significant impact on the economy of Tonga in the future. But in the meanwhile, limited employment opportunities have caused high rates of emigration and Tonga's economy remains the most reliant on remittances among the PMCs (World Bank, 2005b: 67).

Muliaina, a geography lecturer at the University of the South Pacific, indicated in his thesis that one-third of the national income of Tonga is represented by remittances or 59.6 percent of the GDP share (Muliaina, 2005:6). He goes on to state that the main economic events in Tonga are dominated by the emigration of Tongans abroad seeking economic opportunities. These migrants are responsible for the substantial flows of unofficial assistance that Tonga receives. Emigration, both permanent and transitory, is by far the most important factor in the Tongan economy. It is estimated that 35,000 to 45,000 Tongans migrated in 1991 and are living abroad, primarily in New Zealand, the United States (mainly Hawaii, California and Utah), and Australia.

These emigrants send substantial remittances to their relatives in Tonga. In addition to inflows of cash, remittances are also received in-kind; the proportion of "in-kind" remittances is perceived to have increased dramatically in the last couple of years (Muliaina, 2005:6). Therefore, actual remittances in cash and kind may be even higher than estimated in the balance of payments data. However, these remittance inflows are reported to have had an adverse effect upon labour supply, leading to higher reservation

wages and a corresponding reduction in the production of traditional export crops (ibid:10).

Given Tonga's continuing dependence on private remittances, there is a growing concern that any stagnation, or decline, in these may reflect a longer term trend resulting from weakening of family ties between Tongans living abroad and their relatives remaining in Tonga. The long term trend of remittances is difficult to assess; however, much of the apparent stagnation may reflect exchange rate movements as remittances have continued to rise in US dollar terms. The level of remittance and the traditional Tongan social system, based upon extended family ties, does assist in keeping the incidence of poverty at a very low level. Indeed, the recent extended public servants' strike was possible only because of support from expatriate Tongans who provided food and funds for the strikers throughout the strike.

Tonga has received substantial levels of official assistance on a per capita basis. The Kingdom of Tonga also receives substantial levels of official assistance from donors and grants which support a large public sector which dominates domestic economic activity and the formal labour markets. Bilateral grants have constituted the largest share (about three-quarters) of external assistance (World Bank, 1991: 248). The major donors are Australia, New Zealand, Japan and the EU. Disbursements of concessional loans varied during the 1990s, but averaged about US\$2.3 million per annum. The main suppliers of these loans have been the Asian Development Bank, the European Investment Bank, and the International Fund for Agricultural Development and, more recently, the World Bank. Currently, Tonga is probably absorbing less assistance than donors are willing to contribute, due to a lack of viable projects, and planning and implementation constraints (ibid:248).

Agriculture and services are the most important sectors of the Tongan economy. According to the national accounts, agriculture accounts for about 40 per cent of GDP, and virtually all production originates on small-scale landholdings. Recent analysis by the World Bank, however, indicates that the value of agriculture is significantly

underestimated and therefore constitutes a larger share of economic activities (ibid:249). Considerable economic infrastructure has been created, notably in the areas of shipping and air transport, ports and harbours, telecommunications, and flood protection.

Financing for these projects has been provided almost entirely by external concessional assistance. Private sector investment has been limited, indicated by the modest amount of credit extended by the commercial and development banks. Some of the financing of these investments have been derived from the Tonga Development Bank with lines of credit from multilateral and bilateral agencies. Thus, domestic savings has been negligible, if not negative, throughout the 1990s. The structure of the balance of payments also reflects the dependence of the economy on private remittances and official grants, and the dominance of agriculture in economic activity (ibid:249). During 1988/89-1992/93, external grants and subsidies offered to new manufacturing and official loan disbursements averaged US\$18 million and US\$3 million (ibid:254). Such flows have supported development of a broad base of economic infrastructure and human resource. High levels of foreign aid, equivalent to US\$233 per capita per annum continues.

Tonga instituted three programmes as part of its reform package in the 1990s. Health sector reform was aimed at improving health outcomes; the education support project was intended to enhance the quality and the equity of the education system; and the third project was the procurement reforms and the capacity development grant for capacity building through technical assistance activities and in-country training programmes. The World Bank currently provides a range of advisory and analytical support, complemented by targeted activities in sectors that the Government has identified as priorities. The World Bank intends to partner with Tonga to strengthen Government capabilities and facilitate MDG attainment, as well as to enhance the domestic business climate. This would entail an expansion in the bank's involvement from the health, natural hazard management and public procurement sectors to include education, transport sector reform and tackling regulatory impediments to private sector growth.

There is a range of country and international agencies who assist the Kingdom of Tonga towards the development agenda. ADB assists Tonga with the environment issues, public sector management, social development and other sectors like education, health, energy, nutrition, industry, trade and transport. Australian bilateral aid assists Tonga in governance issues, public sector reform, health management, solid waste management and some security issues. The European Union assists Tonga with social services, especially for the outer islands and micro project programmes for the rural population, as well as emergency reconstruction in case of natural disasters. Japan assists through JICA which is its volunteer network for human resource development. New Zealand aid assists Tonga through good governance issues, public sector reforms, and sustainable livelihoods. United Nations agencies, including World Health Organisation (WHO), UNESCO, FAO and others, are also assisting Tonga in a range of programmes. Tonga depends heavily on aid to develop and so it was in no position to refuse at the time when it was faced with a drought in the late eighties and a cyclone in the early nineties.

Two structural reform projects were active in Tonga during the 1990s. The joint ADB/World Bank Development Bank project helped establish a market-based interest rate structure, but failed to strengthen the Tonga Development Bank (TDB) as an effective term-lending institution (World Bank, 2005a: 77). Continued poor lending and accounting practices, along with politically-motivated decision-making, allowed a large proportion of the funds to be used for unviable sub-projects. By the end of the project TDB was in severe financial difficulty (ibid:77). However, subsequent managerial changes, more political autonomy, assistance from New Zealand, and some application of the World Bank's prior recommendations helped TDB recently emerge as a financially sound and commercially-oriented lending institution. The cyclone recovery project was appraised rapidly by the World Bank in response to Cyclone Waca in 2001 (ibid:78). The project is focusing on low-income replacement housing and strengthening the national emergency response and risk management framework. To date, it is being implemented effectively, although the report stated that limited familiarity with World Bank procedures has caused some delays.

The reform programme has not really been successful in Tonga due to some of the constraints mentioned above. The privatisation program, which resulted in the transfer of formerly publicly owned assets to members of the royal family and their associates, generated a measure of suspicion about the programmes' intent. The country's progress has been constrained by tension between the monarchy and pro-democracy forces over the speed of progress toward constitutional reform. This tension culminated in riots in November 2006 which resulted in the burning of 80 percent of the country's Capital and its buildings. The World Bank is continuing on its consultative approach to ensure that Tonga will be an active participant in the future.

Vanuatu

This Pacific member country is made up of an archipelago of 80 islands, with a land area of 12,200 square kilometres. It became independent in 1980. Prior to independence, Vanuatu was governed by an Anglo-French condominium administration, which featured parallel British, French and joint services. The country is currently an independent republic governed by its indigenous people, the Ni-Vanuatu. The Government, therefore, inherited dual systems in many areas (for example, education) which were costly in monetary terms and the human capital required to administer them. There has not been an integrated budget or expenditure programme since independence. There are also infrastructural problems due to the small and scattered islands which makes communication difficult and expensive. The available social indicators suggest that the quality of life in many rural areas is quite poor and contributes to the lack of development. Compounding its problems is the fact that the country lies in an area of the Pacific which seems to be extremely vulnerable to cyclones. Periodically, cyclones inflict damage upon the country's economic, social and physical infrastructure, which causes major economic and social dislocation.

The World Bank report noted that human resource constraints have been a major impediment to development in Vanuatu (World Bank, 1991:279) For example, at independence in 1980, adult literacy was estimated at 13 percent and while there have

been improvements since, adult literacy remains far below the regional average. Moreover, about one-third of primary school teachers have had no training (ibid:279). Also at independence, there were only 10 university graduates and there have been few additions since then.

At the time of independence, control of about one-fifth of the total land area and over half of the country's arable land was in the hands of expatriates. Many of these holdings were prime agricultural land, already under plantation cultivation. As the constitution prohibited foreign ownership, land was returned to the Ni-Vanuatu (ibid:279). The once prosperous plantation agriculture (mostly copra) has been allowed to decay, as former foreign owners, many of whom left the country at the time of independence, were unwilling to reinvest in their plantations. Furthermore, because of land disputes among "customary owners", there is a backlog of unresolved land cases, which hinders the full utilization of this land by Ni-Vanuatu (ibid: 281).

The structure of the economy is highly dualistic. The traditional sector encompasses about 80 percent of the population; these activities comprise subsistence farming of root crops and tropical fruits, coastal fishing and livestock production (ibid: 281). There are a small, but growing number, of these traditional smallholders producing copra or vegetables for urban consumers on a commercial basis. In fact, smallholders accounted for 85% of all copra production in 1989.

The modern sector is highly diversified for a Pacific Island nation and comprises chiefly plantation agriculture (copra, cocoa, coffee and livestock), tourism, Government services and the offshore finance centre, which includes almost 100 banks and a number of non-bank financial institutions (ibid: 280). Services account for about 70 percent of GDP, of which wholesale and retail trade, including tourism, is the most important sub-sector, accounting for about one-third of GDP. One-third of all modern sector employees are in the public sector.

Agriculture comprises 25 percent and industry accounts for the remainder (ibid: 281). The economically active population is estimated to be about 60,000, of which 13,000 are employed in the modern sector (ibid: 281). The diversification of the modern sector economy, the growing participation of subsistence farmers in cash cropping and the abundance of land (only 30 percent of arable land is currently cultivated) portend well for future economic development and growth. Vanuatu's balance of payments exhibits the vulnerability and the structural weaknesses of the economy. Exports and imports are equivalent to about 16 percent and 44 percent of GDP, respectively (ibid: 281). Copra comprises the bulk of commodity exports, and accounts for almost three-quarters of total merchandise exports. Other exports include cocoa, beef, coffee and timber. The composition of imports is heavily weighted towards food beverages and other consumer goods, reflecting mainly the demands of a large expatriate population and the tourist sector.

As in the other Pacific Island countries, external aid is a dominant feature of the balance of payments and the economy. During 1984-87, Vanuatu received an annual average of about \$27 million in external aid and official concessional loans; this is about \$178 per capita. In 1987, as a result of the devastation of Cyclone Uma, external assistance rose to \$51 million (ibid: 282), but has subsequently subsided to more normal levels. Recurrent budget support from the French and the British was phased out in 1988, as agreed at the time of independence.

About 95 percent of development outlays are financed from external assistance and they comprise about half of Government revenues. Vanuatu's official development assistance originates from more than 20 sources and represents an amount equivalent to slightly more than a quarter of GDP. The major bilateral donors are Australia, France, the United Kingdom, Japan and New Zealand. Multilateral assistance has been provided by the ADB, the World Bank, the UNDP, the European Union and UN agencies. Given the low level of skills and shortage of trained personnel, aid coordination, in particular planning and implementation, is extremely difficult.

Vanuatu's slide into dependency commenced with economic and political disturbances associated with independence resulted in a 10 percent contraction of GDP during 1980 (ibid: 282). As the political disturbances abated, economic activity gradually began to increase. During 1981-82, real GDP growth is estimated to have increased only slightly, by about 1-2 percent per annum. Growth was constrained by low copra prices and, unlike the other Pacific Island economies, there was declining external assistance due primarily to the reduction of recurrent budgetary support and technical assistance associated with independence. By 1983, the economy had begun to recover with GDP growth of about 3 percent. The restoration of political stability supported a growth in tourism and offshore banking activities. Furthermore, the establishment of the Vanuatu Commodities Marketing Board (VCMB) in 1982 to stabilize copra prices helped to smooth fluctuations in farmers' incomes and arrest the decline in copra production. In 1984, extremely high copra prices, a steady growth of tourism, and an expansion of activities in the finance centre contributed to GDP growth of almost 7 percent (ibid: 284).

A series of shocks reversed the favourable growth performance of the 1980s. Devastating cyclones impaired agricultural production and damaged tourist facilities and infrastructure from which it took considerable time to recover (ibid: 285). Low copra prices also contributed to a decline in agriculture output. The service sectors were affected by these external shocks. The tourism sector fell sharply as a result of interruptions to airline services due to contractual differences and the Australian tourist market was depressed due to the depreciation of the Australian dollar. A loss of investor confidence, as a result of a fishing agreement that Vanuatu signed with the USSR and rumours of political ties between Vanuatu and Libya, also slowed the operations of the finance centre. Under these circumstances, output stagnated during 1985-87. Inflation rose sharply to a peak of 16 percent in 1987, reflecting supply shortages following the cyclones and higher import prices (ibid: 285).

At the beginning of the 1990s, Vanuatu was struggling to make ends meet and was therefore not in a position to increase its pace of development as suggested by the

financial institutions at that time. It was struggling to deal with its development problems and so the economic policies proposed were always going to face problems.

Marshall Islands

The Marshall Islands and other Pacific countries under the compact of free association with the United States of America were not included in the early reform programme as they were assisted by the United States Government. However, the Marshall Islands became a World Bank member in 1992.

The Marshall Islands has a total population of 58,000; a GDP of US\$108 million and GNP per capita of \$US1860 in 1996. The World Bank report noted that the Government sector dominates the economy, accounting for half of formal employment. As a small economy, the economic growth is constrained by the dispersal of atolls, the shortages of skilled labour, high wages and remoteness from markets. Social indicators lag behind those of other Pacific Island countries, despite comparatively high per capita income which is estimated at around US\$1860 (World Bank, 1998: 56). The report alluded to poor economic performance in recent years, characterized by low real output growth, unsustainable fiscal deficits, a weak balance of payments and large external debts. The report identified several factors responsible for these problems including the fact that the public sector being overstaffed and inefficient. The lack of job opportunities in the private sector as well too much government involvement in enterprises are also factors. The report further stated that the Government had exhausted its financial holdings and borrowing capacity and was made to face its development problems as the assistance from the United States was terminating in 2001.

The Marshall Islands Government has signed a new 20 year compact of free association agreement (2004-2023) with the United States, which includes a temporary increase in grants to finance the creation of a compact trust fund to replace trust funding after 2023 (ibid:54). As the assistance from the United States is current, the World Bank and the

IMF are selective in their role in the Marshall Islands. The World Bank report stated that bank assistance would be limited to involvement in a range of regional initiatives, namely advisory and technical assistance (World Bank, 2005b:54). The Government has responded by accepting World Bank advice on policies to improve its fiscal position. The same policies which were proposed to other Pacific member countries are now being promoted to the Marshall Islands ten years later.

These policies include promoting private sector growth, downsizing the public sector, amalgamating of Government ministries, reduction of subsidies to public enterprises like Air Marshalls, and the contracting out of a number of functions undertaken by the Government (ibid:58). The Marshall Islands have been assisted by the Asian Development Bank in supporting the principle objectives of enhanced public sector performance, education projects, outer islands infrastructure, youth projects, social services and urban waste management. Australia has given aid for education and training especially scholarship for students to attend the regional university. The European Union has assisted renewable energy projects and human resource development. Japan has assisted the Marshall Islands through training and technical assistance and New Zealand has assisted by funding the University of South Pacific Extension Centre in Majuro (ibid: 58).

Palau

Palau consists of more than 200 islands with a total population of 20,000, a GDP of US\$145 million and GDP per capita of US\$8100 in 1996 (World Bank, 1996: 59). Palau was part of the trust territory of the Pacific administered by the United States until it became a self governing republic in 1980. It signed a compact of free association with the United States of America in 1986, creating Palau as a sovereign state. Under the terms of the compact of free association, the United States agreed to provide economic assistance and benefits to Palau over a fifteen year period (ibid:59). Palau uses the US dollar as

legal tender. The economy is sustained by tourism and external assistance with the public sector accounting for employment of nearly half of total population (ibid: 59).

The country's main income comes from fishing and tourism. As a small state, Palau faces the same development constraints found in the other Pacific countries, namely, poor infrastructure, poor professional skills and vulnerability to natural hazards (ibid:60). The population is highly urbanised with easy access to basic services and employment. The Government is the largest employer. The country exports fish, principally fresh tuna, and has substantial earnings from tourism as well as funds from the compact arrangement. This has kept the economy strong and has yielded foreign reserves to the equivalent of buying 19 months of total imports of Government goods and service.

Palau became a member of the IMF and World Bank group in 1997 but has not participated in the World Bank reform package because of the special arrangement with the United States. However, in anticipation of the cessation of compact assistance, the Government has started to develop long term objectives for a master plan which resembles the same reform agenda already being implemented by its Pacific neighbours. Palau has been assisted by other donors such as the ADB, Australia, the European Union, Japan, New Zealand but the main donor remains the United States. The same programmes these donors offered to the Marshalls have been adopted in Palau as they are in a similar political and economic situation.

Federated States of Micronesia (FSM)

The Federated States of Micronesia (FSM) consists of four states that comprise 607 islands and atolls in the Northern Pacific. These islands are part of the trust territory of the Pacific that is administered by the United States of America, under the terms of the compact of free association. The population is 126,766 people, GDP US\$226 million and GNP per capita US\$2050 in 1996 (World Bank, 1996: 53). FSM became an independent state in 1986 and became a World Bank member in 1993.

The World Bank report stated that economic performance is poor, due to low output growth, fiscal deficits and a large external debt. It further stated that the disappointing performance is attributable to irregular tourism activity as well as sluggish agricultural and fishing activities (World Bank, 1998: 56). The country exports coconut products, bananas, betel nuts and citrus products. Tourism activities do add revenue to the country's income, but it is limited to niche markets like ecotourism. As a small economy, development is constrained by the dispersal of the land mass, shortages of skilled labour, high wages and remoteness from international markets. The economy is therefore highly dependent on external assistance mostly from the US through the compact agreement. The major element of this assistance is in a form of an annual block grant given as part of their agreement. The majority of the people rely on subsistence farming and fishing for their livelihood.

The FSM has been assisted by the same donors as the other countries with a compact arrangement with the United States. These included the ADB, Australia, the European Union, Japan and New Zealand. The FSM does not currently require World Bank assistance as it is being assisted by the United States of America until its new 2005-8 contract period is completed. In anticipation of the end of the grant giving period, and growing dependence on new sources of development financing, the Government of FSM has formulated a structural reform programme consistent with IMF recommendations. The programme aims at restoring macroeconomic stability, sustainable growth and external viability in the post compact era.

Conclusion

The chapter has discussed the introduction of the structural adjustment programmes by the World Bank and the IMF in the Pacific. The discussion highlighted the dynamism of the programmes that were introduced by the World Bank and the IMF as part of their development agenda. The agenda was framed from a neo-liberal perspective which promoted the idea of market-led growth and the mantra that "growth is good". In all of the countries discussed, the World Bank has been very influential in promoting a neo-

liberal approach which then underpinned the programmes that they were encouraged to adopt. The programmes all had the same theme: that the market, not the state, was the most efficient resource allocator and provider of goods and services.

The eight countries discussed in this chapter have all been affected by the programmes in varying degrees. The countries that have compact arrangements with the United States of America were the least affected because they did not rely on loans from these institutions. These countries include the Marshall Islands, Palau and the Federated States of Micronesia. However, Fiji, Tonga, Kiribati, Solomon Islands, Vanuatu and Samoa were the Pacific member countries that have reform programmes as a result of the neo-liberal policies promoted by the World Bank. The experiences of Fiji, Kiribati, Tonga, Solomon Islands and Vanuatu have been described and discussed in this chapter, while the case of Samoa will be discussed in the next chapter.

CHAPTER FOUR

STRUCTURAL ADJUSTMENT PROGRAMMES IN SAMOA

Introduction

Samoa is a small, open economy, highly dependent on a narrow resource base, and with economic activity limited to agriculture, tourism, small-scale manufacturing and fisheries. According to Kolone Vaai, a former Financial Secretary for the Government of Samoa:

Samoa is seen to be an exception amongst the South Pacific island economies, positive growth has been registered where other countries have experienced negative results (Vaai, 1998: 1).

As with most of the Pacific Island countries, Samoa's economic growth continues to centre on the main island and, specifically in its urban area. It was reported that 40 percent of the total population live in Apia township and that seventy percent of GDP is generated in and around the capital of Apia (Sialoa, 2005: 2).

Samoa's macroeconomic performance is highly influenced by external factors in the form of remittances, commodity export markets and prices, crop disease, tourism demand, and weather related shocks. Amaramo Sialoa, an economist and former Assistant Secretary for Finance with the Government of Samoa, stated that:

The ability to access credit on soft terms from multilateral and regional financing institutions, together with remittances, provides a critical basis for macroeconomic stability (Sialoa, 2005: 1).

Samoa has, as indicated in the previous chapter, been actively implementing its structural adjustment programmes since the early 1990s. These have been aimed at improving the efficiency of the public sector, opening up the economy, and developing its small private sector. The reforms have been undertaken in a context of rollercoaster economic growth but have been strongly supported by the Samoan public, Samoa's development partners and the international community generally. However, the extent to which the reforms have contributed to economic and social goals remains unclear (Sialaoa, 2005: 1).

An Asian Development Bank report stated that Samoa's strong leadership, political stability and timely passage of relevant legislation has encouraged the progress of its reform programmes (Asian Development Bank, 2001: 4). The programmes have included privatisation, maintenance of prudent fiscal and monetary policies, and liberalisation of the financial sector, rationalisation of the tax and tariff systems and public sector reforms. Other important areas include investments in education and health, with emphasis on asset management and institutional reforms, that have assisted in the creation of a sound basic economic and social infrastructural network, in the country. The World Bank report entitled, *Pacific Island Strategies Country Brief*, noted that,

The reform effort has generated a stable macroeconomic environment and average annual GDP growth of nearly 5 percent since 1997. The key growth sectors were fisheries which grew at nearly 25 percent a year, commerce, tourism, and communication services. High levels of inward remittances 21 percent of GDP in 2002, helped raise income levels and provided a source of investment capital for stakeholders. GDP per capita increased by over 4 percent since 1997 and access to health and education services, clean water and electricity is close to universal (World Bank, 2005a: 57).

The same report further noted that despite Samoa's strong performance:

The agricultural production has stagnated and several measures are needed to enhance the productive response of this sector. The trade deficit is around 45 percent of GDP with merchandise exports accounting for only 7 percent of GDP. The main growth sector, fisheries, has been highly vulnerable to migration patterns of tuna stock (World Bank, 2005a: 57).

Despite the positive images about how well Samoa is performing under the reform regime, it is important to note that Samoa did not initially accept the reform programmes as willingly as it may appear. In an interview with the current Prime Minister of Samoa, the Honourable Tuilaepa Sailele Malielegaoi, declared:

When our party came to power in 1983, the country was broke, the economy was poor, inflation was high, imported foodstuffs were short and the business community were frustrated with the tendering system that was in operation at that time, and there was no foreign reserve to buy anything let alone food. The foreign banks have refused to lend to Samoa because of the poor record of loan repayment. We needed to take action to steer the country out of the poor economic status at that time (Interview, 10 October 2005).

This bleak picture was confirmed in an assessment by the World Bank. Samoa was faced with major macroeconomic imbalances in the early 1980s, due to a decline in the terms of trade and a rapid expansion of Government expenditure. A World Bank Country Study reported the country's situation in the 1980s was grim, with the prices of both of its major export crops, copra and cocoa, falling and the fixed exchange rate which affected production incentives, resulting in lower export volumes (World Bank, 1991: 320). As a result of this poor economic picture, the account deficit rose to 22 percent of Gross Domestic Product (GDP) in 1981 -1982. The country study report confirmed that:

By the end of 1982 the country was facing a foreign exchange crisis, with payment arrears equal to one year's exports. The budget deficit after grants (16 percent of GDP) and the consolidated deficit of public enterprises (7 percent of GDP) had also risen to unsustainable levels. These deficits were financed in part by a rapid expansion of domestic credit, which fuelled consumer price inflation of close to 20 percent per annum (World Bank, 1991:320).

This situation had developed over time since the early 1970s. Throughout the 1980s, Samoa had one of the weakest economies amongst the Pacific Island countries. Assistance from the financial institutions failed because the domestic policies did not support it. An IMF report affirmed that:

In the second half of the 1970s, a series of fund supported economic adjustment programs were adopted to correct domestic imbalances, however, domestic financial policies did not support external adjustment and the programs were largely unsuccessful (World Bank, 2003:4).

Several reviews of the Samoan economy throughout the 1980s, including the first review report undertaken by the World Bank (1991) which looked at a regional overview of the growth performances in the Pacific member countries along with IMF and WB country study reports, suggested the causes of this deteriorating situation.

There were several cases of significant economic mismanagement among civil servants which increased Government expenditure. In the mid-1980s, there were substantial budget deficits due to structural weaknesses which permitted overspending by profligate ministries. There were tight monetary conditions enforced to lower inflation. However, all these led to recurrent macroeconomic imbalances, and a prolonged period of economic stagnation, during which real GDP growth was in the range of -0.5 to -1.0 percent. The economy suffered from the high oil prices and a drop in world commodity prices for its main exports, as well as increasing inflationary pressure as a result of

increasing amounts of remittances entering the economy and generating high demand for commodities (ibid: 2003:4). The Government was unable to repay its outstanding loans.

These problems were compounded in the early 1990s by a number of major internal economic shocks which included two major cyclones which devastated the country's infrastructure and agriculture. Cyclone Val in 1990 and Cyclone Ofa in 1991 both devastated the Samoan economy. The damage from these two cyclones to the country's major infrastructural works required costly repair work. Agricultural production suffered a major setback in 1993, with the collapse in the production of the leading export crop taro, caused by introduced taro leaf blight. People depended on taro as their main staple for domestic consumption and as a major source of foreign exchange earnings. The taro blight came at an unfortunate time, and the taro industry never recovered. The export taro industry started building in the early 1980s and by the late 1980s was becoming a niche market and a significant contributor to Samoa's foreign exchange. Taro as an export crop fetched ST2.578 million, from a volume of 268 thousand cases in 1989. The taro leaf blight destroyed the prospects for this agricultural crop (World Bank, 1991b: 351). The IMF report stated that:

Government expenditure associated with cyclone rehabilitation entailed a large increase in public investment and significant overall government budget deficit from 1992 to 1995 (International Monetary Fund, 2003b: 4).

The culmination of these external shocks resulted in a substantial decline in both output and foreign reserves, as well as an increase in public debt to over 90 percent of GDP. The situation was clearly unsustainable and the only way open for the Government of the day to access the development loans was to adopt the programmes. Samoa was in a position where, because of the economic circumstances it faced during the late 1980s and the early 1990s, it was difficult not to accept the reform agenda. However in accepting the IMF and WB loans, the country was subjected to the conditions imposed by these financial institutions and was not in a position to resist the adoption of the reform programmes that international financial organisations were now insisting upon.

Yet, despite the inevitability of the structural reform, there was opposition to the implementation of SAPs. In August 1992, the Samoan Parliament debated the introduction of the Value Added Goods and Service Tax Bill as part of the structural adjustment programmes. This bill was first introduced in 1986 by the coalition Government of the Honourable Vaai Kolone and the Honourable Tupuola Efi as the Goods and Service Tax (GST) bill, and was reintroduced in 1992 by the Minister of Finance, the Honourable Tuilaepa Malielegaoi as the Value Added Goods and Service Tax (VAGST) bill. The members of the opposition party objected to the second reading of the bill. The current leader of the opposition (2006), who was a member of the opposition in 1992, was quoted in Hansard as being opposed to it as were other opposition members. The parliamentary debate on this issue showed how the opposition members argued. The speaker, the then Minister of Finance, who later became the Prime Minister of Samoa, claimed:

This bill was first introduced in 1986 during the coalition Government of Vaai Kolone and Tupuola Efi. A Commission of Enquiry was appointed to do the research and to submit their evidence concerning advantages and disadvantages of the bill. This bill is again introduced with the hope that it will help fund the many Government developments that needs doing. The main purpose of the act is to help Government revenues to implement its development (Samoan Parliamentary Debates, 13 August, 1992: 525).

An important speaker against the bill, the then deputy leader of the opposition and, now leader of the opposition, the Hon. Le Mamea Ropati noted that:

I am against the bill as I was when it was first introduced. Samoa is only a small country with only Apia town that has modern shops but most of the country has only very small shops to cater for the villages basic needs. I believe approving the bill will burden the rural areas and the low wage workers more than the better off. I decline to support the bill but advise a raise on duty, because I believe the poor

will suffer more as they do not get stable incomes but depend on overseas remittances and whenever their crops are harvested (Samoan Parliamentary Debates, 13 August, 1992: 527).

Other opposition members also spoke against the bill, the Member of Parliament for Aleipata itupa i lalo, (Aleipata district), the Hon. Letiu Tamatoa stated:

My main concerns are the rural people, by the time the goods arrived at the small stores the price will be dearer for those people to afford. I advise the government to seek other sources like tourists etc. to obtain funds for developments but not this bill (Samoan Parliamentary Debates, 13 August, 1992: 528).

Another member of the opposition, Fuimaono Mimio, from the district of Falealili, asked for the postponement of the bill because he feared that it would cause complications, like public unrest. The parliamentarians who spoke against the bill were very aware of its consequences for the general public. Despite these objections, the bill was passed and the VAGST bill became law. This legislation enabled the Government to put in place the mechanism and the tax changes required to promote the institution of SAPs in the country. But, while the broadening of the tax base achieved by the VAGST increased Government revenues, it could not forestall further reform.

In 1994, a financial crisis caused by the management of the national airline “Polynesia Airlines”, required the Government to provide substantial capital injections to restructure the company’s operation. The problems within the national airline were primarily the result of mismanagement according to Vaai et al. (2003). As a result of the mismanagement and accountability problems, the national airline went through a major restructuring. The Government assumed the airline’s debt of ST80 million, paying it off in full by the end of the Fiscal Year (FY) 2003 budget. According to an ADB report (2004):

In the three fiscal years FY2002-2004, the Government made budget allocations to the airline totalling ST42.6 million, and additional significant allocations are expected in the FY2005. Polynesian airlines have been a major drain on the public finances and a resolution of its current difficulties is a pressing need (Asian Development Bank, 2004b: 3).

The report further noted that in the 2003 budget, a further ST19.6 million (2% of GDP) was injected into Polynesian Airlines. The overall budget deficit of 0.6% of GDP for the FY2003 and an overall budget deficit of ST1.5 % of GDP in FY 2004 (ibid 2004:2) can give an overall picture of the level of debt that was passed on to the taxpayers.

These shocks all contributed to poor economic performance and a sharp deterioration in external balances between 1991 and early 1995. The Samoan Government was facing several financial problems which resulted in substantial decline in output and foreign reserves, and drove public debt to over 90 percent of GDP (Asian Development Bank, 2003:4). In addition to these immediate problems, Samoa was at the time undergoing many of the usual problems which were experienced by small, insulated island economies with limited resources and rapidly growing populations. This placed Samoa in the 'least developed' category of developing countries.

In the light of these circumstances, Samoa was effectively coerced to adopt further structural reforms to achieve macro-economic stability and economic growth in that order, to secure the borrowings that were necessary for the Government's interim expenditure. The timing of these crises made it impossible for the Government to refuse the imposition of the structural adjustment policies and its ensuing programmes. But while these were the proximal causes of adoption of structural reforms, there were other factors which could not be ignored indefinitely.

Population

The impact of demographic factors is crucial to an understanding of why Samoa embraced the structural reform agenda. In small, stable, demographically mature

populations with medium or high incomes, some options are available to Governments to meet the needs of their citizens. In growing, predominantly young populations with high population growth potential, lower incomes and rapidly rising social and material expectations, such options are not as readily available.

Samoa's population has increased over the last twenty years. The 1981 census registered a total population of 156,349 people and the annual growth rate of 0.6 percent. Despite the large numbers of 5000 new born babies every year, the growth rate remained low because of the high volume of people emigrating to New Zealand and Australia (Government of Samoa Statistics Division, 2001: 9). When labour demand in the major migration destinations declined, as a consequence of economic restructuring in those nations, out-migration rates declined and the Samoan population started to rise again.

The total population recorded in the 1991 census was 161,298 people while the latest census (2001) recorded a total population of 176,710. This is an increase of 10 percent over the decade and reflects the declining demand for unskilled Samoan labour in the metropolitan markets which had employed Samoan emigrants throughout the 1960s, 1970s and early 1980s. This emigration of many young men and women had artificially suppressed the population growth rate through that period but with lower rates of emigration the rate started to rise toward earlier and historically high levels. The population growth rate in Samoa through the 1980s and the 1990s increased which, in turn, put pressure on the Government to accept the structural adjustment programmes to secure the economic growth necessary to maintain the nation's standard of living. If the immediate realities were creating significant pressures, future population growth projections were underscoring the need for urgent government action.

The following table lists the main population indicators.

Table 6: Population Indicators (2001)

Name of indicator	Value
Total population	176,710
Annual population growth	1.0%
Population 0-14	71,930
Working population 15 -64	96,574
Adult population 65+	7,903
Urban population	40%
Crude birth rate	29.0%
Total fertility rate	4.4
Teenage fertility rate	45.5
Infant mortality rate - males	19.5
Infant mortality rate - females	19.0
Average life expectancy at birth - males	71.8
Average life expectancy at birth - females	73.8
Number of households	23,059
Average household size	8

Source : (Government of Samoa Statistics Division, 2001: v)

Samoa has a young population and the annual growth rate has doubled from 0.5 percent in 1991 to 1.0 percent in 2001. This is an increase of 0.5 percent. According to the census report, if this pattern continues, Samoa will face the impact of high population growth due to high birth rates (Government of Samoa Statistics Division, 2001: 11). A predominantly young and rapidly growing population means that the demand for services in the future will also be high, especially the provision of education and health services and their associated infrastructures. There is also a noticeable increase in the age groups of 50 years and older since the 1980s. Life expectancy has increased and so the growth in the size and significance of the older Samoan population also increases health and associated costs of an ageing population.

There is also the need to create more jobs and opportunities for the steadily increasing number of better educated school leavers, and ways of addressing Samoan people's rising

material expectations which result from increased global travel and exposure to the global mass media. Changing and rising expectations and values are obvious throughout the Pacific, as noted in the ADB report:

Changes in values following increased educational opportunities and the growth of bureaucratic (largely urban) employment in the region in the 1970s, especially during the prelude to independence in many states, further encouraged migration as local employment opportunities did not keep pace with population growth. This situation continued through the 1990s, another period of both rising formal unemployment and restructuring in much of the region. This widened the gap in many places between rising expectations for consumer goods and travel and the reality of limited domestic employment and incomes (International Monetary Fund, 2005: 5).

The population distribution indicators reveal an increase in internal migration from rural to urban areas, which, in turn, indicates the changing values that are often associated with transitions from a subsistence lifestyle to a wage earning one adopted to meet educational and economic aspirations and to gain access to prestigious jobs and imported goods.

The 2001 Census of Population revealed that the population of Apia urban area had increased in size and density. It has a population density of 647 people per square km (Government of Samoa Statistics Division, 2001: 10). In the Apia urban area, the increasing population is putting stress on family and communal systems, and impacts on issues of social and economic security. The figures also show that 22 percent of the Samoan population live in the Apia urban area and a further 30 percent live in North West Upolu area which are the areas closest to the Apia Township. Over 50 percent of the total population now reside in or near the Apia Town area, which includes Vaitele and Siusega, the two areas that form part of Government land estate that the present Government has sold to the public over the last 10 years. The opportunity to purchase freehold land from the Government has proven popular and population has been drawn to

these areas in large numbers but this option has been restricted to those with resources to purchase this land which, by Samoan standards, is expensive.

This has put considerable pressure on the Government to provide new physical infrastructure to meet unprecedented population densities in the 'town area'. Population pressures have created sanitation and public health problems in the urban centre as well as drainage problems around the site of the Fugalei market. The Fugalei market is situated in one of Apia's low lying areas and is subject to periodic flooding. The Government has asked donors for assistance in funding these programmes. Population issues add to the factors which the Government considered important in accepting the structural adjustment programmes.

Economic Growth

Economic growth issues are crucial to understanding how and why Samoa embraced the structural reform agenda. In countries with stable populations, significant natural resources, and reliable sources of revenues, relatively low economic growth rates can sustain per capita GDP levels and maintain populations. In countries with growing populations, limited natural resources and a relatively limited resource base made up mainly of primary commodities with volatile prices, high economic growth rates are necessary even to maintain basic levels of service.

Samoa's economy has been dependent on agriculture as its mainstay. This has exposed the economy to the risks associated with fluctuating returns from primary production. The country, however, is also susceptible to periodic natural disasters, which over recent years have caused serious damage to domestic infrastructure and have damaged major export crops. The impacts of two of these, Cyclones Val and Ofa, have been mentioned above. Samoa was again hit by cyclone Heta in 2005 with consequent shortages of local food supply and increased reliance on imported food.

This susceptibility has caused a decline in agricultural production and an overall decline in this important sector over the past years. This has made the economy vulnerable as promising, relatively high value export crops have been shut out of overseas markets because of the leaf blight in the case of taro, and because of health fears in the case of kava products. Competition from other tropical producers who were able to secure increased market shares, by increasing investment in science and improving cultivars or producing crops more efficiently, has also impacted on demand for Samoan agricultural production.

Vaai stated that Samoa's open economy has structural weaknesses that are manifested in trade imbalances and a heavy reliance on development assistance and external borrowing (Vaai, 1998: 1). Gross Domestic Product (GDP) growth rates fluctuate from year to year and the economic state of the country can be changed as past experience have shown. The following table lists the GDP and inflation rates over a six year period:

Table 7: Gross Domestic Product and Inflation Rates

GDP growth rates	Inflation rates
1998 -3.4 %,	1998 - 2.2%
1999 – 5.6%,	1999 - 0.3%
2000 - 6.8%,	2000 - 1.0%
2001 – 6.2%.	2001 – 4.0%
2002 - 1.5%,	2002 – 8.1%
2003 - 3.5%.	2003 – 0.1%

Source: (International Monetary Fund, 2005: 23)

The GDP and inflation rates, shown in Table 7, indicate that economic growth over the years has been quite high and erratic which means Samoa has been highly dependent on foreign aid for its development programmes and on remittances from expatriate Samoans for foreign exchange. Tourism and fisheries initiatives have shown some success as foreign exchange earners but constraints also face these industries. For example, both industries are susceptible to weather related shocks and the fishing industry suffers from irregularities of volume due to migratory species, and from the depletion of high value

tuna species which has followed over fishing by large international deep water fishing vessels.

Tourism depends on the number of airline flights that can bring tourists into the country as well as the number of hotel beds available to cater for these tourists. But while Samoa can influence these two factors to some degree, it cannot significantly influence the larger market for relatively low price tropical holidays in which it is a small player and must compete with the much larger, and more heavily marketed, Hawaiian and Fijian markets. Samoa must also compete with a growing number of smaller players in the Pacific market, such as the New Caledonia, French Polynesia, the Cook Islands and Vanuatu. The volume of tourism also depends to a significant extent on the state of the economy in the countries from which tourists can come and Samoa can neither predict nor influence these factors. While it may gain some temporary benefits from the perception of political instability in regional countries such as that which followed the coups in Fiji, the Solomon Islands and, more recently, Tonga, these cannot be planned for or predicted.

Samoa's ability to provide for its growing population is constrained by the resources it can generate and the need to encourage other means of coping. The country will continue to rely on borrowing money from financial institutions in order to sustain its development agenda. Population growth has been curbed by the out-migration of Samoans to cosmopolitan centres in New Zealand, Australia, USA and American Samoa. Emigration to Australia and New Zealand is a viable option provided that immigration policies between Samoa and these countries remain open. Decisions about immigration policies are primarily governed by those countries' labour needs and are effectively beyond Samoa's control. But it is likely that immigration policies in these countries will continue to favour educated professionals, and will not again provide the large scale opportunities for unskilled and semi-skilled migrants which prevailed in the 1960s and the 1970s.

According to Ahlburg and Levin (1990), emigration results in the permanent loss of the young, educated, skilled labour from Pacific Island nations. Skilled labour is in short supply in Samoa and emigration probably hinders development (Connell & Brown,

2005b: 11). It is important for a developing country like Samoa to retain its economically able and skilled population if it is serious about development, but immigration policies in traditional labour destinations have increasingly favoured the migration of highly-skilled migrants, and have depleted Samoa's stock of social and intellectual capital and hindered economic development. Dependence on remittances from migrants overseas can become more of a problem than a solution where it requires the departure of highly-skilled professionals, who could be playing an active and direct part in Samoa's development, to generate remittances.

Remittances

Remittances constitute a major part of the household cash income in many Samoan families. Remittances can allow citizens to meet some of their needs with income from expatriate relatives and can, in actual fact, relieve pressure on the Government to provide some of these amenities and services for the public. Remittances from expatriate populations effectively broaden the base of the domestic economy by providing new sources of income with which recipients can purchase goods and services. The availability of remittances from migrants abroad can give Governments, such as Samoa, some options since these represent additional income, albeit in private hands, which can be secured without the costs of servicing a comparable amount of debt. But, even the steadily growing inflow of remittances from the Samoan migrants living abroad, could not generate the revenue necessary to offset the government's need to borrow. According to Connell and Brown:

...the value of remittances however depends on several factors: the absolute amount of the remittances, their significance as an element of GDP, their reliability and the ability of government to access these (Connell & Brown, 2005b: 5).

Remittances then play a major role in the economy of Samoa. Remittances, in cash and in kind, from expatriate Samoans and their descendants are an important part of the Samoan economy. There are more Samoans residing abroad than in Samoa itself. Their remittances amount to about 20 percent of GDP, which is among the highest ratios observed in the world. Historically, remittances have been a very stable source of balance of payments flows, and without them, Samoa's current account deficit would likely be unsustainable as table 8 below shows (Connell & Brown, 2005a: 9). According to Ahlburg and Levin (1990), these figures have, at various times, been as high as 33 percent of GDP (Ahlburg & Levin, 1990: 12). Remittances are only indirectly available to Government as they are usually used by individuals for consumption purposes and to provide school fees for their children. A substantial amount of this remittance income is spent on church responsibilities and *faalavelave* (Samoan family activities).

Table 8: Current Account Balances

(In percent of GDP)

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
Including remittances	1.0	0.1	-0.6	2.9	4.4
Excluding remittances	-17.4	-18.4	-21.1	-17.5	-17

Sources: Samoan Authorities and Staff Calculations (cited in (International Monetary Fund, 2005: 9).

As the above table shows, remittance flows, as a percentage of GDP, have been relatively stable, but there is a different picture which emerges without the inclusion of remittances. Many Samoans living overseas maintain very strong ties with their families, villages and churches, which remain strong even among some of the overseas-born descendants of migrants. That, combined with the continuing flows of new migrants to overseas countries (for example New Zealand alone accepts 1,100 Samoans each year), however, does not ensure the reliable continuing supply of remittances. There is strong evidence against the sustainability of remittances as a development source. Macpherson claimed that as:

...families reunite overseas and, as migrants integrate into their host communities, their ability and willingness to remit are expected to decline overtime (Macpherson 1994, cited in International Monetary Fund, 2005: 12).

Macpherson further stated that:

The sustainability of remittance-dependent development is particularly important and somewhat uncertain especially if in the home countries the need for remittances grows faster than the supply (Macpherson, 1992, cited in International Monetary Fund, 2005: 12).

The ratio of remittances to GDP has been generally stable through 2001/2002, before increasing in the last few years. This would be expected as increasing numbers of migrants' children enter the workforce and as migrants reach their peak earning capacity. The volatility of remittances is comparable to that of other balance of payments inflows. In fact, remittances are slightly more stable than exports of goods and services. It is also important to note the arguments put forward by Connell and Brown:

That dependence on remittances is controversial. Some economists consider reliance on these private flows of funds critical as it leaves economies vulnerable to fluctuations outside the control of governments. There is also very little understanding about the reciprocity triggered by remittances and its impact on the balance of payments and on the gross national product. The lack of reliable and accurate data on remittances renders it difficult to address these concerns. The situation is further aggravated as remittances are underestimated due to informal unrecorded flows. Governments recognize the need for better data but are also aware of the sensitivity of these flows to official monitoring (Connell & Brown, 2005: 5).

As remittances constitute a major part of household cash income for many households in Samoa, there is an assumption that these funds can be used for development purposes

however, a Government can not depend on these families to fund development projects through remittances. Remittances remain largely in the control of individuals and families but they do contribute to the national income through customs and excise duties on imports and VAGST on sales of goods and services purchased with income from this source. But even these indirect revenues from remittances are by no means guaranteed because it is not clear that remittances will continue as migrants leave the work force and become dependent on smaller, state-funded retirement incomes, and as their overseas-born children, whose ties with Samoa may be somewhat attenuated, choose not to remit at the same levels as their island-born parents.

The Government can not rely on these funds for development purposes. The Government saw that accepting structural adjustment programmes was the only option available to them to fund its development programmes using outside loans. In essence, the combined consequences of external and weather related shocks made it impossible for Samoa not to participate in the World Bank-sponsored reform programmes when their promoters came to visit.

Promoters

The promoters of the structural adjustment policies in Samoa were the main donor agencies which work closely with the World Bank and the International Monetary Fund. The main development agencies and institutions which assist Samoa are the Asian Development Bank (ADB), United Nations Development Programme (UNDP), United Nations Educational, Scientific, and Cultural Organisation (UNESCO), World Health Organisation (WHO), Food and Agricultural Organisation (FAO), European Union (EU), the Pacific regional funding agencies like the Pacific Island Forum as well as other international funding sources like JICA (Japan International Cooperation Agency).

In addition, Samoa received aid from the Australian Government through AUSAID, from the New Zealand Government through its overseas development assistance programme

(NZODA), and from China, France, Canada, the United Kingdom and Korea, all of whom have bilateral and multilateral arrangements with the Samoan Government. The Governments of the largest bilateral aid donors, with the exception of China and Japan who have only had an interest in Samoa since the mid-1990s, were also heavy promoters of the structural adjustment message. AUSAID and NZODA's annual reports demonstrate that, during this period they were committed to the structural reform programmes and that the requirement of economic reform became one of the conditions for the provision of development assistance.

The development community at large, as exemplified by the Development Assistance Committee of the OECD, has increasingly called on its members to design their respective aid programmes through a deliberative process of dialogue, one that respects the ideas and opinions of developing countries. In its 1996 Development Cooperation Report, *Shaping the 21st Century: The Contribution of Development Cooperation to a New Century of Shared Human Progress*, the Committee declared that:

Locally-owned development strategies and targets should emerge from an open and collaborative dialogue by local authorities and civil society and with external partners about their shared objectives and their respective contributions to the common enterprise. Each donor's programme and activities should then operate within the framework of that locally-owned strategy in ways that respect and encourage strong local commitment, participation, capacity development and ownership (Wendt, 1999: 148).

Furthermore, according to Cam Wendt, an official in foreign affairs in Samoa, aid promoters coming in to support locally designed development initiatives are not enough to sustain the development process. Placing an increasing burden of responsibility for development on developing countries themselves means that they must be prepared to commit their own resources to the development effort—their own earnings, savings and tax revenues are the most important source of investment that developing countries can make in their economic and social progress (Wendt, 1999: 149). By the end of the 1990s,

Government expenditure entailed a large increase in public investment and there was significant overall budget deficit from 1992 to 1995.

Growing Donor Unity

The growing external pressures and the worsening internal circumstances forced the Government of Samoa into accepting the structural adjustment programmes and their conditional requirements. Roundtable meetings were organised by the Government and the donor agencies and countries to organise Samoa's development agenda. There was a growing unity between donor countries to support each other and agree as a group on both the development philosophy and on the projects each one would support. The roundtable meetings were used by the donors to meet with the Government on the different assistance projects that could be funded under different donors.

Table 9: Samoa: External Grants by Donors 1993 -1998 (millions of tala)*

	1993	1994	1995	1996	1997	1998
New Zealand	7.2	8.6	8.6	8.5	10.7	9.7
Australia	7.2	10.7	10.2	10.5	21.1	19.4
European Development Fund	8.0	0.0	2.9	4.2	4.2	4.3
Germany	1.4	0.5	0.4	0.0	0.0	0.0
Japan	19.2	37.7	30.0	22.7	22.7	30.7
United Nations Development Prog.	2.9	1.9	1.7	0.7	0.7	2.3
Other	1.9	3.2	2.3	5.9	3.0	3.1
Subtotal	47.8	62.6	56.2	52.5	62.4	69.5
Of which: expenditure abroad	-5.6	-6.6	-6.2	-4.7	-4.7	-4.8
Net subtotal	42.2	46.0	50.0	47.8	57.7	64.7
Cash and commodities	2.6	4.2	11.8	7.3	11.8	5.3
STABIX	0.0	4.0	2.5	6.2	0.0	0.9
Other	2.6	0.2	9.3	1.1	0.2	0.8
Total grants	50.4	66.8	68.0	59.8	74.2	74.8

Source: Treasury Department of Samoa

* Includes expenditure on scholarships and consultants for which direct payments are made by donors.

Table 10: Samoa: External Grants by Donors and Loan Disbursement

	1999/00	2000/01	2001/02	2002/03	2002/03	2003/04 Budget	2003/04 Actual	2004/05 Actual
External Grants	82.4	73.0	71.6	74.2	74.2	67.0	71.2	158.3
New Zealand	11.5	13.1	9.1	12.2	13.6	13.6	13.1	28.4
Australia	26.1	25.7	22.9	20.3	21.6	22.5	25.3	37.6
European Development Fund	35.8	10.0	27.5	4.1	4.1	4.1	4.1	6.1
Japan	-	8.4	5.1	30.7	30.7	10.2	10.2	28.4
UN Development Programme	2.5	3.4	2.3	2.7	2.5	2.3	2.3	6.8
Other *	6.5	12.4	4.7	4.2	1.7	14.3	16.2	52.0
Loan Disbursements	10.4	13.3	23.9	29.6	29.6	26.5	26.5	26.1
External Grant Expenditures**	80.3	70.7	69.9	77.2	71.2	64.2	64.2	149.1

Source: Treasury Department of Samoa

* Includes Grants from China, WHO, Canada, UNESCO, UNICEF, Germany, and France

** Includes expenditures on scholarship awards, ISPs, and consultants for which direct payment is made by donors

The above tables show the value of aid and grants from the different donor countries and agents and demonstrate that the amounts given by each agency remained low and stable over the early 1990s (Table 9). In some cases, the grants decreased at the time when the country really needed the assistance. Table 10 shows the situation after the 1990s and the adoption of the programmes. The values of the grants have increased by significant amounts since the structural adjustment programmes have been introduced. There is a marked difference in the value of the grants. These factors all shaped the decision by the Samoan Government to adopt the SAPs programmes.

The Government of Samoa, through its association with all the funding countries, organisations and agencies is the main domestic promoter of aid-funded programmes. The Government is committed to the structural adjustment processes already established, and to future programmes as part of both its political manifesto and of the development agenda that it has formulated for Samoa's economic development.

The Human Rights Protection Party has been in power since 1982 and has been responsible for Samoa's development path from the inception of the early SAPs through to the current versions of these. The form which these programmes took in Samoa, was arrived at after consultation with stakeholders and were embodied in the Government's Statements of Economic Strategies (SES). These were published in both English and Samoan to ensure that the Government's economic development goals and strategies were accessible to the population. The Government's economic consultation strategies started in 1995 with wide consultation meetings among stakeholders. The stakeholders that were consulted included the clergy, non-Governmental organisations, farmers, fishing industry, village majors, the business communities, as well as Government workers and community leaders.

The consultation process was also an attempt by the Government to make the topic more acceptable to the stakeholders, by approaching it as part of the Samoan cultural way. The issues identified were addressed in the strategies which were drafted on a rolling basis to replace the earlier and longer five year development plans, and the strategies are managed by the Treasury Department. These statements are published bi-annually and are reviewed yearly during the debate of the Government's budget. The donor communities now hold roundtable meetings with the different sectors to address their needs and the grants and soft loans they require. The different agencies and countries have changed to funding sectoral projects as part of the overall agenda by the major donor institutions.

Promises

The claims made about the benefits of the Structural Adjustment Policy have been outlined and discussed in Chapter Two. These, however, had to be converted into a set of claims and promises which could be understood by the Samoan public who were, nominally at least, required to accept the possible benefits of the re-structuring which they would involve. This role fell to the Government of Samoa. The Government must

'translate' the objectives of the policy into forms and ideas which the electorate can understand, and then convince the country that the policies proposed to achieve these would benefit them. The process of 'translation' in Samoa occurs publicly in parliamentary debates which are broadcast by the Government radio station and are widely listened to in Samoa. These debates are an important public platform from which Government must persuade the electors that the execution of the reforms will be in their interests.

It is, therefore, critical that the translation of the objectives of reform, and their presentation to the nation, is in the hands of a politician who is familiar with both the programmes and the aspirations of the nation who must, nominally at least, accept them as a central part of Government's agenda. The Human Rights Protection Party (HRPP) commitment to structural reform started when it came into power in 1983 under the leadership of the Hon. Tofilau Eti Alesana. The Prime Minister, the Hon. Tofilau Eti Alesana, appointed the Hon. Tuilaepa Sailele Malielegaoi as Minister of Finance. Before the Hon. Tuilaepa Malielegaoi entered Parliament, he was a Treasury Department official and was posted in Brussels at the African Caribbean and Pacific (ACP) office. He had been to Washington DC and has worked in the World Bank, and was familiar with the agenda of this financial institution. Tuilaepa continued as Minister of Finance until he succeeded Tofilau as Prime Minister in November, 1998 in which position he remains today.

Having control of the Treasury benches is not enough to guarantee the acceptance of the reform agenda. Samoa is a parliamentary democracy and there is an active opposition which, naturally, seeks routinely to challenge the Government's claims and promises. The wide public attention to Parliament's proceedings ensures that the opposition's claims and arguments also routinely enter the public political discourse. These counter claims have also to be 'translated' into opposition which is readily understood by the Samoan electorate and which speaks to their concerns and aspirations. In Parliament, the debate on the VAGST legislation introduced by the Government showed some members of the opposition party objecting to the content of the legislation, especially the impact on

the low income people. The Hansard record showed that an opposition Member, the Hon Letiu Tamatoa, invoked experiences elsewhere in the Pacific, in this case Fiji, in an argument against the bill. He stated:

The practical operation of this bill will be complicated to the small shops, plumbers, carpenters, electricians. Fiji approved GST but had been deferred for more consideration. Our main aim is to help the low living or the low wages population but it seems this bill proposed that the government is doing otherwise (Samoan Parliamentary Debate, 13 August 1992:529).

Another Member of Parliament, the Hon. Fuimaono Mimio, is recorded as asking the Government to postpone the bill until cocoa and copra production had recovered from the cyclone disaster. The argument in this case was for deferment until some economic recovery had occurred. He added that there is no need to hasten a development plan that would affect people when they are already struggling with loss of income as a consequence of cyclone damage (SPD, 13 August 1992:531). Several members spoke against the Bill and a few examples of the kind of objections raised are provided elsewhere. Another prominent politician, the Hon. Le Tagaloa Pita, also asked the Government, somewhat rhetorically, to explain which group of the population would be most affected by the introduction of VAGST. He pointed to the fact that such consumption taxes hurt low income people who typically spend all of their income and therefore pay VAGST on all of their income, while wealthier people, who have options which were not available to the poor, can escape some of the effects of the tax. He stated:

This idea and this bill is not a new idea. The bill was first brought to parliament around 1960/64 and again in 1986 which was rejected both times, but now it is brought back again. I hope the major part of this bill will fall on the business people but if it falls on the weaker people then I call it a burden tax, I advise government to reconsider (SPD, August 13 1992: 533).

It is clear from statements made in Parliament that the VAGST bill was not popular and was seen by some as a burden which could fall most heavily on low income people. As the first of the series of pieces of legislation to implement structural reform, this opposition was not a good omen. But the Government succeeded in passing the legislation as the VAGST Act in 1994. The Prime Minister, in defending his position, was quoted in the *Savali* newspaper as stating that this bill was not his idea but that of the former Government. He stated that:

The protest leaders were in government that introduced VAGST. Hon. Tupua Tamasese Efi was Deputy Prime Minister, Le Tagaloa was Minister of Economic Affairs and the Minister of Finance, the late Hon. Faasootauloa Semu Pualagi who introduced the Act and announced that the Act would be expanded at a later time to incorporate all other goods and services. This Goods and Service Tax, he said would meet the objective 'of a more equitable distribution of the tax burden (Savali, 1994d:2).

The newspaper further quoted that the Prime Minister, Hon. Tofilau Eti Alesana, in his ministerial statement in Parliament, said that " A commission of enquiry into the taxation revenues of Government was appointed by the former Coalition Government, of which Tupua was deputy Prime Minister" Hon Tofilau further explained that:

...the report from this commission was tabled in Parliament in 1989, and recommendations in the report provided the main inputs for certain decisions which were to follow in the phasing in of the GST legislation or VAGST (Savali, 1994d:2).

Some of the promises given by the Government were embodied in Government members' speeches in promoting the bill. The Government mounted a defence of the bill and appealed to Samoans to consider the needs of the country, and the need to fund development which would benefit all Samoans. For example, the Minister of Finance in proposing the VAGST bill stated that:

The bill will enable Government revenues to implement its developments, and approving the tax bill will equally and fairly distribute the tax contribution in the country (SPD 13 August, 1992:526).

The Hon. Misa Telefoni, the current (2006) Deputy Prime Minister, stated in support of the Bill that:

We have to sacrifice something to help the Government accomplish its developments. Will you prefer to pay GST and get free compulsory education, better hospital facilities and free prescriptions or continue with the high cost of living (SPD, 13 August, 1992:526).

The Government then had to determine, through consultation, which of a number of other programmes and approaches might be acceptable to the electorate. This was almost inevitably a difficult task since Government must justify policies which may, in the short term, seem to involve the surrender of national sovereignty, and a degree of hardship as the economy is deregulated and the size of Government is reduced. Neither of these is attractive to the electorate. The consultation process that the Government used for its Strategic Economic Statements (SES) was partly to ensure public participation in making decisions that affect people's lives.

The Government has made several 'cycles' of promises to its constituents, and to the country in general, in the time that it has been managing the structural reform process. The delivery of these promises was important in winning election campaigns. The HRPP, now under the leadership of the Prime Minister, the Hon. Tuilaepa Aiono Malielegaoi, was returned to power in both the 2001 and the 2006 general elections, and has continued its strong commitment to the reform programme. An IMF consultation mission report stated that Samoa has maintained a favourable position in its economic reforms and verifies its success in the implementation of its programmes (Asian Development Bank, 2002a:2). Samoa has continued to pursue and embark on its extensive programmes of

economic and finance reforms aimed at strengthening the economic base of the country while liberalising and reforming the financial sector to facilitate and promote private investment.

Programmes

This Government's approach to economic reform can be tracked through a series of Government documents, which set out the Government's goals and objectives and outlined the benefits of SAPs to the nation's economy and to its citizenry. The Statement of Economic Strategy, or SES, became the main document used by Government to articulate and deliver its promises to the people. The bilingual statement of economic strategy or SES has evolved from a bi-annual statement into a three year planning document in which a process of public consultations, both the Government's development rationale and programme are set out in a slim but comprehensive document.

In 1994, the Government set up the first consultation meetings between public sector officials and private sector bodies, to discuss the reform plans. This consultation meeting resulted in the first Statement of Economic Strategy (SES) and was entitled *A New Partnership: A Statement of Economic Strategy 1996 – 1997*. The following lists the SES that have, been implemented so far:

- *Strengthening the Partnership: A Statement of Economic Strategy 1998-1999*
- *Partnership for a Prosperous Society: SES: 2000-2001.*
- *Opportunities for All: Strategy for the Development of Samoa (SDS) 2002-2004.*
- *Enhancing People's Choices: SDS 2005-2007.*

The first statement of economic strategy (SES) was part of a comprehensive strategic reform programme. It contained a range of programmes which marked huge changes in how the national development plan was to be developed and monitored. This was produced after merging the National Planning Office and the Ministry of Finance. This

first statement was proposed by Government with the intention of taking the private sector into a partnership to lead the country into a period of sustained economic growth. In this report, the Government stated that:

Three decades of development plans, sectoral strategies, technical assistance and aid funded capital projects have failed to propel Samoa into a dynamic phase of economic growth which would relieve its reliance on foreign loans and remittances from expatriate Samoans (Treasury Department, 1996a: 3).

The Government designed the programme with the idea of promoting and creating an “enabling environment within which the private sector can invest with confidence”(Treasury Department, 1996a: 5). The private sector was seen as the “engine of economic growth” (ibid: 5) and a series of mutually reinforcing policies to harness this potential. For example, the privatisation of Government departments and state-owned enterprises, were put in place to minimise the role of Government while encouraging the private ownership and control of these areas of activity.

The Government introduced policies which addressed a macroeconomic framework. They included the development of separate strategies, which focused on improving access to health and education as well as promoting rural development. These were required so that the rural population could access the services available to the urban based population. Several major strategies on fiscal issues were developed to control spending and encourage external competitiveness. Strategies were developed for the reform of public enterprises and the commodity boards to make them more efficient and to make them more attractive for sale purposes. Measures for private sector development and the strengthening of the financial sector were instigated³. These same policies were proposed by the 1991 World Bank Report for the Pacific countries (World Bank, 1991: ix) were now, adopted inter alia, by the Samoan Government.

³ Measures used to encourage private sector development included fiscal policies aimed at maintaining fiscal discipline to allow structural changes that boost economic growth-measured in terms of increases in GDP and low inflation rates.

The Government's second bi-annual policy statement was entitled, *Strengthening the Partnership: A Statement of Economic Strategy 1998–1999*. This policy statement proposed to continue the Government's plan started with the first statement. This plan consisted of programmes which addressed eight key areas, identified in the policy statement as follows:

...a stable macroeconomic framework, enhanced public sector efficiency and effectiveness, improved education standards, improved health standards, enhanced growth in the private sector developments, invigoration of the agriculture and fisheries sector, promotion of sustainable tourism development, and revitalised village economy (Treasury Department, 1998: 20).

The emphasis was again placed on a macroeconomic framework. Only some of these key areas are part of the recommended reform programme and they were effectively softened by being combined with the provision of education and health measures which were of general interest to members of the public. The strategies developed from this list included those that encouraged efficiency of the public sector spending, while improving efficiency and quality in the provision of public services. Programmes were also developed to narrow the focus of Government to core functions, by introducing downsizing of Government departments, adopting performance budgeting, corporatising Government departments and making state owned enterprises (SOE) more accountable and financially responsible for their business. The programmes also aimed at reforming the civil services. The downsizing of the Ministry of Public Works in 2001 where the numbers of employees was reduced from 450 to 50 was an example. This thesis will elaborate on the downsizing of the Public Works in the next chapter as a special case study.

The Government's third bi-annual policy statement was called, *Partnership for a Prosperous Society 2000 -2001*. This policy statement again outlined eight key areas for development. These included:

...consolidation of stable macroeconomic framework, improved education standards, improved health standards, improved private sector development, encouragement of employment creation, enhanced agricultural opportunities, strengthening of social structure, improved opportunities for tourism industry and enhanced public sector efficiency (Treasury Department, 2000: 2).

These policies were put into programmes that reinforced the reform agenda that was already in place. Improving the tax and tariff regime with the introduction of the 10 percent value added goods and service tax to enhance the efficiency of the tax system. The VAGST enable the Government to collect taxes from all of its citizens. Before VAGST was introduced, Ministers of religion, farmers and fishermen and women were exempt from paying taxes as they did not need to declare their earnings. Other tax and tariff reforms reduced corporate and personal income tax as well as broadening the tax base and simplified the overall tax structure.

The Government made all incomes below 10,000 Samoan tala tax free. Only those who have incomes above ST10,000 pay income taxes. Ministers of religion are exempt from paying taxes irrespective of their earnings. The farmers and fisher people pay tax indirectly through the purchase of goods and services but not on their incomes. The financial sector was also liberalised and reformed to a market base financial system in line with neo-liberal ideology. The financial sector was liberalised by removing credit ceilings and interest rate controls and through the strengthening of the Central Bank's role in the supervision of commercial banks and its role in managing liquidity (International Monetary Fund, 2003: 6). The aim of these policies was to maintain low and stable inflation, to achieve a sufficient level of foreign reserves and to fund international trade and payments.

The two most recent policy statements titled *Strategy for the Development of Samoa 2002-2004 Opportunities for All*, and *Strategy for the Development of Samoa 2005-2007, Enhancing People's Choices*, introduced another set of policies that reflected the reform programme introduced by the World Bank and the IMF as part of their new agenda for

poverty reduction. These policy statements were changed to cover a longer three-year timeframe.

The Strategy for the Development of Samoa policies was introduced under the governance of the then Minister of Finance and Deputy Prime Minister (2005), the Hon. Misa Telefoni. The two policy statements share the same vision which was stated as:

For every Samoan to enjoy an improved quality of life premised on a competitive economy with sustained economic growth, improved education, enhanced health standards and strengthened cultural and traditional values (Treasury Department, 2005:1).

Furthermore, the strategies in the statement stated that the programme:

...aims to enhance access to and quality of basic social services by improving access to, and quality of education, enhancing the environment and public health of Apia (water and sanitation); and meeting the growing power demand with improved efficiency, viability and ensuring sound fiscal and macroeconomic policies; rationalizing state-owned enterprises, and enhancing their efficiency and effectiveness and improving the institutional and policy framework for the private sector (Treasury Department, 2005:5).

These programmes were also intended to provide a base for monitoring progress towards the achievement of the Millennium Development Goals (MDGs). The strategies promoted by the Government of Samoa are, in effect, those formulated by the Asian Development Bank (ADB). The Government strategies embody the same themes and contribute to ADB's overarching goal of poverty reduction. These Government strategies are consistent not only with ADB's Poverty Reduction Strategy, but also with ADB's Pacific Strategy for the New Millennium (Asian Development Bank, 2004: 2). There also appears to be an increasing degree of similarity in the language used and the priorities identified by both the Samoan Government and the ADB. According to the ADB report:

Its strategy for Samoa aims to enhance access to and quality of basic social services by, firstly, improving both the access and the quality of education. Secondly, enhancing the environment and public health of Apia its urban centre and capital, especially through the water and sanitation project and, thirdly, meeting the growing demands for energy with improved efficiency and reliability (Asian Development Bank, 2004: 1).

The similarities in the programmes and the language used by both the Government and the ADB indicate the close ties between the Bank and the Samoan Government. However, in the later statements for the development of Samoa, there is an increasing interest in the broader goals of social development which signalled a move away from the hard-edged and more narrowly economic prescriptions of earlier ADB reports. These economic rationales and prescriptions are still there, but more emphasis over the years has been placed on social and human development objectives.

This connection was also evident in, and strengthened by, the number of officials from the Samoan Ministry of Finance and Treasury who have been seconded to work both in the headquarters of the World Bank and the Asian Development Programme, in Washington D.C. and Manila respectively, and to be trained in the theory of the various structural adjustment programmes, and in the way these institutions operate. The current CEO of the Ministry of Finance was seconded to work for the World Bank for two years before she was appointed to her current post. Middle managers in the Ministry of Finance and the Treasury Department take turns to attend special training programmes in Washington, D.C. to study the economic theory which underlies structural adjustment, and how to administer the programmes. These training opportunities are extended to other departments such as health and education and community services to align these officials with meeting requirements for addressing the Millennium Development Goals (MDGs). The reform programme implemented by the Government is flagged as a sign of its commitment to economic and social development and of its determination to maintain good relations with the aid donor communities.

In 2002, the ADB carried out a poverty survey of its Pacific member countries in relation to the Millennium Development Goals (MDGs) while the Samoan Treasury Department and the Ministry of Internal Affairs (2005) carried out a “participatory assessment on hardship” for Samoa. This exercise was necessary because the Government had refused to accept an earlier study done by UNDP which stated that there was a high incidence of poverty in Samoa, and the Government wanted to be directly involved in the study. The Treasury Department was the focal point for the ADB study. The ADB report stated:

The results of the assessment were consistent with the key Statement for the Development of Samoa themes, which when implemented are expected to (i) generate more jobs; (ii) improve poorer people’s ability to obtain housing, food, and clothing; and (iii) promote greater access to basic services such as education, health services, and safe water supply (Asian Development Bank, 2002b: 2).

The report reveals the close collaboration between the Government, officials and the international financial institutions. The World Bank and IMF are now funding programs which also address poverty issues in the developing countries as a result of the failed structural adjustment programmes that they initiated in the 1980s, and were still introducing to Samoa in the 1990s. The ADB’s “*Participatory Assessment Survey on Hardship*” concluded that:

The traditional system is strained by modernization--the need for cash has caused some to shift away from subsistence farming and moving to the urban centre of Apia. Often the urban migration has left the villages deserted and neglecting potentially productive customary lands. Disadvantaged people suffer from poverty of opportunity, in which lack of access to jobs, education, and services restricts the opportunities available to them. Samoans want jobs and better access to services (Asian Development Bank, 2002b: 3).

The assessment study has revealed some of the unforeseen consequences of economic growth, especially when the Samoan economy has registered positive economic growth in GDP every year since the inception of the reform programme. The results of the Participatory Assessment Study has shown that there is unequal growth and that the gap between rural and the urban communities is widening, marked by the increasing migration of people from the rural villages to the urban centre of Apia.

The Legislative Framework

The Samoan Government, in its quest to put the reform programmes into place has, over the years, introduced and passed the legislation needed to provide the legal sanction for structural adjustment and reform. The history of the legislation reflects the priorities attached to various elements of structural adjustment. The following gives a chronological account of the legislation put in place to facilitate the structural adjustment policies.

To broaden the tax base and to encourage incentives to trade is an important element of a Structural Adjustment Programme. The Samoan Government has traditionally had a very limited income tax base as incomes are generally low and there are a relatively small number of high income earners. Some of the highest income earners, the pastors of the different religious denominations, are not required to pay taxes on their income. A significant amount of income in the form of remittances, family labour committed to enterprises and primary production sales by small producers are not monitored. In these circumstances, the costs of collection may exceed the tax returned. Increasing income tax would have fallen most heavily on those in formal wage and salary employment and would have been both politically unpopular and practically ineffective because of the small numbers of tax payers and their generally low income. The World Bank and the Government determined that a consumption tax would effectively broaden the base and provide a more reliable source of revenue for Government.

To do this, the Government drafted and introduced the Value Added Goods and Services Tax Bill as one of the first pieces of legislation to support the changes required by the international financial institutions, that is, to broaden Samoa's tax base by spreading the tax burden to include all its citizens instead of just the wage and salary earners.

In 1992, the Value Added Goods & Services Tax Act (VAGST 1992/1993) was passed by Parliament and resulted in the imposition of the 10 percent VAGST on all goods except basic foodstuffs like sugar, rice and flour. The legislation was to support the SAP objective of broadening the tax base, and to introduce a shift towards an indirect tax that did not discriminate across productive sectors. The implications were that all people, including farmers, fishermen and self-employed people would now pay taxes through their purchases and services rendered. The Hon. Tofilau Eti Alesana, former Prime Minister of Samoa, in proposing the Bill stated that:

The government is introducing the VAGST so that the tax is adequately distributed among the general public (Samoa Parliamentary Debate, 18 June 1993:96).

In 1993, the Government introduced the Income Tax Rate Amendment Act 1993/1994, the Income Tax Administration Amendment Act 1993/1994, and the Customs Tariff Amendment Act 1994. These acts were to meet the requirement of the adjustment programme implemented in the country, and aimed to simplify the tax structure and to enhance the efficiency of the tax collection system. The Customs Tariff Act was to reduce duty on luxury goods while removing tax from basic foodstuff, as a Government response to public criticism of the move by Government to introduce VAGST. The first two Acts had the same objectives as those required by the proponents of Structural Adjustment Programme of the 1980s, cited by SAPRIN:

. . . to simplify the tax structure and open up markets for trade purposes, so that countries can generate savings and foreign exchange to facilitate the repayment of their foreign creditors (SAPRIN, 2004: 2).

In 1993/1994, the Government introduced the Income Tax and Tariffs Act and the Income Tax Amendment Act 1993/1994. These acts included amendments which lowered direct tax and tariffs while reducing exemptions, as well as eliminating trade-inhibiting taxes to further encourage trading activities and removing customs duties on business and commercial activities. These acts again echoed the central goals of the structural adjustment agenda which promoted foreign trade as a key to economic development. According to McCann and McCloskey:

A typical structural adjustment programme ensures that the environment is supportive of market forces, reducing taxes from commercial ventures and encourages foreign investment (McCann & McCloskey, 2003: 145).

One of the important objectives of SAPs noted by McCann and McCloskey is to privatize state enterprises and marketing boards in order to roll back the role of the state in the economy (McCann & McCloskey, 2003:145). To reduce fiscal drain on the Government by privatizing viable enterprises was part of the plan which led to the passing of the Water Authority Act 1993/1994. This legislation officially established the Samoa Water Authority (SWA) which came into effect in 1996, and was made responsible for all the water supply and reticulation systems in the country. The Authority now operates as a Government-owned corporation with the duty to obtain, store, purify and reticulate water supplies throughout Samoa. It is a legislative requirement that the Samoa Water Authority become an economically self-sufficient organisation charging full cost recovery of its operations and maintenance from its customers.

The next step in the reform process saw the emphasis shift back to taxation reform. A central goal of the reforms was to reduce corporate taxes and to encourage trading by simplifying the customs rate of tax, and improving the efficiency and equity of the tax system. The Government introduced the 1994/1995 - Excise Tax Rate Amendment Act to facilitate the above reform objective in line with its development plans. The Act was

introduced to make changes to the Excise Tax rates as part of the reforms of the Customs Department, and to facilitate the administration of the new tax system.

Reducing corporate taxes and opening up the markets and tariff adjustments were instruments used in the structural adjustment programmes to meet one of its key policies of liberalising trade. The World Bank reasons that tariff structures in developing countries require a massive restructuring with a view to removing an anti-export bias that may discourage the development of an export-oriented economy (SAPRIN, 2004: 41). It is argued that the elimination of quotas and the reduction of the level of protection are intended to make the domestic economy and surviving firms more competitive in export markets, though the drastic lowering of protection has real costs in exposing local producers to fierce competition (ibid:40), and discourages them from exporting.

To liberalise the financial sector and enhance public sector efficiency was another key element of SAPs. The theory here is that the state will reduce its influence on the monetary policies while the market takes over as part of the restructuring of the economy. The Samoan Government introduced the Financial Institution Act in 1996 which changes the role of the Central Bank in lifting controls on interest rates to liberalize the financial sector. The Financial Institution Act was passed:

...to regulate the issue, supply and availability and international exchange of money, to promote internal and external monetary stability, to promote credit and exchange conditions conducive to the orderly and balanced economic development of Samoa (Central Bank, 2003:1).

There was a shift from state control of the sector towards a market-driven system. The neo-liberal theory behind this view was the belief that the market is the most efficient mechanism to allocate resources (McCann & McCloskey, 2003: 146).

The Government then turned its attention to measures to encourage investment to improve fiscal stability. Another piece of legislation, introduced in 1996 to facilitate

investment and to improve fiscal stability, was the Public Moneys Amendment Act 1996. This legislation addressed the need to improve the quality of budget documentation through enhanced fiscal balance and expenditure information, medium-term fiscal forecasting and reporting of fiscal risks and tax expenditures as well as improved quality and timeliness of fiscal reporting. This legislation showed that the Government remained set on adopting the key elements proposed under SAPs. Reducing the role of the Government in banking, coupled with fears of bankruptcy, has persuaded Governments to strengthen their financial systems through prudent regulation. According to SAPRIN, the role of the state in banking was extensive prior to reforms, however after the reforms, Commercial Banks were reported to be near collapse because the monitoring role of the central bank was reduced and reforms were implemented in an effort to rescue the system from bankruptcy (SAPRIN, 2004: 72).

In terms of reaching out to the economically disadvantaged, pre-reform financial systems were not achieving this goal. However, SAPRIN stated that the evidence they found indicated that the subsequent financial reforms have also failed to work for the poor and the economically disadvantaged (ibid: 72). This is because these groups have been further marginalised from the credit and financial system through market forces of exclusion (ibid: 73).

To encourage economic growth and strengthen public sector reform is a strategy introduced in the Government's reform programme. The Government introduced the Financial Institutions Act 1996. This legislation was introduced to strengthen budget reporting and accountability requirements of the Public Finance Management Agencies and to establish key elements which included a new financial management information system, development of a more timely and comprehensive budget formulation process, regular budget forecasts and estimates and a phased strengthening of monthly and quarterly financial reporting system, to make the finance sector more efficient and more market friendly. This was, according to McCann & McCloskey, (2003:148), the same rhetoric espoused by the promoters of SAPs. Furthermore, the promoters of SAPs claim

that approval of adjustment programmes serves as a catalyst for encouraging inflows of foreign direct investment into the borrowing countries economy (ibid:148).

Privatisation of public utilities to reduce the role of the state in the economy is one of the most important components of the SAPs implemented in developing and transition countries. The Government, in support of this objective, introduced the Ports Authority Act 1998 which set up the Ports Authority. It established the Ports Authority to take charge of all the ports and associated functions and to be run as a commercial corporation. The Samoa Ports Authority was given the management of all the wharves in the country while the shipping responsibilities were managed under the new corporation known as Samoa Shipping Corporation, which is responsible for the provision and management of shipping services in the country.

The Post & Telecommunication Services Act 1999 effectively changed the management of the Government-run enterprise into a private company and a Government ministry. The Ministry of Communication and Information Technology was established under the legislation to regulate and provide policy advice for telecommunication services in the country. The Samoa Tel Ltd was the new company established to be the commercial arm of telecommunications and postal services. The Samoan Government aimed to privatise the technical side of the old Ministry while aiming to foster good corporate governance in the new Government-run Ministry.

The Samoa Shipping Corporation and the Samoa Tel Ltd were two corporations that joined the private sector and competed with other service providers under this legislation. The choice of these two areas reflected the belief that privatisation of these sectors are key elements of the opening up of a primary producing and export oriented economy and in producing the conditions and efficiencies which attract both domestic and international investment.

Privatisation of public utilities and trading operations follows from the premise that the private sector is the most efficient engine of growth and that the transformation of public

utilities can increase the efficiency and productivity of the economy. The Samoan Government, in support of the privatisation objective, passed the Public Bodies (Performance and Accountability) Act 2001, and the Public Finance Management Act 2001, which had been used by the Government to provide directives to strengthen the operations of state owned enterprises to make them more commercially viable and open to market competition. This is in line with SAPs commitment to market dynamism, which is central to the neo-liberal market ideology. The privatisation of the Public Works Department was one of the biggest exercises in privatisation, and one of the earliest institutions to undergo the privatisation process, is the subject of the case study which is discussed in the next chapter.

Trade liberalisation is, as mentioned above, another integral part of the structural adjustment package and is based on the neo-liberal premise that competition with imports leads to specialisation and the efficient allocation of resources among domestic producers, while reducing the number of inefficient producers, thus removing the burden on society of sustaining such entities (SAPRIN, 2004: 36). The Samoan Government, through the Public Finance Management Act 2001, addressed fiscal issues such as exchange rate management and simplifying investment procedures to encourage foreign investment.

The Public Finance Management Act of 2001 (PFMA) was passed in September 2001 and became effective in October 2001. The PFMA adopts many modern public finance principles and practices which are seen as necessary to facilitate the Government's structural reform programme. The PFMA is designed to ensure that Government's reform objectives are realized, particularly through the reconciliation of budget and financial reporting processes, and partly through the role of the Auditor General in internal control. This Act is another example of the commitment of the Samoan Government to its reform programme as this act further outlines the financial sector liberalisation policies promoted under SAPs

All of the legislation discussed above has been passed in parliament to support the institution of SAPs as part of Samoa's reform programme. The passage of this legislation reflected the Government's commitment to their development plans and the belief that these were most likely to be attained through a process of progressive structural reform.

Table 11: Chronology and Milestones in Structural Reform in Samoa

YEAR	LEGISLATION
1992-1993	Value Added Goods & Service Tax Act (introduced a 10% tax on all goods and service).
1993-1994	Income Tax Amendment Act
	Income Tax Rate Amendment Act
	Income Tax Administration Act
	Customs Tariff Amendment Act
	Water Authority Act established the Samoa Water Authority (SWA) which became an entity in 1996.
1994-1995	Excise Tax Rate Amendment Act, introduce changes to excise tax at the Customs Department as part of the reforms.
1996	Financial Institution Act Public Moneys Amendment Act Customs Tariff Amendment Act
1998	Ports Authority Act which established the Ports Authority
1999	Post & Telecommunications Services Act
2001	Companies Act which replaced NZ Companies Act, but was not enforced
	Public Finance Management Act
	Public Bodies (Performance and Accountability) Act
2002	Ministry of Works Act
2003	Ministerial & Department Arrangement Act established to set up the new reformed government Ministries.
	Remuneration Tribunal Act (sets salaries and wages
2004	Public Service Act
	Planning and Urban Management Act
2005	Public Finance Management Amended Act
	Public Bodies (performance & Accountability Act

Source: Samoan Government documents.

The above table summarizes the sequence of events in the introduction of the reform programmes in Samoa. The table shows the year legislation was passed into law and gave government the authority to implement the programmes. Output and performance based budgeting measures were introduced in 1994 and Financial liberalization and deregulation of Banking were put in place in 1998 as part of the Financial Institution Act (1996). These acts, once in place, empowered the government to move forward with the implementation of reforms in the country.

Conclusion

This chapter has identified the elements of structural adjustment which were adopted as part of Samoa's reform programme. The chapter has explained briefly why the Samoan Government adopted the programme. The general drivers for the adoption of structural adjustment were increasing population growth rates, rising social expectations and material aspirations of the population, economic factors, which produced relatively flat economic growth, and external shocks and natural disasters that made the small Samoan economy highly vulnerable. The chapter has discussed the timing of the reforms. The speed with which the legislative framework was put in place confirmed the Samoan Government's commitment to a broad base economic reform plan. The development of the programme was, however, shaped by donor advice, and driven by the need to secure funding. It did not, and probably could not, take into account some of the issues which would arise in the implementation of the programme.

The presumption that improvements in the macro-economy would produce corresponding ones in the lives of the citizens was largely untested. The promises that reform would produce economic growth which would benefit all of the citizens of Samoa focused on medium and longer-term indices and the consequences of growth. There was little discussion of the short term consequences of reform. The same is true of assessments of outcomes of reform programmes in Samoa. Much is made of the macro-economic trends,

indices and outcomes of reform. Little is said about the shorter-term, micro-economic and personal experiences, outcomes and consequences of the reform. The next chapter seeks to redress this balance. It discusses the case of the privatisation of the Public Works Department to provide a more detailed account of the experiences of the people involved in the process.

Part Three

CHAPTER 5

THE REFORM PROCESS IN ACTION:

A CASE STUDY OF THE PUBLIC WORKS DEPARTMENT

Introduction

This chapter builds on the last one, showing how the goals, legislation and programmes outlined in the previous chapter affected the people involved. Structural adjustment programmes affected many groups and institutions in the country in various ways, and the choice of the Public Works Department for a case study was a conscious one intended to highlight how an important element of structural adjustment programmes, privatisation, affected those involved. It outlines the changes that took place, the change process which occurred, and the implications for, and experiences of, the people involved in the transformation in different capacities. This case study examines the 'actual' process, as distinct from the 'theoretical' process. It examines the actual experiences of the programmes of those involved and relates these to the claims made as part of the justification for the introduction of these programmes, and the experiences of those 'on the ground' with the promised benefits that they were supposed to bring.

The case study demonstrates that the privatisation of the former Public Works Department was driven by the requirements of SAPs. The Department was a case in

which a combination of all of the 'symptoms' of inefficient Government-owned and managed business were present. As such, it presented a case in which all of the benefits of successful structural adjustment could be readily demonstrated. These included the reduction of the size and growth of the department to reduce costs to the Government, the transfer of Government trading operations to the private sector which was supposed to be more efficient, the transfer of decision making from central, bureaucratic control to efficiency-oriented managerial control, and, indirectly, the encouragement of private sector investment and increasing competition within the domestic economy.

The case of the Public Works Department is used in this thesis as a study of how one department managed its reforms and the general experiences of the employees during this process. The thesis examines the anatomy of the process and its consequences at a level of detail which is not possible in more general studies of the reform process which use aggregated data from a number of sectors. The process which took place is examined in detail along with how those involved, both directly and indirectly, saw, understood and experienced the process of 'structural adjustment', as distinct from the effect of these changes measured by economic indicators such as labour productivity and returns on capital invested. The thesis looks at the changes experienced by the employees. It examines the options available to the employees and how the options shaped the outcome for these individuals.

This case study does not focus simply on the experience of the employees of the former PWD. In a sense, these are only the end product of a process which involves other actors. It acknowledges that since a number of actors were involved in the structural adjustment process, a case study must necessarily show how each of these actors influenced the design and implementation of the programme. This study outlines and discusses the roles of three groups involved in the process: the Government, its consultants and 'change managers' and employees at all levels of the Public Works Department. It examines how each was involved in the design of the process finally used; how their respective interests in the outcome shaped their approach to the process, and their evaluation of the results of the restructuring programme.

Context

The Samoan Government's Public Works Department was operating as a traditionally run Government department combining the functions of policy making, regulating building standards, issuing building permits, building inspection, and asset management with operations. Its operations included design, construction and maintenance of physical infrastructure. The Department had been criticised in the media and needed to change its tradition of poor service to the public. The Government of the day also saw the need to reform it, but according to an interview with the Minister of Works, in 2005, the Honourable Faumuina Liuga:

There was no political will to change the old ways of doing things in the department, the government was preparing for the 2001 elections and the employees were trying to complete projects in the rural areas requested by the different villages and districts (Interview: 4 May, 2005).

This claim was in line with assertions made in the consultants' report which noted that:

The department was operating at a loss every year due to being over-staffed. The machinery and vehicles used were old and unreliable, and often inappropriate for the tasks they were used for. The government was aware of the inefficient and ineffective operations but the monitoring role of the Public Service Commission was weak and inadequate, due to Public Service Commission policies, the department was allowed to employ staff but not allowed to terminate employees (Opus, 2001: Appendix G).

Consequently, the performances of the employees, especially at the management and the casual workers levels were poor and wasteful. The Minister of Public Works and Infrastructure stated in his interview that:

There was gross mismanagement which resulted in resources being wasted. The work culture among the employees was ingrained and hard to change. There were too many people hired to do simple work that could be carried out efficiently by one or two people. (Interview: 4 May 2005).

The Minister further added that:

... a lot of the employees took their time in achieving anything, their service to the public was poor, customer service levels were poor, and the public was generally dissatisfied with their services and complained about them (Interview: 4 May, 2005).

He elaborated by stating that most of these employees were employed on a casual basis of employment and were paid the minimum wage which was at that time equivalent to NZ\$1.00 per hour. While the low pay could explain the reasons for the employee's non-performance, it appears that there may be more complicated issues than what the Minister was saying.

The Department was operating under dated legislation, known as the Public Works Ordinance 1959, which did not reflect its evolving roles and responsibilities. During the 1980s and the 1990s, a number of PWD's activities were either corporatised or fully privatised. The electricity generation and reticulation was corporatised in 1971 and renamed the Electric Power Corporation (EPC); the water supply was corporatised in 1996, and is now known as the Water Authority Corporation. Civil construction and furniture manufacture were fully privatised by 1997 (Opus, 2001: 2). These entities were closed down and the Government used the private companies dealing in construction and furniture building for outsourcing of these tasks. The last phase, the subject of this case study, was the privatisation of the Public Works Department's remaining non-core functions.

The Winds of Change

The Controller and Chief Auditor's Report to the Legislative Assembly Period 1 January 1993 to June 1994 (Parliamentary Paper, 1994-1995) tabled in the Samoan Parliament in 1994 was an important report. It documented the historical abuse of power by politicians and senior bureaucrats and detailed how they gained personally at the expense of taxpayers (Amosa, 2003: 38). The report also showed that management and staff of both central Government departments and of Government trading enterprises were inefficient and were not performing their assigned duties and responsibilities.

The Report was controversial because it also highlighted a culture of mismanagement and corruption at the time, and noted that the governments of the day had allowed this culture to develop over a long period. The report also revealed that some of the Government's members and associates had personally benefited from the arrangements which had been allowed to develop. These longstanding arrangements were widespread through government departments and trading operations and were, in many cases, difficult to detect because annual reports had not been filed for some years. The Government's first response was to appoint a Commission of Inquiry to explore the charges made by the Controller and Chief Auditor, which reported in October 1994.

The Report of the Commission of Enquiry, substantially confirmed the charges in the earlier report and elaborated on the culture which lay behind the facts outlined by the Chief Auditor. These revelations were so politically embarrassing that the Government suspended, and effectively sidelined, its Auditor-General, and amended the nation's constitution to change the nature of the Auditor's appointment to ensure that it could not be embarrassed again. But, despite these extraordinary measures, the report was the catalyst for change and was instrumental in introducing the reforms to facilitate substantial changes to public sector management and accountability (Amosa, 2003: 44).

The Government used the Controller and Chief Auditor's Report to promote the case for reform of the Public Works Department which was one of the departments cited in the

report as being plagued by inefficient and ineffective management and regulatory systems and corrupt practices. According to Cluny and La'avasa Macpherson:

One of the reasons that was highlighted in the Auditor's report was a statement by a senior bureaucrat who defended his actions by stating that they found it difficult to carry out their duties and responsibilities in accordance with the law when the Minister instructs them to carry out the requests of his villagers (Macpherson & Macpherson, 2000: 32).

The system used by the PWD was abused by the Minister, senior bureaucrats and employees throughout the Department. People in senior ranks misused respect for their seniority in Samoan culture in the workplace inappropriately, and this resulted in neglect of procedures and the breaking of the law. The Commission of Enquiry report stated that:

It was evident in our enquiries that the Public Works Department was an organization where personnel had become used to doing just about anything at all without qualm, just as long as no one stepped in to say "Stop!". It is not easy to get an accurate picture of events from an organisation where subterfuge, deception and self-serving pursuits appear to be everyday occurrences. A see nothing, hear nothing, tell nothing mentality seemed also very much part of the organisational culture (Commission of Inquiry, 1994: 40).

Macpherson and Macpherson (2000: 33) further noted that pressures were at work in the public service where salaries are relatively low, and where workers are under pressure to serve their immediate and extended families. This combination can provide circumstances for the mismanagement of public funds if the workers use public funds and /or resources as their own. The temptation to cheat the system was rife as the monitoring systems were not effective and not managed properly or rigorously. It also raises the question of whether the workers saw this as dishonesty or merely as using resources available to them to assist their families and villages. It is also clear that as senior people

were doing this, it appeared to be acceptable to those below them, particularly when, as the report showed, those at the top argued that this was *faasamoa* in action and was therefore culturally sanctioned. Further to this discussion, the Commission of Inquiry Report stated that:

Where an organisation's main procedure consists simply of discovering what the Minister wants done and doing it without delay, such organisation can be capable of startling performance. In the long run, however, it is a formula for disaster. The Minister's word becomes the only rule, and effective checks, not only on the Minister but on everyone and everything else, go out the window..... In such circumstances discordant professional advice, to the extent that it may still exist, can very easily be treated as irrelevant (Commission of Inquiry, 1994: 20).

The immediate decision to reform the Public Works Department was a response by the Government to the criticisms of the politicians, officials and Government employees involved in the corruption and mismanagement outlined in the Auditor General and the Commission of Inquiry's report.

However, the Government's public sector reform programmes aimed to reduce the role of the state, and its dominance of the public sector in the economy. This was always part of their joint agenda with the World Bank and was a continuation of the earlier corporatisation of Government's electricity, water, and civil construction activities. The general intention was to improve the efficiency and quality in the provision of public service. It was reported in a cabinet paper *FK (96)11 of 27 March 1996* that Government already recognised the need to review the functions of the PWD as part of its ongoing public sector reform programme, and to privatise activities which could be more efficiently implemented in a competitive private sector environment. The problems which plagued the PWD were timely for the Government, as they provided the ideal case for privatisation, in line with the requirements of SAPs.

The PWD Reform Project

The objectives of the privatisation element of the reform project, as set out in the Opus Consultant' Report, were to achieve sustained economic growth with the private sector taking the lead role, to assist redefine the role and responsibility of Government in terms of its core functions, to achieve maximum efficiencies in the use of limited public resources in the delivery of essential services to all Samoans, and to promote investment and job creating opportunities in the private sector (Opus, 2001: 6).

The project became known as the Public Works Institutional Reform and Asset Management Services (PIRAMS) and was instituted by a group of consultants from Australia (Opus International Consultants) and a locally-based consultancy firm, Kolone Vaai and Associates (KVA). These two firms were commissioned by the Government of Samoa and paid jointly by the World Bank and the Australian Government through its Institutional Strengthening aid programme. The project was welcomed by the Government as a face-saving measure in the light of public criticisms it was facing as a result of the contents of the Chief Auditor's report and to the structural adjustment programmes in general.

PIRAMs

The objectives of the PIRAMS project were formulated to support the economic growth of Samoa by improving the management of Samoa's infrastructural assets through functions as listed below:

1. Reform of the role, function and responsibilities of the Public Works Department.
2. Development of a partnership with the private sector for the efficient delivery of public works and services.

3. Establishment of long term plans for the improved management of public infrastructure assets (Opus, 2001: 7).

The expected outcomes at the completion of the project were stated as:

1. Public Works Department would have a new function and an appropriate regulatory framework to support its new role as policy advisor, regulatory agency and asset manager.
2. Public Works Department would have contracted out or transferred to the private sector all non-core functions.
3. Public Works Department would have an organisational structure appropriate to meet the requirements of its new roles.
4. Public Works Department would have policies and procedures for its human resource management function.
5. Public Works Department would have an asset management system. This consists of a computerised application which assists in identifying the maintenance and upgrading priorities for the network with data collection procedures for gathering the required information to operate the system.
6. Public Works Department would have a 5 to 10 year road plan (Opus, 2001: 7).

The Consultation Process

The Government, in pursuing its objective of reforming the Public Works Department, investigated ways it could go about implementing the project without political complications. The Government engaged the services of a local consulting company of Kolone Vaai and Associates (KVA) to kick start the process. The principal of KVA, Kolone Vaai was the former Financial Secretary for the Treasury Department, and his associates were former employees of the Treasury Department, who had, while employed by the Government, been involved with the adoption and management of the Structural Adjustment Programmes from the World Bank. The consultants, according to their report titled *PIRAMS* stated that they interviewed all the employees of the Department as part of

the first stage of the project. The results of these consultation meetings were used to launch the next level of consultation within the Department (Opus, 2001:4). The consultation that took place before the changes were implemented identified several issues that were affecting the Department's performance. These included:

...out of date legislative and regulatory provisions, difficulties with financial management, no human resource planning procedures, difficulties with the lack of ability to manage staffing resources, and the shape and size of the organisation (Opus, 2001: 10).

The consultants had several meetings with all the Public Works personnel. At first, they met with the whole group of employees, and then they arranged different meetings at different depots for the different sub-groups in the offices in which they were engaged. They interviewed senior managers and civil overseers. They attended all the employees' assembly and work briefing sessions for a period of six months. They accompanied PWD staff on inspections of roads on both Upolu and Savaii. They visited all the job sites and interviewed the foremen of each group as part of their consultation.

The consultants also explored the feasibility of privatising some of the functions of the Public Works Department, to establish if the private sector was interested in tendering for Government businesses when the Department became privatised, and whether they had the capacity to replace work performed by the PWD. To this end, the consultants interviewed a total of 24 private contractors, who were already operating as business units, most of them companies owned by civil engineers and businesses operating in this area. The purpose of this activity was to get information from all the stakeholders, to find out the type of plant and machinery they had and to establish their capability to take on major public works.

The consultants reported that the PWD was over-staffed. This was demonstrated by the men who played cards or were engaged in other activities that were not related to their paid work. The plant and equipment in use at the PWD were old, dilapidated, unreliable

and often inappropriate for the required tasks. Furthermore, the findings of this process as outlined in the report, listed several issues:

Out of date legislation and regulations, the Public Works Ordinance 1959, the financial systems used by the Department were difficult to understand, the size and shape of the Department was too large, there was lack of ability to manage staffing resources, there is a need to manage human resources effectively, there is a critical shortage of skilled and qualified staff, there is uncertainty due to lack of progress in Government confirmation of the PWD's new roles, inappropriate sites and buildings, the poor public perception of the Department and the current costs to run PWD are high compared to the private sector (Opus, 2001: Appendix G).

The out-of-date legislation was identified as the most important issue for the PWD, if it was to move forward in its reform process. The consultants found that the size and shape of the Department did not reflect its roles and responsibilities for the future. They found difficulties with the two financial systems the Department was operating, one for the Treasury Department and one for their own operations. According to one of the consultants, the staffing problems were critical, and both the shortage of skilled and professional staff and human resource issues needed to be addressed. For example, both a human resource development and a human resource plan needed to be put in place (Tuioti, 27 April, 2005). He further stated that the:

...general public still perceive the PWD as a department which has poor work practices, is set in its ways and does not fulfil its role as manager of public assets (Interview, 27 April, 2005).

It was made clear in the report that the poor public perception would be difficult to turn around and that it would be unlikely to happen without a highly visible demonstration of change in the way that the Department operated.

The findings from this consultation process were similar to those highlighted by the Auditor General in the *Controller & Chief Auditor's Report* to the legislative Assembly in 1994. The staff issues that were brought to the fore in this report, had also been identified during various institutional strengthening exercises that had taken place since 1992, but were never addressed by management. The other push factor was the PWD's real operational costs which were high compared to those of companies in the private sector. Significant costs savings were shown to be available to Government if it were to secure comparable services from contractors in the private sector.

The following recommendations came from the findings of the process of consultation:

1. To reform the role and function of PWD to focus on policy advice, regulatory control and asset management.
2. Consistent with its new role, PWD will either contract out or privatise all non-core functions.
3. The current Public Works Ordinance 1959 and related regulations will be reviewed and where appropriate amended to support PWD's new role
4. A new organisational structure will be developed to facilitate the new PWD role.
5. The preferred implementation pace of the transition from the current PWD model to the new PWD model. The options are: a) fast track – up to 2 years and (b) slow track- i.e. a longer period of 3 to 5 years
6. PWD, assisted by the PIRAMS team, will implement the reforms according to the reform strategy and timetable for implementation now being reviewed by the Ministry of Works (Opus, 2001: Appendix G).

The consultants' recommendations were submitted to Cabinet for approval. Cabinet acted on the recommendations by formalising PIRAMS (as mentioned in six of the recommendations). Privatisation of the Public Works Department thus became an integral part of the Government's ongoing public sector reform programme, intended to support the Government in its drive to achieve sustained economic growth for Samoa, reduce the

dominance of the public sector in the economy, maximise efficiency in the use of limited public resources to deliver essential services to all Samoans, and to promote investment and job creating opportunities in the private sector (ibid: Appendix G).

The new functions of PIRAMS included all the key elements of SAPs and were represented as a solution to the problems of the PWD.

The Reform Process

The Public Works Department reforms were carried out with caution and employed a consultative approach. The consultants consisted of a team of 13 people: four locals and nine expatriates. The locals were from the Apia-based consultancy firm of Kolone Vaai & Associates while the overseas group were from an Australian consultancy firm, Opus International. The lead consultant, Sala Epa Tuioti, was a Finance Manager with experience in the ADB; he was the former Financial Secretary and Chief Executive Officer (CEO) of the Treasury Department in Samoa. The rest of the local people are economists and/or accountants, most of them had worked for the Samoa Treasury Department in the past. The Australian consultants were engineers, accountants and finance experts recommended by Australian Aid.

The lead consultant stated that underlying their work was the Government's philosophy that *what is good for the town's people is also good for the rural people*. This slogan, used by the governing political party, the Human Rights Protection Party (HRPP), in their election campaign manifesto for the 1996 elections, was then adopted by the consultants as their governing philosophy. According to the HRPP election manifesto:

If the HRPP was to be re-elected in 1996 they will make sure that services available to the people who live in town will also be made available to those people who live in the rural villages and communities (HRPP, 1996: 3).

The first phase of the consultation, as noted above, took place between the local consultant group and the PWD and stakeholders in the private sector. It culminated in a report which was submitted to Cabinet with recommendations as listed above. The second phase started after cabinet approval of the project. The executive staff members of the Department were informed by Cabinet of the direction the Government wanted to take through the Minister in charge of the Department. The two consultant firms were then formally appointed to move the process along the privatisation agenda. The partner firm, OPUS was recommended by Australian Aid. The third phase commenced when the consultants started the information dissemination to the other employees of the Department.

The lead consultant stated that, as a consulting team, they were mindful of engaging the “appropriate process” to facilitate the information dissemination phase. In explaining this part of their work, the lead consultant stressed the fact that they wanted to put the employees in a non-threatening position, as they were aware that the process might be painful for some of them. In view of these possible implications, they made sure that the process they adopted was agreed to and supported by the group of employees. The group of employees encouraged them to adopt the Samoan way or process of consultation. The employees were more comfortable in using this process for discussing sensitive issues. The head of the consultant team stated that they made sure that all the workers were included in the planned information dissemination sessions in order to consult all those who were to be affected (Tuioti: 27 April, 2005).

The consultants attended briefing sessions and set up workshops and seminars for the employees. They held sessions for each of the different sections and divisions and interviewed as many workers as they could. The whole Department took time away from the working environment to discuss its future, and both the Minister of Public Works and the Chief Executive Officer were involved in this activity. Retreats for employees were held throughout the consultation period. The retreats were conducted both in Savaii and Upolu away from the workplace to ensure that people attended without undue interruption, and that the location of the meetings meant that the people had to stay for

the full duration. The retreats were fully-funded to ensure full participation. Other stakeholders were also invited to join the department employees. The stakeholders who attended included representatives of the office of the Attorney General, staff from the Public Service Commission, staff from the Treasury Department, members from the private sectors and the media.

The purpose of the retreats was to prepare the staff for the major changes that they would be facing and to ensure that people understood their positions and how the changes in the policies could affect them in both the short and the longer terms. Staff members were informed of the reform agenda by the Government. The reformed Public Works Department, they were told, would be responsible for policy, regulatory functions and asset management. All the other functions, which included design, construction and maintenance, would be either outsourced or transferred to another department. The consultant stated that he was mindful that the reform agenda, which was to strengthen the partnership with the private sector, meant that most of the non-core functions of the Public Works Department would be outsourced leaving most of the labouring and casual staff with hard decisions to make regarding their future job prospects.

At these retreats, the lead consultant noted, the “participants concentrated on discussing how the changes would “impact on their roles as civil servants.” Job security issues were also discussed with the different groups. The head of the consultant team stated in his interview that consultants assured the staff and stakeholders that whatever decisions they made were important, as they would then, be responsible for their implementation. In other words, it was important for them to own the decisions that they would implement in the end.

The inclusive consultation process took almost six months (from November 2002 to April 2003) according to Chief Executive Officer of the Department. This relatively long time frame was important as the lead consultant stated that:

It was very difficult for me to witness the end of an era, as I know that there were staff that had no choice but to decide their own fate. I really felt for them, but what can one do, what was sad was that at the end of the consultation meetings it was a forgone conclusion that people needed to decide for their future and that they were happy to do it. Most of them accepted the fact that the department has been running at a loss and needed change, and in some cases blamed themselves. (Interview: 24 April 2005).

Some of the workers blamed themselves rather than viewing themselves as victims of the structural reform process. The majority of these were the casual workers. The consultant was obviously moved by the people's responses and stated that the Samoan cultural approach (*faasamoa*) which they used in the meetings really facilitated their task peacefully.

At the completion of the consultation process, further meetings were held where staff members were given options which had been designed by the consultation teams in collaboration with the Public Service Commission and the office of the Attorney General. The employees had to choose from one of three options:

1. The first option was that staff could choose to leave the service and set up new businesses in areas where they were previously employed in. The Government promised to assist those who chose this option by upskilling them in management and business skills, and offering training in accounting practices and business acumen. They were also promised some assistance with securing capital to start the business venture and to purchase plant at discounted prices from the PWD or from the private sector. The Government, in encouraging these people, offered to secure loans for their business to start the new venture.
2. The second option was for staff to stay with the newly reformed Department. This option was available only to certain professional and

technical people whose expertise, skills and experience would be required by the new Department to carry out its new functions. These people were told that there would be a submission to raise their salaries so that their salaries were in line with what the private sector was paying, which were often higher than those paid in the public sector.

3. The third option was for staff to take redundancy pay and leave the service. The redundancy packages were to be worked out by the Public Service commission based on the number of years served and other benefits such as sick and annual leave days entitlement. These sums of monies were to be paid out in lump sums. The employees' National Provident Fund (NPF) contributions and superannuation rebates were not part of the options. These benefits were guided by their own policies and if people met the NPF criteria, then they could draw on them, otherwise they had to wait until they reached the required age for retirement to claim their NPF contributions. For those who were of retiring age, most took full retirement.

Outcomes

Employees that decided to take option two stayed with the Department. These people were almost all professional people and were promised salary increases in line with salaries of those of their profession in the private sector. A total of 51 staff members out of 450 people stayed with the Department; these people were highly skilled and qualified in technical and professional areas.

For the rest of the staff, only options 1 and 3 were in effect available. Employees in this category were assured that they would be getting a generous redundancy pay package if they decided to take option 3. Some staff members were encouraged to take option 1 because of the promises of assistance offered as part of the deal and the active encouragement given to form business units which could then tender for the outsourced work that the Department would no longer be carrying out.

Those who took option one were those employees who were in charge of the units that were being outsourced to the private sector. The Chief Engineer and the Finance Manager joined forces to form a business unit for road construction, and took 70 employees with them, of which 66 became shareholders in their company. The head of the housing section joined with his deputy to form a business unit to look after the maintenance of government-owned houses and grounds. They took 10 people with them. The Chief Architect started a business unit for the building section and he was joined by 4 people. The Chief Electrician started a business unit for electrical works and took 10 people with him. The Head Carpenter took over the carpentry business unit and took 16 people with him. There were employees that joined the architectural business but these numbers were not available. Altogether, a total of approximately 174 people took this option.

Most of the leaders in this group consisted of those who had been in charge of the PWD's various sections for several years and had the required technical skills. There was encouragement from the Government for these people, in the form of an undertaking that Government would allow them to be sole tenders for Government work for the first three years, and a possible extension after a review.

A third group took option three and discontinued their employment. Approximately 400 staff members were either made redundant or left the Department. A group of the employees who took redundancy pay ended up being re-employed by one of the business units but a majority of people remained unemployed. Some 16 people from the redundant group that were re-hired by the road construction company and the rest remained unemployed. The majority of people in this category were casual workers who are unskilled or older employees who wanted to retire. Some of the unskilled workers were later integrated into the business units by the senior members of those units or were offered labouring jobs within the newly-formed companies. Twenty people took retirement and six people were transferred to other government departments;

While there are minor disparities in the numbers provided by various people interviewed for this thesis, the general picture is clear. The current CEO of the Ministry stated that: 450 staff took the redundancy option, 50 people chose the business option and 51 people remained with the new department. The Department of over five hundred people was now reduced to 50 staff. This was later confirmed by the lead consultant who stated that 85 percent of all the workers chose to take redundancy pay or opted for the business sector, and that very few people wanted to remain with the newly reformed Department. The Minister at his interview stated that there were over 500 people who worked at PWD of which 51 remained and the others took their chosen options. These figures differ from those listed under the consultants' personnel numbers, a total of 618 employees (Opus: Appendix C) when they started the exercise. Some of these people transferred to other departments leaving a total number of approximately 500 employees who were finally affected by the reforms.

The consultants made written submissions to Cabinet regarding the legislative and management changes that needed to be put in place. The consultants proposed a series of legislative changes required to make the structural changes to the Public Works. The Public Service Commission was then tasked with introducing legislation to allow new human resource policies in regard to redundancies to be implemented. The redundancy packages were "generous" according to the lead consultant. These packages were negotiated between the team of consultants, the Public Service Commission and the office of the Attorney General who represented the Government.

An important outcome was new legislation, entitled the Ministry of Transport, Works and Infrastructure Act that was passed in 2002. It changed the Department's name to accurately reflect its new roles and responsibilities and was now known as the Ministry of Transport, Works and Infrastructure (MTWI). The legislation also gave the Department the hiring and firing functions needed by the consultants to complete the process of privatising the department.

The former Ministry of Transport was joined with the Department of Public Works to form the new institution under the new Act. In 2003, the two agencies were amalgamated to form the new Ministry which was given, as its core functions, policy advice, regulation and asset management functions as proposed by the legislation. These functions include providing policy advice to the Minister, Government agencies, general public and servicing the housing committee. Regulation functions include building standards, issuing building and sand permits, advice and inspection of permit conditions. It also regulates housing codes and road designs. It is responsible for contract letting which includes invitation, analysis and recommendations to the Tender Board. Contract management is another important role of the new institution and this includes approval of work programmes, assurance inspection, supervision and monitoring of projects, and undertaking the awarding of contracts to the private sector.

Under the Ministry of Transport, Works and Infrastructure Act, all the non-core functions of the Ministry were outsourced to the private sector, through a tender system where all private companies, including the newly established business units, could apply to bid for Government work.

Of the non-core activities, the Ministry kept only the Alafua quarry. This exception was made because there was no entity in the private sector engaged in this kind of business activity, no interest in investing in this activity and because the consultant advised against selling the quarry as it could create a monopoly in a key industry, so it remained with the Ministry.

The Realignment Process:

The realignment process took different forms for the different groups of employees within the organisation. These reflected both their skill levels and their perception of available opportunities. Professional staff who accepted redundancy joined private consultancy firms or set up their own. The former CEO of the Department has, for instance, established an engineering consultancy firm to provide local counterpart

consultancy for the World Bank. The former CEO of the Water Authority has formed a similar private consultancy company also. The former Government architect has established a private business designing and costing new buildings.

The lead consultant stated in his interview for this thesis that groups from within the different sections in the old Department started negotiating and collaborating with each other on possible opportunities to start small business units and to take over the tasks from the Department. The former head of the Housing Section, at his interview, stated that:

I was approached by a few of my friends to form a company and we discussed it among ourselves and those who can raise the cash to join the company were taken in, some of them were keen at first but pulled out afterwards because they did not have the money. Only six managed to put in part of the money and two of us paid our shares in full. However, I was happy that the Government gave their guarantee for contract work to us (Muliaga, 5 July 2005).

In the interview with the former director of the road construction business, he also referred to similar negotiations that occurred with his group of people. He stated that:

It was obvious that these functions would be removed from the Department, and it was important for us to start making some crucial decisions.

And that:

Several workers approached me regarding joining up, and the consultants encouraged us to start negotiating with those employees that can make a contribution to the unit. I saw the business side of the company as being crucial so I approached the Finance Manager to join me, and then we can handpick those workers we need to bring on board (Faalogo, 30 April 2005).

During the interviews, different people stated that they sought to form viable business units, as they were interested in continuing a working relationship with the Department as partners to carry out the contract work that would be outsourced. A number of businesses were spun off as a result of those discussions.

Members of the Engineering Section and some administration staff members combined their skills to form the business unit for road construction and road maintenance. The business is now called Samoa Works and Engineering Ltd (SWEL). Staff who were in the Housing Maintenance Section formed a business to provide maintenance of all Government-housing and Government-owned land. This business is now called the Government House and Ground Maintenance Company. A building and architectural business now called P&T Building Company was also formed. Other business groups formed include the Electrical Business Unit, now known as the Mataia Electrical Company, while the Carpentry Business Unit is now known as the Samoa Builders Co. Ltd.

With the exception of SWEL which took over a hundred employees as shareholders in their new company, the business units were small (in the range of 8 to 10 people). The capital used to establish the companies was raised privately through shares and bank loans that were guaranteed by the Government. In the case of SWEL there were two major shareholders who paid over a thousand tala (1 NZD = 1.80 Samoan tala) each for the control and management rights. Others purchased smaller numbers of shares in the business. According to a SWEL spokesperson, all shareholders acquired a minimum of 200 shares at \$1 a share. They had 66 people who fully paid up in this category, 20 other people were still paying their shares, and those who struggled to pay for the shares stayed to work as employees for the company instead. The company assets are now worth 4 million tala (Interview: 29 April, 2005).

Another interesting business unit is the Government house and ground maintenance company. According to the manager of this unit, there were two major shareholders and six other employees. He stated that:

There was no money so we took a loan of ST16.000 from the ANZ bank and we bought 6 big Husquvarna lawn mowers. The Department gave us some equipment that was left over from the housing section and it includes a truck which was broken and badly needed repair. The original people have all left except two of us and we do the administration and now hire 12 casual workers and pay them an hourly rate as we can not afford to hire too many full time employees (Muliaga, 5 July 2005).

The carpentry unit became the Samoa Carpentry and Maintenance Construction Company, a small unit managed by one of the former Chief Carpenters in the PWD carpentry section. The Manager for this unit stated that they did not acquire much equipment from PWD, as most of the equipment that had previously been used was broken and old, and they needed to buy more tools. There were sixteen people that got together to form this unit and they raised a capital of ST13,000. They took out a loan of ST16,000 from the ANZ Bank with a government guarantee, to pay the wages of the workers and now they can barely make ends meet. This was a consequence, they claimed, of two unanticipated problems. The cost of mostly imported building materials escalated as the value of the Samoan currency fell, and they have had to wait for payments from Treasury after they have completed contracts, due to the red tape. Most times, they have to pursue their invoices as it takes a long time for payment and the business suffers from cash flow and liquidity problems which limit their ability to expand.

Assistance to New Businesses

The people who chose the business option were given training in business management and how to run a business successfully. The training was part of the change process and funded by the Government. It was implemented by an intergovernmental agency called Samoa Business Enterprise Company (SBEC) which is jointly funded by the New Zealand and Samoan Governments to encourage small business enterprises. The

workshop offered to those planning to start business ventures was a two week intensive course on accounting and book-keeping skills. They were also given training in business taxation and licensing requirements for operating a business, as well as how to operate successful business ventures within the law. The people who taught the courses were professional accountants and management experts from SBEC. All the PWD employees who attended the retreats attended the SBEC workshops.

Some Government assets were given to the new businesses to help in the establishment phase. The road construction company (SWEL) was gifted with some old trucks and other construction equipment and machinery to help them start their business. The Mataia electrical company was also assisted by Government through gifting of all the resources that were left over from the PWD Electrical Division. Electrical wires and tools that were no longer required were taken as part of the assistance given. Other ventures gained little in assistance of this type, since the equipment the Government owned was old, or worn out, and of little value to businesses which were under-capitalised and were required to be efficient from their establishment to survive.

The Government also promised to give the new units priority as 'favoured tenderers' for Government tenders and projects the first three years of their existence to allow them to grow their business with some security. This protection was more significant to some of the new businesses than to others. It was especially important to the road construction business, SWEL which had now to compete with two experienced, locally-based companies which were more established in the construction field. The Mataia Electrical Company was also given a three year guarantee of Government contract work on the electrical work on all government-owned houses and buildings, as well as servicing the new Ministry's office buildings.

All of the units were promised tax-free incentives and loan guarantees by Government to set up their businesses. The Government House and Ground Maintenance business was given a three year guarantee to maintain all Government-owned houses and land. They took out a loan from the Australia New Zealand Bank to purchase their lawn mowing and

other equipment needed to start and sustain the business. They invested their own money in purchasing a truck to carry the equipment. The business employs a total of 12 people. Ten are employed to provide the labour and two to provide the administration work.

The new business units that were created are now competing with other private sector companies to get contract work funded by the World Bank and ADB through the new Ministry of Public Works.

Costs and Benefits

The Minister of Transport Works and Infrastructure in 2005, the Honourable Faumuina Liuga, stated in his interview that:

The redundancy packages cost the Government a total of 1.6 million tala [equivalent to \$NZ800, 000].

He further stated that:

The Ministry saved \$2.5 million tala on the salaries and that the saving per annum on resources and time is estimated to be \$10 million tala or equivalent to \$NZ6million. Altogether a savings of 12.5 million tala (\$NZ 6.2 million) has been achieved through the PWD reform programme. The money saved has been used to help improve the infrastructure, especially the roads and bridges (Faumuina, 4 May 2005).

And further that:

...the aim of the reform was achieved because we do not have to buy any more equipment that needs to be maintained, and now the private sector can compete to do these jobs which are part of the government reform plans (Faumuina, 4 May 2005).

The privatisation of the former PWD was driven by the specific elements of the structural adjustment policies proposed by the major international financial institutions. These elements included:

- The reduction of the size of the institution and reducing the cost to the government.
- The transfer of government trading operations to private sector business.
- The encouragement of the growth of the private sector which is seen as the 'engine of growth' and is assumed to be more efficient.
- The promotion of increased competition within the private sector which, it assumes, lowers the cost of services.
- The transfer of decision making from central government and bureaucratic control to members of the private sectors who are presumed to be more entrepreneurial.
- The reduction of the dominance of the public sector in the economy.
- The promotion of investment and job creation opportunities in the private sector.

These elements reflect the elements of the neo-liberal ideology which is at the centre of the structural adjustment policies promoted by the World Bank and the IMF. The PIRAMS was an integral part of Government's ongoing public sector reform programme intended to support the Government in its drive to achieve sustained economic growth for Samoa. In respect of each of these objectives, the Government and its change managers could be said to have succeeded in the case of the privatisation of the PWD.

Conclusion

This chapter has described the process that was used to approach and to facilitate the changes in the Public Works Department. The Department had been plagued with management and human resource problems for years and the public perception of this Department was so negative that when the SAP programme was implemented, there was very little resistance from the public, even the employees accepted the changes or more

or less accepted their fate. The Government was set on its privatisation path and with the aid of the consultants, this was achieved. The process was undoubtedly facilitated because the consultants used the *Faasamoa* to deal with the Department's employees, all of whom were Samoan.

The chapter has provided a description of the context, and how the changes came to be implemented. More specifically, it has provided an insight into the process and the type of negotiations that were carried out in order to implement the privatisation exercise. The chapter has outlined the roles of the consultants, the Government-mandated change manager, and the formulation of PIRAMs' aims and objectives. The process described how the employees accepted their situation and the process of forming partnerships for the business units.

On the surface at least, the events outlined looked like the model privatisation process with PWD employees transferring skills to the private sector in which they would be more efficiently employed, but in a carefully managed transition designed to nurture new businesses until they were established and able to compete with existing entities in the private sector. The next chapter examines and discusses in some detail, the experiences of the former employees who took up some of the challenges of forming business units and those who have chosen to be redundant and working in other areas.

CHAPTER 6

Contested Views of the Reform of the PWD

Introduction

This chapter discusses the contested views of the different people involved in the case study. Legislation passed in Parliament to change the functions of the Public Works Department produced a reformed institution. The Ministry of Transport, Works and Infrastructure Act, passed in 2002, created what is now known as the Ministry of Transport, Works and Infrastructure (MTWI). The new title reflected the merged functions of the former Ministry of Transport and the PWD in the new Ministry. The downsizing and restructuring of the Samoan Government's Public Works Department appears to have been completed successfully, and without the usual negative publicity that generally accompanies such significant institutional changes. Samoa's performance is held up as an example of successful reform.

In international forums, its macro-economic and institutional reforms are claimed to have produced the context for the nation's current economic growth and new prosperity. International financial institutions hold the Samoan case up as proof of the benefits of a well-managed, comprehensive structural reform programme. Yet these assessments all rest on quantitative, macro-economic data on national trends. There is however, also evidence that those who have been more directly affected by the processes which have produced these trends, are less convinced that these reforms, and privatisation in particular, has produced benefits for them. But this evidence will not be found in

quantitative national data. It will only be found in qualitative data and from studies of those who were involved in the reform process. The study now turns to the situation of those who were involved in various roles and for differing periods in the privatisation of the PWD, and seeks to establish how these processes were experienced and evaluated by those people who lived through them. This is not to suggest that all who were involved will necessarily share the same views of these processes, but rather that the experiences of those people will only be found by considering their experiences at the micro-level.

In fact, sociological theorising would predict that there would be a range of views of the processes, and that these would reflect the social locations of individuals which would, in turn, influence the ways in which the programmes' impacts were experienced. It is, following this logic, possible, and indeed probable, that views of the processes, and of the programmes of which they were part, would be contested. Those whose personal and financial situations were made 'better' by the privatisation programme would be expected to evaluate it more positively than those whose situations had become 'worse'. The various actors would use different reference groups and different criteria to form their judgements of the consequences of the privatisation process.

It is, following the same logic, possible that the bases of people's evaluations would differ. Political criteria might underlie the evaluation of the politician who believed that the programmes resulted in his or her return to power, professional criteria might underpin the evaluation of the consultant who believed in the execution of the privatisation as a 'model' of effective change management, the personal economic situation may underlie the assessment of the employee who believed that he or she is better off as a consequence of the programme. Each will use somewhat different forms of evidence to assemble, explain and justify their necessarily different evaluations of the programmes. We can better understand these by qualitative analyses which focus on the ways in which the various actors have fared.

While each actor uses different, and personal, criteria to identify the impact of the reforms, and different measures to evaluate their 'success', groups of actors may share

similar views which are related to their position. The different views expressed by groups, and the assessments they made of the 'success' of the project, reflect their particular group's interests. While each actor has a personal and /or professional interest which shapes the way they saw and assessed the reforms, this chapter focuses primarily on the way in which these structural interests influence groups' assessments of the reform process.

The Sociology of Power

Sociologists have traditionally defined power as:

The ability to impose one's will on others, even if those others resist in some way. Max Weber defined power as meaning that opportunity existing within a social relationship which permits one to carry out one's own will even against resistance and regardless of the basis on which this opportunity rests. This imposition need not involve coercion (the force or threat of force). Thus power in the sociological sense subsumes both physical power and political power – in some ways it closely resembles what the everyday people refer to as influence (<http://wiki/power.sociology>).

The contested views of the people interviewed in the case study, reflected their position in relation to the change process, and how much power they were able to use to influence the outcomes in terms of their own interest. Positions and interests do shape the people's assessments. A few employees were able to influence the outcomes of the reforms but most of them were not in positions of sufficient power to secure their own interests in the process.

This chapter discusses the experiences of different actors, including politicians, government-appointed executives and senior Government officials, the consultants, and

the employees of the former Public Works Department and seeks to connect those experiences with people's position and the power available to them.

To obtain a representative selection of these views, a number of actors from various sections of the Department were interviewed about their experiences of the reform of the former Public Works Department (PWD). Those interviewed were chosen according to the roles they played in the privatisation process and their designations in relation to the project. These included people who were both outside and inside the organisation. The different views expressed by people involved in and affected by the privatisation suggest that the perceptions of 'success' are, at the very least, not uniform and are directly influenced by their experiences of the exercise.

Politicians

The Prime Minister of Samoa, the Honourable Tuilaepa Aiono Lufesoliali Sailele Malielegaoi's views of why the reforms were initiated and of their importance, reflected his professional training in commerce especially economics and finance. As a political leader he was aware that his Government depended on international financial agencies to support its development programmes. According to him, the reform programme has as its central theme the promotion of privatisation and growing the private sector as the "engine of economic growth". This case of privatisation was important to his Government. It was important politically to the Government as it was embarrassed by the findings of the Auditor-General's report and needed to be seen by the public as actively implementing changes. It was also important from a fiscal perspective. The Public Works Department was becoming increasingly expensive for Government. Its escalating costs were becoming unsustainable to the Government. It benefited Government to get the cost of running the department out of the budget. According to the Prime Minister, the PWD had been problematic for years because it was a large department in terms of the work force and the budget that Government needed to allocate to it. The Prime Minister stated:

The best thing that Government did was to downsize the Public Works. The country has benefited from the exercise as it is now manageable and sustainable to administer. It is now tasked with the policy, regulatory and monitoring functions and it is more efficient and more effectively managed. The people who took the business options are now better off. They are running their business units successfully and are in control of their own resources. The people are pleased; our donors are contented and already looking at Samoa as the model economy for the Pacific (Interview: 10 October 2005).

This assessment is hardly surprising as the Prime Minister has been instrumental in the design and implementation of the reforms. He has driven the development of financial and development policies of Samoa, and is the main architect of these reforms.

However, the views of the Prime Minister also reflect his previous experience as a bureaucrat, and as the Minister of Finance from 1983 to 1985 and 1988 to 2001, a period of 16 years before he became the Prime Minister of the country. His views were shaped by his networks and experience gained as a bureaucrat while working with the finance institutions of the ACP (African, Caribbean and Pacific Organisation) in Brussels, which in turn influenced his political direction and the agenda adopted by the HRPP Government. Hon. Tuilaepa is also an important and active player in regional politics. He was the 2005 Chair of the Pacific Forum Secretariat and holds a pivotal role in regional politics. As head of the Executive and former Finance Minister, he is aware of the Government's need to be seen to be committed to the reform agenda. The Prime Minister stated that:

The reform of the old Public Works Department to the new Ministry is one of the most successful programmes we have instituted as a Government. It demonstrated the government's commitment to the reform agenda. As a government we need to keep the momentum and create the right political climate (Interview: 10 October 2005).

The tenor of comments he made are also reflected in a statement by the Minister of Transport, Works and Infrastructure, the Hon. Faumuina Liuga, who stated that:

When I was appointed the Minister of Public Works, in 2001, I was given the job of implementing the changes. My former colleagues had started the process with roundtable meetings between all government stakeholders. These stakeholders include the Attorney General's Office, the Public Service Commission, the Public Service Association as well as representatives of the private sector that have vested interests in the work of the department (Interview: 4 May 2005).

According to the Hon. Faumuina:

I carried forward the work that was started by the Hon. Matataualiitia Afa Lesa, the Minister before my time and the reforms are very successful. The changes implemented in the Ministry were long overdue. The Department was more than ready to implement the reforms as it was in such a bad way (Interview: 4 May 2005).

Hon Faumuina maintained that the old guard, referring to the Hon. Leafa Vitale, a previous Minister of PWD who was jailed for conspiring to murder the Hon. Luagalau Levaula Kamu, who was a former Minister of PWD in 1999, and the systems that they operated, and which were shown to be both inefficient and corrupt, were no longer appropriate after the modern systems (post-reform changes) were introduced. These, new systems are more reliable and more accountable, as monitoring guidelines were part of their process. He stated that:

Public Works needed a change. It was wasting too much money and too many resources because of the working mentality of the employees. The workers were not committed to their jobs and were using the Government assets as their own properties. The corrupt practices and the unaccountability among workers were

ingrained, and it was difficult to change that culture. Now the Department is running smoothly. We have made financial savings of 2.5 million tala from wages and about 10 million tala on equipment and resources. Overall the department has saved 12.5 million tala altogether (Interview: 4 May 2005).

The Hon. Faumuina further stated that:

The reforms are very successful as the money saved is now helping us to improve our infrastructure, especially the maintenance of the roads which we give to the new business units created from the downsizing of the department. These units now compete with other companies to put in their tenders on contract work (Interview: 4 May 2005).

The Minister's assessment of the reforms of the old Public Works Department reflects his strong support for the Government's position. It also reflects his personal political ambitions. It is important, from the perspective of the Minister, to be seen to be successful in regard to his portfolio. It is also important to be associated with reform and accountability and to distance oneself from the old regime which was associated with waste and corruption. Politically, it is important for the Minister to have successful projects for his political career, especially as a member of the executive. It is also crucial to him that he is successful from a personal perspective because his family, his villages and his district will be happy and proud of his efforts as a parliamentarian and that will encourage them to continue to support him as their Member of Parliament.

The Minister views the reforms as being 'very successful' and stated that the Public Works reforms are now being used by the Government as a model for downsizing other Government departments. The Prime Minister and the Minister of the new Ministry are both satisfied with the outcomes of privatising the PWD. They also saw this success as an advantage for their political comeback in the last election (March 2006), which returned the HRPP Government to power with a large majority. They see this change as positive in other ways: the promotion of the private sector in turn generates both support, and more

importantly funds, from that sector to assist in funding the increasingly expensive political campaigns which would be Members of Parliament face. An example of the sorts of money people spent at election campaigns was documented by Asofou Soo, Professor of Samoan Studies at the National University of Samoa, and cited in Larmour,

A Mr X who is campaigning to run for the Samoan Election spent \$15,900SAT on one visit, on food and cash distributed to 6 villages in his constituency. This does not include transportation costs and other activities which continue right up to Election Day. Mr X's expenditure on presents to his constituency was exorbitant, and the quantity of his presents had increased from one general election to the next (So'o (in) Larmour, 1998:295).

Professor So'o further noted:

The author knows of one candidate, in the 1985 general elections who gave a quarter-acre piece of land he had recently bought as a present to one of his campaign committee. Pieces of freehold land for sale were not only hard to get, but their average costs was beyond the financial capacity of most Samoans. The market price of a quarter acre piece of land at the time was WS\$15.000 (So'o (in) Larmour, 1998:298).

It is believed therefore that the costs to the Government, of campaigning for the last general election, in March, 2006 were exorbitant even by today's standards. The HRPP Government has been re-elected with a two-thirds majority, indicating wide ranging support from the Samoan people and the different sectors across the country.

Bureaucrats

The bureaucrats who were interviewed included the current CEO of the Ministry of Transport Works and Infrastructure (MTWI), Treasury officials and the Public Service Commission officials. All those who work for the Government have to accept and to

implement its policies. The Government's position was, not surprisingly, clearly reflected in the officials' interviews. This was evident in the views of the current CEO of MTWI. However, although he is now the current administrator, he was not a party to the early changes that occurred at PWD. His views of the reforms were interesting as he came to head the Ministry after the two departments had merged as part of the reforms. As such, he bore no direct responsibility for the process or outcomes, and might have been expected to have felt able to comment more objectively on the process.

The CEO stated that, as far as the savings from outsourcing of Government infrastructural work was concerned, the reforms at PWD had been successful. He commented that the budget on road construction and maintenance had been reduced to half of what it used to be, and that contractual arrangements meant that the budget could be controlled in ways which were not possible when Government had managed and funded the operation. This, in turn, meant that the Ministry could increase its focus on its strategic development policies.

His views of the success, however, are qualified because he has faced unique challenges as the CEO of the new ministry. In the interview, he explained that:

Staff that chose to remain employed by the department, now all work in the Asset Management section which deals with infrastructure, bridges, seawall and road works. Most of them are technical professionals and they were promised a raise in their salaries as part of the package to keep their salaries abreast with the private sector. However, that is still outstanding as the budget that I inherited did not make allowances for a raise in salaries and now the emphasis on budget items have changed (Interview: 27 April 2005).

This policy shift left him in a situation in which promises made by others during the reform process could not be delivered within the new Ministry's budget. According to the CEO, those professional personnel who joined the new Ministry on the basis of these earlier promises may feel aggrieved, and may feel that as the CEO he is responsible for

discharging these commitments. This makes his position as head of the new Ministry more difficult as he faces potential credibility issues.

The CEO had other misgivings about the outcomes of the reform process. He explained that the World Bank's requirements are not as easy to meet as it appears. While the amount of public work which is now theoretically available to the newly-created business units is significant, there are other practical issues which complicate this. The infrastructure projects the World Bank funds rely on contracting companies with a large capital base, and with at least twenty years of experience of successful contracting. The local companies, and especially those created in the reforms, can not compete with the big companies under the current World Bank criteria. In order for them to bid, they have to join up with an overseas partner or to join up with enough local companies that will meet the requirements of the World Bank. He indicated his concern about the inflexibility of these criteria, as shown in the following statement:

...in order for these small units to succeed the Government needs to change the current World Bank criteria to allow these small units to compete in their own right as small scale operators (Interview: 27 April 2005).

He expressed further misgivings about the free market philosophy and the level playing field analogy which is often used to represent this new deregulated situation. He noted his concern about the proposition that these newly created business units now operate on a level playing field because, as he argues, the field is not level for them. In his opinion, overseas companies tend to benefit from the World Bank projects because of their broader financial base and more extensive experience in the field compared to the local ones. He further stated:

The World Bank requirement of a capital base of 20 million USD and 20 years of experience is not met by these small units (Interview: 27 April 2005).

This means that many of these small business units are not able to meet these requirements and will be unable to compete for the major infrastructural projects. They will end up competing for work in a sector of the contracting market in which larger firms are not interested, and in which profit margins are small.

Part of the difficulty which the newly-created business units all faced in their new environment arose, in his view from the lack of preparation of staff for the new commercial environment. The transitional leadership of the new Ministry had failed to groom and train the staff that remained in the required technical and management skills as promised. The CEO stated that:

Training was supposed to be extended to those employees who remained with the Department and this did not eventuate for many of them, some of them were relocated to management positions but they have not been trained in management. The World Bank projects that were supervised by some of the employees were suppose to train them in transferring technology and giving them the required capacity to take over the project when foreign firms leave at the completion. However, that did not happen either (Interview: 27 April 2005).

The salaries promised for the people concerned were also not realised, and now he is faced with a problem of staff retention as the public service is still operating with the old salary scales, and the qualified staff are moving to areas where remuneration is more attractive and competitive. According to the CEO:

The Department has lost some well qualified people and highly experienced technicians to the construction companies and some to the Water Authority and the Electric Power Corporation, because they were offering better remuneration and better working conditions. We are doing pay submissions to address this problem but in the mean time we suffer the consequences of staff shortages (Interview: 27 April 2005).

The lead consultant also confirmed the CEO's assertion that a submission to Cabinet to upgrade the staff salaries was approved but was never implemented. The CEO stated that:

The new Ministry has incorporated five divisions since the reforms. These divisions are: Asset Management, the Transport Corporation Board, Civil Aviation and Corporate Services. In 2005, a new division called Planning Urban Management Authority (PUMA) was also placed under the same Ministry. These divisions have been restructured and are managed quite differently from the former PWD. The new budget system does not accommodate upgrades for salaries but we refer these issues to the Public Service Commission, who is looking at a salary arrangement for all Public Servants (Interview: 27 April 2005).

The CEO of the Ministry viewed the reforms as generally successful but clearly had reservations about elements of them because of the practical problems that he inherited. These related to 'success' as judged in professional and managerial terms. For example, some human resource commitments were not followed through. The increased pay packets for those staff members that remained with the Department were not factored into the budget that he inherited. Details of the arrangements with the business units in the acquisition of their payments incurred extra costs to the Ministry which were also not factored into the equation. His reservations reflect his difficulties as a manager with responsibility for delivering on the promises given to his staff in the transitional phase without the resources to do this.

Treasury Officials

The officials working at the Ministry of Finance are proud of the public works reforms. Several officials from the Ministry had been trained and worked in the World Bank office in Washington, DC. They understood the way the World Bank operated and believed in the neo-liberal economic framework which underpins the reforms. They, unsurprisingly, saw the changes as proactive, and as putting Samoa in a good light with the World Bank.

They see this as a success story as they uphold the reforms. An Assistant CEO at Treasury stated in his interview that:

The reforms have been successful from the point of view of the Treasury Department, because Treasury aimed to cut back on the expenses and reduce the number of workers to a sustainable level. This was achieved in the case of the Public Works. The budget has been slashed to half what it used to be. We are accountable to the donors, because they give us the finances that we require to move the development agenda forward. However, the donors told us that they have given a lot of money to Samoa, but fail to understand why the country is not developing. One of the decisions that the Treasury officials made was to get their act together and start the reforms so that they can have some credibility with the Banks (Interview: 27 April 2005).

He further added that:

The thinking is at the time, that as long as we receive aid money, we are subjected to donor demands and Samoa used excuses like being small, isolated, and vulnerable to cyclones as a way of covering up the lack of progress in developing the country. The Government felt that it could no longer make excuses as other small countries like the Maldives and the Caribbean were doing much better with less aid (Interview: 27 April 2005).

This is an interesting insight to the thinking behind the scenes. It demonstrates the willingness of officials to please foreigners and their ways of viewing the development agenda. In fact, the World Bank labelled this condition as the “Pacific Paradox”. The donors came up with this terminology as a label for the Pacific member countries lack of economic growth compared to the island countries of the Maldives and the Caribbean. This was the term used by the World Bank to describe the performance of the Pacific Island countries sluggish economic growth as a result of what they saw as “too much aid”

that was used with very little effective return, at least as evaluated in terms of macro-economic performance.

On the other hand, this view also reflects their awareness of the conditional nature of aid programme funding and the inevitability of accepting the necessity of reform in return for support for the Government's ambitious development plans. Aid was given to the countries during the 1980s for development purposes, and some of this aid came in the form of loans which were contractual and conditional by their very nature. The officials were clearly unhappy with the labels attached to Pacific 'performance' and they wanted to do something about it. They wished to point out that their proactive stance gave Samoa some choice in the ways the reform process occurred. According to the Assistant CEO:

The donors were always pressuring Government about accounting the spending on the aid given as they questioned why Samoa is not as developed as they expected. (Interview: 27 April 2005).

He further stated that:

The Treasury looks after the finances of the country and we needed to start the process. We did not like being told by the donors what to do so we started doing our own homework and started our reforms first. When the donors visited us later, with their plans, Samoa was ready to share with them what we wanted. (Interview: 27 April 2005).

It was explained by another Assistant CEO from Treasury, Mr Paul Meredith, who was part of the team set up to do the proactive work for introducing the reforms that:

Although we did not expect the reforms to happen as fast as they did, when the process started it had a domino effect on the rest of the system (Interview: 8 June 2006).

Meredith further stated that:

I was part of the team that put the proposal together to introduce performance budgeting as part of the reforms, so that departments can be more transparent about where the money was being spent. Public Servants came in to make budget proposals and they were asked to use the new criteria proposed to base their budget on. They were given a deadline so everyone worked overtime to learn the new methodology in order to meet the deadline and so there was very little resistance and it was adopted instantly (Interview: 8 June 2006).

It introduced the idea that the reform process was starting, to all CEOs of Government Departments and that as part of the Government services, they had to either “shape up or ship out”.

Public Service Commission

The officials from the Public Service Commission that were interviewed were satisfied with the reforms in general, and especially the privatisation of the Public Works Department. The Secretary of the Public Service Commission, Faamausili Dr. Matagialofi Ufi, stated that:

The Public Service Commission has been running institutional strengthening programmes with AUSAID since 1998. We included the Public Works in the Institutional strengthening programme and it was obvious that the Department was having problems with management and human resource issues. The privatisation of the Department was a successful move by Government. The goals were achieved, like the downsizing was quite something.

Our department had to work out the employees’ entitlements according to length of service; sick days taken and annual leave entitlements. The redundancy packages for the employees were generous, and they all got a good deal from the

Government. The consultants negotiated their packages and most of them [the employees of the former PWD] took the money and left (Interview: 5 May 2005).

The views expressed by the CEO reflect the Government's position about the privatisation of the PWD. She was speaking from her position as an official and as a professional manager and one who had successfully discharged professional services as required. Her views represent those of the institution for which she works and which is, in turn, governed by the dominant view proposed by the Government of the day. The CEO further added:

The privatisation of the Public Works Department was timely as the public as well as other workers have complained to us or have reported to us the wastage and the poor service as well as abuse of Government assets in the Department and it is about time the Government does something about it (Interview: 5 May 2005).

This has become the dominant view among all the officials interviewed in this case study.

Consultants

The overseas consultants could not be interviewed because of their location. However, the local consultants, who played a central role in the management of the process, were interviewed on how they perceived the reforms of the Public Works Department. According to the lead consultant of the project, a former CEO of Treasury, the reforms are as 'successful as people want them to be'. However, his view is that the reforms were necessary, and inevitable, because, as the former CEO of Treasury, he knew that the international financial institutions were always putting pressure on the Government to deliver on its promises. According to him, the case of the Public Works Department was special. He was aware of the problems within the Department and knew that, sooner or later, the Government of the day would need to act.

However, his immediate role in the project was to make sure that the employees were aware of the issues, the process, and of the possible consequences for staff of PWD. He stated that:

We were mindful of the employees who will lose their jobs in the exercise but our role was really to put into action the plan that the Government wanted. We tried hard to make sure that the people got a good deal from the Government. We made sure that the proposals were written to take care of their requests and to make sure that the requests were carried forward. The good thing about the outsourcing of contracts is that it builds up competition among the existing firms and the costs of the projects especially the road construction business will be cheaper to the Government. I feel also that the employees, who chose to run a business unit or become part of one, will be in a better financial position than, say, they would if they stayed with the Department (Interview: 27 April 2005).

In this interview, the consultant was quite emotional as he discussed the process which took place and stated that:

I was aware of the adverse consequences for employees that this process would bring if the change process was not handled appropriately. I was also conscious of the advantages and the disadvantages of the reform policies, but because of my role in the reform agenda, I wanted to make sure that we were doing the right thing for the people concerned, while at the same time keep a clear focus on our objectives (Interview: 27 April 2005).

The consultant could not discuss the full extent of his involvement as he wanted to maintain his fairness towards the reform process. He was part of the group at Treasury which started the reform process, and now works for the consulting firm which was the local counterpart for OPUS International, the consultancy firm responsible for the implementation of the reforms for the PWD. He maintains that, from the consultants'

viewpoint, the project has been completed successfully and that they had contributed to this success. His view was based on his understanding of SAPs and its elements. According to the consultant:

The Department has completed the changes; it is now a new Ministry with different functions, operating under a new legislation. It has gone through a major downsizing with new business units being formed and now in operation, putting in tenders for the outsourced work from the new Ministry. I think that the reform of the Public Works Department is successful and that we have achieved what we set out to do (Interview: 27 April 2005).

In conversation with the consultant, he explained that he was aware that some of the employees would be faced with hard times if they can not find employment especially as according to him, 85 percent of the employees left the department either as part of the business units, or took redundancy, or retired. He was concerned about these people and he further stated that:

I pray every night as a Christian, that none of these people will undergo hardship as a result of the consultancy that we did, I felt very much for them even during the exercise. I fought hard to make sure they were given generous packages so at least they have something to take away that was worth it. I always thank God for the *Faasamoa* as I feel that we were able to do it through using the Samoan process of "*faautautaga loloto ma le vā fealoai*" (the traditional respect for considering the importance of the person and acknowledging their personal space or Va) (Interview: 27 April 2005).

The consultant was adamant that the use of the *faasamoa* or the Samoan way of consulting, and the process of *Faautautaga loloto ma le vā fealoai*, which is the use of the Samoan traditional custom of presenting speeches as well as the process for discussing issues, has helped resolved potential conflict issues which would have otherwise been difficult to handle.

The Former CEO

The former CEO of PWD was the manager of the Department at the time of the reform project and oversaw the transition. The former CEO is a qualified and registered civil engineer and was the youngest CEO in the history of the Department. He worked under four different Ministers with four different perspectives and management styles. He was the CEO for over 10 years, and was party to the plan to privatise the PWD. He was also the CEO during the Commission of Inquiry and so he brings an interesting perspective to the case study. The former CEO resigned at the completion of the reforms and set up his private civil engineering consultancy firm and now provides counterpart services to World Bank projects.

In the interview, Leiatua stated:

I was aware of the activities that took place in the PWD, but felt helpless to do anything about the situation at that time. We had problems working with the Minister but did not have the appropriate framework to change anything. It was very difficult for me as CEO. In 1994–95 the Audit Report tabled in Parliament by the Chief Auditor highlighted the problems in the Department and Government ordered a Commission of Inquiry in to the workings of the Department. The Minister was very difficult, and it was near the elections so nothing was done until the report of the Commission of Enquiry was released.

In 1996, a new Cabinet was appointed and the Government wanted us to start the reforms under the new Minister. The Minister at that time attempted to start the reforms but got murdered before he could carry it through. Another Minister was appointed and in the light of what had happened was able to actually start the work with the consultants and other Government departments. Personally, I welcomed the reforms as I saw this as a way out of the bad situation we were in. The workers were unreliable and worked for themselves during work hours. The workers abused Government resources and they were performing jobs for other

people using Government time. This was the situation when I became the CEO and so it was difficult to change this culture. The workers generally lacked work ethics. Most of these workers were older and have worked there for many years (Interview: 4 May 2005).

During our discussion, he confirmed the process that the consultants undertook to implement the phases of the privatisation exercise.

His situation is a unique one. As CEO, he was required to work with consultants to implement Government's reform plans within his Department. As CEO, he was directly responsible first to a Minister who resisted any suggestion of reform, and then to a new Minister, who, as noted above, was for both political and personal reasons, determined that the reforms would proceed. He was duty bound to implement the reform of his Department. On the other hand, as a CEO of some ten years, he had duties as a good employer to act in the best interests of his employees. This resulted in a conundrum: while he perceived that reform may not have been in the best interests of some employees, he was nevertheless bound to advance the programme. Furthermore, while from the statement above, it was clear that he was well aware of the shortcomings of the Department, he may have been able to see, from personal experience, the other, less radical strategies could have produced the required efficiencies within the Department. These include paying attention to human resource issues and emphasizing performance appraisals and the use of employment contracts. His role involved more ambiguity than those of others whose interests were more clearly defined. In an interview he stated that:

I found the whole exercise lonely, as I could not tell people what was going on at these meetings, as these were confidential and that the workers needed preparation by the consultants so they can accept what was already planned at the decision making level (Interview: 4 May 2005).

It is, therefore, hardly surprising that he commented that he found the exercise lonely and that he had to believe the process in order to sell this line to the employees.

He mentioned the fact that the employees from Savai'i Island were opposed to the reforms as they did not see any benefit in it for them. This may have been in part because there are fewer other wage-earning opportunities in Savai'i than there were in the more populous Upolu, and therefore fewer options for those who might become redundant as a consequence of the proposed reforms. This points to the significance of the particular situations of employees within the Department: those in areas in which alternative wage employment was available were clearly better off than those in the same occupations in the same organisation, but living in areas in which there was no other comparable wage employment available. He had to work with the consultants to sell the idea to these workers.

According to him, these dissenting employees were lured into believing that if they sold their services back to the Government as part of a business unit, they would be better off. They were also promised generous redundancy pay based on the length of service with a ceiling of the equivalent of 18 months of salary. He further noted that Cabinet approved the terms of the redundancy and paid the employees their dues. However, he shared their misgivings about the reforms and also discussed ways that the Government could have achieved efficiencies in the Department without laying off the workers. According to him:

The money paid out was in the range of 400 to 46,000 Samoan Tala. Despite this amount, I am not convinced that this was the way to change and improve the Department (Interview: 4 May 2005).

The former CEO has since taken advantage of the opportunity to form a business unit himself, providing specialist engineering and technical advice services and has discovered that some of the difficulties which these 'spin-off' businesses may face were not made fully apparent during the consultations. He stated that he is facing a few difficulties in meeting the World Bank criteria for contract work, but due to the fact that the Government is prioritising his firm and that the firm was given the contract to advise

Government regarding World Bank projects on seawalls and bridges has been helpful. This means that, at least for the present, he has enough work to keep his firm busy and above board financially.

He stated his reservations about the success of the business units as it is still early in the post-reform period, but he predicts some disasters as these people need more formal training in managing a commercial business venture and handling finances. He also stated:

I was aware that people will lose their jobs and that was hard for me. I am also mindful of the options given to the employees as a way used to remove them from the Department. I know that they will struggle with finances as most of the units need to have a substantial amount of capital to start a business venture. These people do not have the capacity and I worked with them, I know... (Interview 4 May 2005).

The statements from this interview shed some light on the reform from a person who has held two positions in the reform process. It indicates a viewpoint independent from the Government officials, yet he is also mindful of the points he was raising as a Government official. However, while he was trying to be as objective as possible, his current position means that he is still dependent on the Government to assist in supporting his new firm. His views, while interesting and more analytical than those of some of the Government employees cited above, are constrained as he is expressing them as a semi-independent consultant who is outside Government but as someone who still depends on Government goodwill for his firm to secure the work necessary to function.

Employees

The past employees of the old PWD who were interviewed were now employed in four new business units. These people comprised four former managers and four unskilled employees. The four managers were those managing the four business units, created by the reforms. The unskilled employees all work for Samoa Works and Engineering Ltd

(SWEL). The Finance Manager of SWEL was also interviewed, along with one redundant employee and one retired employee. Their views of the reform process are important as they were the people who experienced the change process. The managers' views can shed some light on what kinds of issues were involved and how they coped with these issues. The workers' experiences are important because their different skill levels and work experience meant that their post-reform opportunities were somewhat different and more limited than those of the managers. Their experiences of reform are going to be shaped by this reality. This points to the importance of acknowledging that the employees' situations are shaped less by their common status as employees than by their social capital and labour market position.

The majority of those interviewed stated that when they were given the options, they were nervous about the implications for them not having a job and what that meant to their families. They did not want to leave their jobs. They had questions concerning how they would look after their families, where the money would come from to pay their loan commitments and the consequences of retiring without enough resources to maintain their usual lifestyle. These were some of the fears they raised in the interviews.

Company One: Samoa Works and Engineering Ltd (SWEL)

The first group interviewed were those now employed in the road and construction business SWEL. This business venture has 66 shareholders⁴ all were ex-employees of the old PWD. The issue value of the shares was \$ST1 (Samoan Tala) each, and the shareholders were required to purchase a minimum of 200 shares. There were two main shareholders who paid \$ST1000 for 1000 shares each which gave them effective control of the company. This share issue provided the company with a capital base of \$ST15,200.00. According to the Finance Manager of the Company, the money from the share issue was not enough to run the business. The two major shareholders took out a loan

⁴ There were originally 100 employees who were committed to joining this venture but by the time they were calling for payment for shares only 66 of them paid up.

guaranteed on their personal assets to secure working capital with which to run the company.

The fees for a business licence, and the associated legal work to set up the business as a registered company, were paid by the Government as part of their assistance in establishing the new units. The Directors approached the Government for financial assistance as their personal assets were not sufficient to guarantee the level of finances required to keep the company in operation. The Government offered its guarantee for the bank to allow the extra capital required by the directors to effectively operate the company.

I interviewed two people in the management team and two unskilled labourers. The two management people were the Finance Manager and the Technical Manager, while the two labourers work on the truck that maintains the roads.

The Finance Manager noted that a number of the commitments which were given by Government, and which led them to form the business unit, were not honoured in the ways anticipated and that this fact had created significant challenges for the new business. Firstly, the new Ministry gave them all the old heavy machinery and equipment formerly used by PWD for the maintenance of the roads, bridges, seawalls and drainage work. According to the Finance Manager, this equipment was old and needed maintenance badly and they were unable to use the machines as they were and the company had to spend capital to repair the equipment. However, they needed to work with these as they were cash-strapped at the outset and they could not afford new machinery.

Secondly, they believed that they had a deal with the new Ministry of Works, Transport and Infrastructure, that they would be guaranteed contract work for the first three years to give them time to grow their business. However, the Finance Manager stated that this did not happen for them as promised. They were given Government work to do in the first three months of their start-up period only, and then they had to bid against and compete

with the bigger existing construction firms for Government contracts. There were alternative sources of work in the private sector but their company is an unknown entity in the field, and needed to prove themselves as well as establishing a creditable reputation in the area.

Thirdly, the arrangements for payment of the completed work resulted in delays which forced the small, under-capitalised company to borrow more and put its existence at risk financially. Their first contract was signed in December 2002 but the money did not come through until January 2003. They had to borrow money from the ANZ bank to pay their workers as the payment for work performed for Government was always disbursed late.

Finally, they had an agreement with the Ministry of Works, Transport and Infrastructure that they would not be charged the value added goods and service Tax (VAGST) on their projects. They were given an undertaking that they would be given an exemption of taxes for the first three years of operation. They have since discovered that the tax law does not allow tax exemptions in their area of service so they have had to pay ten percent VAGST on all their projects. This was an added cost which was not budgeted for in their operation. This made it more difficult for them to compete with the more experienced civil engineering firms at the time when they needed some competitive advantage.

Aside from these managerial and contractual problems, there were other technical ones. The Technical Manager had major problems with the equipment and he had to train his colleagues on how to use the machinery. Some of these people had formerly worked in other areas and had not necessarily had experience in the civil engineering section. At a time when the company most needed efficiency to improve its cash flow, its managers were required to retrain staff and rebuild and overhaul machinery. The Technical Manager stated that nearly all of the heavy machinery they received as part of the Government's assistance package were in poor condition and needed repair. This is what he shared:

I had to do repairs on all the trucks as we did not have enough money to buy any new vehicles. The heavy machinery for moving soil and heavy materials for building and construction were mostly broken, so I used the parts from the broken trucks to mend the ones that can be fixed to give us a start. I also did the same with the heavy machinery. The idea was to get at least one or two functional machines and trucks without buying new vehicles and going in to debt before we start the business (Interview: 30 April 2005).

The two managers of the company both highlighted other problems that they are currently facing. Aside from the financial and technical problems mentioned above, there are issues to do with labour capability and attitude. They both stated that:

Some of the human resource problems we are facing were part of the old mentality of the workers at the Public Works. Some of them who became shareholders now think they own the company and so they do not need to work. They roll in to work whenever they feel like and this was no good for us. We needed to train the workers to change from a public service mentality into a private sector one and these issues can not be resolved overnight. Some of them took tools and equipment home with them as they used to do it at the PWD, and this was a drain on our resources. We feel that the government could have given more help than they did as we have inherited a lot of the problems that came with years of neglect and lack of worker monitoring systems (Interview: 30 April 2005).

The new firm had to carry some of the problems from the old Department which were probably not directly attributed to the reforms, but which were part of the problem which gave rise to the implementation of the reforms. The inefficiency of labour in Government enterprises, which was identified both in World Bank analysis and in the Auditor-General's report, was a longstanding issue. It has been referred to as a 'culture of inefficiency' which suggests that it is a well-established view of what is expected from those working in Government enterprise and of how one works. Transferring existing

employees from one employer and work-site to another does not automatically transform the culture of work.

They have other human resource problems as some of their employees are steeped in the corrupt culture of the old Public Works, and still have the Public Works mentality of selling their company's resources under the counter and retaining the proceeds for themselves to supplement their income. In a small, under-capitalised firm, these losses are serious threats to the viability of the business. This highlights one issue which may not have been anticipated in the consultation process: changing employers does not necessarily change the mindset of the employees or their workplace cultures. The new company may inherit the very conduct and working culture which led its former manager to seek to divest itself of the business. The simple fact that a person now works for an enterprise which must act commercially, and cannot afford losses accepted by their former employer, does not necessarily change the employee's work ethic or conduct. This is particularly so where some workers were depressed and had very low morale as a result of the change.

The new management is faced with the challenges, and costs, of transforming this workplace behaviour and culture. They are optimistic that these will come right as they are working hard to find solutions to their problems. The management runs workshops and training sessions on ethics and good management practice to address the gaps among their unskilled workers.

The managers of SWEL see the reforms as being successful in moving employees from the Government service to the private business units in a non-threatening way. One manager stated that:

If we have a choice now after all these problems we would never do this again. I feel angry sometimes that now I have to work day and night to make this venture a success because we have our reputation on the line. There is talk that we have been given a lot of assistance but from our perspective there is not near enough assistance to meet the challenges we are faced with. I think it was a very nice way

of removing as many people as possible from the Department, so they have sacrificed the good ones to get rid of a few poor workers (Interview: 30 April 2005).

They noted that, while the reforms had undoubtedly been successful for Government, it had been difficult for those new business units in the new, increasingly competitive private sector. They also stated that reform had opened up the competition for bidding among the companies in the private sector. Whereas, there were only two companies in the private sector pre-reform now there are nine companies in total. These companies are: Bluebird Construction, Ott Transport, Ah Liki Construction, Laki Construction, Alafua Transport, Silva Transport, Apia 2 Transport Co., Roadways Transport and SWEL.

This competition had driven the prices of civil engineering work down for the Government, but new small companies such as SWEL had to compete with the bigger, more experienced companies in bidding for contracts. The managers of SWEL had to go without pay for a period of time to enable the company to maintain its workers as both Government payments were delayed and the cash-flow was limited due to building the company's assets to an operational level. The managers stated that:

We have to really lower our bids in order to win any tenders, and worse still, we are unable to compete on a level playing field as machine and plant maintenance is costing the company a fortune. The future looks grim for us but we take it as a challenge for us to work hard to deliver our promises to shareholders and workers. If we knew then, what we know now, we would never have agreed to participate in the privatisation exercise (Interview: 30 April 2005).

The company assets are now worth ST4 million and the workers' morale is improving. They have had to face quite a few sacrifices since the reforms. The Finance Manager stated that:

One of the things we do to enhance our company's credibility with the Ministry and other potential clients is to audit our accounts and we do this on a yearly basis. We are yet to win a bid for a World Bank project as their criteria are too inflexible for small units like us. This means that we negotiate with another company as a partner to do a joint bid, in order for us to have a share of this market (Interview: 30 April 2005).

It is obvious from the statements of those concerned that they are not operating on a level playing field as they had assumed they would and they are forced to look for other sources of ongoing work. As the Finance Manager further noted:

Sometimes we have to negotiate with one of our local companies to give us some work and we have an arrangement to do their maintenance work sometimes we do a joint bid for a big project (Interview: 29 April 2005).

Incoming private foreign investment should generate the additional work needed to make the new companies viable. However, this investment cannot be guaranteed and the timing of the availability of this work cannot be forecast. The Government has attempted to attract foreign investment by offering tax free and rent free facilities among other conditions to attract investment in the country. Foreign companies have not taken up these challenges as yet.

Unskilled Employees

The experiences of the two unskilled employees were interesting. These men were in the early fifties and had worked with the PWD for over twenty years as labourers. They decided to join SWEL because they had worked with the Technical Manager for years and it was the type of work they were used to doing. They were not convinced that the reforms had been necessary and thought that other measures could have corrected the problems at the PWD. One of the two employees stated that:

The Ministry could have sacked the executive officers of the former PWD, but kept the workers on. Because the executive officers had not done their work and now everyone loses their jobs because of their inability to manage the Department the way it should have been in the first place (Interview: translated 5 May 2005).

This worker saw the reforms as an example of sacrificing everybody for the sake of a few key players that were corrupt and not performing. However, an interesting comment from another employee, now hired by SWEL on a casual basis, who disagreed with the privatisation process, commented that:

Working for the Public Works was better than being out of a job. We were not paid very much, but at least you know that there is some money coming on a regular basis for the family. Now, I have to rely on my friends for casual jobs which does not pay very much and when we are not needed, then we do not work (Interview: translated 5 May 2005).

When the question of “the culture of mismanagement and abuse of resources” mentioned in the consultants’ report was raised with them, they were adamant that these problems started from the top with only a few people deliberately defrauding the Government, and that this was allowed to go unchecked because it suited management. They argued that the senior people in the organisation had a way of blaming the people at the bottom of the hierarchy and that their analyses were accepted. Yet, according to the plans, the people in the bottom of the hierarchy were the ones that suffered the most from the privatisation. These points were important as they reflect the points made in both the original Auditor General’s report and the CEO’s report regarding the problems in the PWD.

Despite their misgivings about the necessity of the reforms undertaken, they were unhappy with the outcomes of the reform. The two employees from SWEL stated:

The reforms enabled us to have access to some money which we used to pay our shares towards the new company. At the time, we thought that this is big money

but now we know that it was peanuts. As shareholders we have to work hard to make the company work. We all took a cut in our wages at first so we can establish our base first now we get paid but the money is still low and not regular (Interview: translated 5 May 2005).

The workers and the managers both acknowledged the hard work they were experiencing as part of the new venture they had got themselves in to. The worst thing for them was that they have had to take a cut in their salaries for some time to accommodate other costs for the new business to allow the company to accumulate reserves to establish a capital base required to make it eligible for bidding for World Bank projects. The businesses needed to establish a capital base of 12 million US Dollars in order to bid for lucrative World Bank projects.

The only reason why we are determined to make this work is because we do not want to lose face in our village and our community. We do not want people to think we have failed (Interview: translated 5 May 2005).

The workers that were interviewed stated that they are happy to be part of SWEL, as this gives them an identity to rebuild their credibility which had been tarnished by the PWD brush. One of them commented that:

In this new venture, we had to use all our creativity and power to make ends meet. Sometimes we do not have enough resources to mend the road, so we patch it up temporarily until we get the proper materials and that is why it looks like pancakes. We try to maintain the quality of our work as it is the reputation of our new company. Sometimes people think we are still PWD because of the old trucks but the quality of our work is far superior now because we are accountable to our business unit for the resources that we use and how much mileage we need to fill on a daily basis. We have always worked hard even when we were at PWD, It was always the people on top that were not honest and, as a result of that, we

suffered and they got away with their big pay packets while we labour on (Interview: translated 5 May 2005).

The views expressed by these former employees describe their position in terms of their experiences. They expressed their frustrations in the way they feel to have been victimised, especially now they believe that they paid for someone else's mistakes. They maintain they were powerless as they depended on instructions that were never given and that the inefficiency and wastage was the consequences of the fact that requirements of work were never explained in the first place.

Their experiences shape the way they see the world and part of this is that their world is a Samoan world which carries sanctions for those members of the society who fail in their endeavours. It is obvious in their statements that they are financially worse off, but the sense of commitment to their company is so strong that they are willing to go through difficult times and to sacrifice some of their comfort zones rather than to risk being labelled as a "failure". Their determination to make this venture successful to avoid the appearance of failures is a particularly Samoan cultural attribute. It raises the issue of whether, in other cultures where this was not a possible motive, such under-capitalised companies might succeed in such adverse circumstances. This, in turn, raises the issue of whether the Government's "success" and "savings" are built on the sacrifice of the least well-paid of its former work-force.

Company Two: The Land and Housing Maintenance Company

The second group of people interviewed regarding their experiences of the PWD reforms were employees of the company who took up the maintenance of Government lands and housing. This group formed a company called the "Land and Housing Maintenance Company". The manager of the company and his assistant were both present at the interview. According to the manager, when the options were offered to them, he discussed them with his group during the retreats held as part of the consultation process.

He stated that during the time some of his colleagues asked him to form a business unit and proposed to join him.

When it was time for them to take their options, six of them formed the company. They set up the new business unit with ST\$1000 capital from each shareholder. According to the manager:

There were two of us who paid the amount in full, the others were paying by instalments. In the beginning it appeared that it will be OK, but when it was time to pay the wages we started having financial problems. The two of us who put in the most money ended up with no pay for quite a while, so we decided to call all the shares in or we close the company down. The others then decided that they cannot afford to stay and took their shares back, so after we discussed this with our lawyer we decided to let them go and for us to put more capital in to the business, the Ministry promised to pay our business license in the first year and that was quite a help (Interview: 5 September 2005).

This company was substantially smaller than the division within PWD which had previously carried out this maintenance work. The PWD's division had quite a substantial number of casual workers with three administrative officers. The manager and the assistant in the new unit were part of the old administration in the PWD division. This fact should have guaranteed the company continuity of work and, with lower labour costs, an improved prospect of operating profitably at this critical time.

The Government paid for the company's business license (SAT\$200) in the first year. This was one of the promises they got from the Ministry. The Ministry gave the company a guarantee for three years of housing and land maintenance work on Government property. The company was also given all the equipment and a few old lawn mowers that were used by the PWD before the reforms. The equipment provided was poorly maintained and needed immediate replacement. They did not have any money so they took out a loan from the ANZ Bank to purchase new lawn mowers. The loan was

arranged for them by the Ministry, to facilitate and fast track the arrangement of their finances. The loan was from the ANZ bank but guaranteed by the Government. According to the Manager, they bought 6 big Husquavana lawn mowers, which cost a total of \$16,500 tala, to start their operations and initially all 6 people worked on the lawn mowers. The lower administrative overheads which resulted from this use of their labour undoubtedly produced a higher level of productivity.

However, since the properties are scattered throughout Apia, and beyond, they needed a truck to transport the lawn movers to and from the jobs. They hired a truck to cart their equipment around because as the finance manager noted:

We were given an old truck by the PWD, but the truck was unreliable as it needed major engineering work to its engine, sometimes it was embarrassing, as it breaks down in the middle of the road (Interview: 5 September 2005).

This arrangement produced a more efficient use of the company's capital, limited its level of indebtedness and generated opportunities for private sector transport operators in the ways that these reforms were supposed to.

The company encountered some hidden costs which were not planned for and, as a consequence, suffered some financial setbacks for over a year. Some of the original colleagues left the company because the enterprise was not making money. The company money was spent paying the loans and trying to keep the books in the black and very little was available for wages. Only two people are now left from that original group; these are the current managers who bought most of the shares to generate the basic capital for the business. Recently, the company's financial position has started to improve. It now has capital to expand, and so the company has hired 12 people altogether. There are 8 permanent workers who do the labouring jobs, and two professional people for the administration plus 2 casual workers. According to the manager:

As far as the reforms are concerned, the Government benefited from the reforms. I appreciate the assistance given, to set up the business unit, but there were many hidden costs that we were not aware of when the business was established (Interview: 5 September 2005).

These hidden costs and extra expenses were not discussed when the options were put to the employees of the PWD during the consultation process. Since those who were encouraged to form the units had very limited managerial skills or commercial experience, they could not anticipate and build these expenses into their plans. He pointed out that as a consequence of this:

It has been a struggle for me as the manager of the new business unit. It was easy for other people to pull out, but difficult for us who signed and took out the loans as it is now up to us to pay. The contracts from the Government has been riddled with red tape and the people who work in the Ministry now were not involved with the reforms and lack the understanding to assist our business units in the way that we were promised during the reform process. The money is often late and incurs extra bank fees that reduce our profit margin (Interview: 5 September 2005).

The offer of a guarantee of work for three years made during the consultation process seemed attractive to those contemplating establishing the business. However, the lack of commercial experience prevented them from appreciating the amount of administration required to get timely payments, and the typical delays in settling accounts. The initial promises of continuity of work and guarantees of income were now tempered by a more realistic assessment of the associated risks. Furthermore, as those people who gave the original commitments have left the Ministry, fewer people are aware of the situations of the small business units and, in particular, their fragile cash flow situations. The manager stated further that:

I am saddened by the attitude of the current employees of the Ministry of Works, Transport and Infrastructure as we are being ignored, and I am worried because

the lawn mowers need to be replaced after two years. The payment from the Ministry is always late and unreliable. The last time I spoke with those people in the Housing section, they have forgotten to put our part of the costs in to their budget which means that Treasury will not pay us for the work that we have already done. The thing is the money is there and I simply do not understand their problem (Interview: 5 September 2005).

The views expressed by these ex-employees again depict their position in relation to the reforms. Their different experiences demonstrate that assessments of the 'success' of the privatisation programme reflect the different situations of groups within the work force. The company's frustration with the bureaucratic system of payment is due to procedures that officials follow to provide accountability of the funds that they control. In some cases the planning failed to predict the proper budget that is sufficient to accommodate the expenses and the labour costs for the newly created companies.

The managers, for instance, agreed that the redundancy packages were generous but this is contested by the unskilled labourers who stated they got paid "peanuts." This is a consequence of their relative length of employment and salary levels which formed the bases of calculations of entitlement. The managers of the business units were long-term employees of the former Department and may have benefited substantially from the new idea which took into account length of service, when compared to the unskilled workers. The managers were also on a higher salary than the labourers, and so their redundancy payments reflected their higher salary levels. Because salaries and length of employment were key elements of amounts they received, it is not hard to see why they formed such different views of the settlements. The different payments, combined with skills and experience levels also meant that some groups clearly had more opportunities than others, which meant that they were more likely to benefit from the reforms than others.

Another interview taken with one of a former employee, who took redundancy pay and left for early retirement, was interesting as it shows his position and how he viewed the process. This worker said:

I worked for PWD for over 20 years as a casual worker. The pay was low, but it gave me something to do and go to everyday. I enjoyed the work and meeting with like colleagues. I learnt a lot there, as one week I will be working on the buildings while another week it is doing something different. I worked in the water section before they privatised the water supply, and then I worked in the supply side of the public works (Interview: 2 October 2005).

However, this employee had some misgivings about the consultation process which preceded privatisation and suggested that it had been a means of dressing up a process whose outcome had already been determined. He noted that:

The reforms were sad, and the retreats were a way of getting us to accept the bad news. They kept telling us that the department is broke and that we have to decide what to do for our future. At first I was very depressed because I have spent a good part of my life working in the department and at my age I will have problems finding another job. At the end it was a forgone conclusion for people like me to take my redundancy pay and use it on a project that will help generate an income to live on (Interview: 2 October 2005).

This employee had a plantation as a means of supporting his family. He used his redundancy pay to buy a car which he uses as a taxi. This new enterprise helps him to generate a cash income to subsidize what his plantation provides for his family. He further stated:

I have a plantation and I can catch fish in the village for food. Access to cash from the taxi helps to fund my responsibilities, as a chief, to my family. I am also operating a beach *fale* tourism project for income generation. The reforms have had some positive and negative points for me as I lost my way of life for many years, but it forced me to concentrate on my other options like developing my

family business. I am of retiring age and this forced me to retire from the salaried work and to work for myself instead (Interview: 2 October 2005).

This worker's view on how the reforms impacted on him is 'independent' in that he is neither a manager nor employee of one of the business units which were created by the reforms. His story is one of many who like him lost their jobs, and a familiar life-style in the downsizing of the Public Works. This interview is interesting because he is speaking from his experience and sharing his pain and his sense of loss, not only of an income, but of a way of life and social status derived from employment.

While the advocates of the reform might argue that this type of outcome, the creation of new entrepreneurial ventures, is what would have been predicted. Former employees are free to seek new and more profitable forms of entrepreneurial activity in areas in which they see demand and opportunities. His ability to reconstruct his lifestyle is commendable but it highlights an important question about how many other former employees were able to re-organise their lives in these ways. This employee had access to land to cultivate, and on which to develop a beach *fale* venture to take advantage of the growing domestic and international tourism markets. Not all former employees would have been similarly placed.

Conclusion

The views available from the interviews all show contested accounts of the same reforms. These contested accounts reflect the different personal perspectives of the people concerned as well as their position and role in the project.

The politicians who are in the ruling party in Government told successful stories about the reforms. These include the money saved as well as improving the quality of the services the Ministry now provides compared to the old Department. These politicians were in positions of power and were responsible for the decisions that changed the old Public Works Department. Successful ventures do help maintain their position of power.

They will continue to justify their positions in the reforms as their expected outcomes were met. They use the success stories to avoid public criticism. Members of the public who may want to express a contrary view, would be unpopular and be seen as an enemy of the members of the executive arm of Government.

The HRPP party is the ruling party and as members of the executive of the HRPP, they make sure that their loyalties to the party remains. The Prime Minister was returned to power after the 2006 elections and, as he was the architect of the reforms, he ensures that the plan of action taken is followed in the future.

The Government bureaucrats, like the politicians, all expressed positive views as they also have been part of the process. In fact, the whole decision making process took place at their level so it was expected that they would keep promoting the successful experiences and the outcomes about the reforms. To express a different view point would be contrary to their positions and could compromise their future career prospects. Bureaucrats have to be loyal to stay employed in Government service and particularly where there is a very small market for their talents beyond Government employment. In fairness it should be noted that the bureaucrats, most likely genuinely believe that the reforms were beneficial in the long term.

The consultants expressed positive views about the reforms. These views were based on a process they undertook in the belief it was one of the best methods they used to achieve their outcomes. The consultant's views could be contested as their terms of reference for the reforms were given by the Government. It was in their interest to ensure that they saw the reforms as 'successful'. Their position as indirect employees of the Government made their position contested meaning, that if they do not deliver what the government want, they may find that in future their chances of being awarded another contract will be difficult. They were very professional in their responses and remained professional in their outlook.

However, the views expressed by the people most directly affected by the reforms highlight their varied life experiences. The views expressed reflected their disappointments and their struggles in coping with their newly found predicaments. These views can be contested also, but, the experiences of these people were closer to reality as they discussed their struggles in coping with the changes they were faced with. They had no choice but to work through their dilemma in order to survive. The stories they shared in their interviews highlighted these experiences. Some of these workers had suffered from varying degrees of financial distress, low morale and feelings of worthlessness. Some felt anxiety and fear at losing an income, and they have made sacrifices and worked hard to earn their living in a new environment.

Some suffered stresses from thinking about the possibility of 'failure' and of 'losing face' in their community. Their personal accounts indicated the different coping mechanisms they took in order to survive their ordeal and some succeeded while others gave up. But there may also be some people who did not recover from the change. The interviews were interesting because they highlighted the various experiences of people at different levels and showed how the same process, privatisation, produced not one but a range of outcomes, opportunities and experiences for those who undertook this process. It may also explain, in part, why the public opposition or resistance to continuing reform is not as widespread among former employees as might have been expected.

The reform of the Public Works has been completed and people's assessment of the same process reflected their particular interests. All of the participants had different sets of interest and these personal and professional interests shaped the ways they saw the reforms. They also used different criteria and measures to evaluate the "success" of the programme. The politicians and the bureaucrats who were involved had a political interest in the outcome of the reform. The consultants who were outside the organisation, but were involved in the reform, had a professional and pecuniary interest in the project. Lastly, the employees all see the project from contested viewpoints. In conclusion, there was no consensus expressed on the outcomes of the reform programme. The reform programme did achieve most of what was intended.

CHAPTER 7

Promises and Realities

Introduction

This chapter compares the promises made by the architects and promoters of structural adjustment programmes with the realities and experiences of the people who have been involved in these, in various capacities and analyses some of these. Because it is difficult to compare these SAPs as a whole, this analysis focuses again on a particular case: that outlined in the previous chapter, the Public Works Department Institutional Reform and Asset Management Services (PIRAMS) programme.

The chapter seeks to get beyond the ‘public’ pronouncements of politicians and economists about these programmes, and to examine the views and consequences of these programmes for those more directly involved. To do this, it has first to explore why these ‘public’ pronouncements have tended to dominate public discourse, and whether there is the degree of agreement over these reforms which this apparent domination implies. To do this, the chapter first explores the politics of dissent in Samoa and outlines reasons why dissent over reforms has been muted.

It does this by considering, in the first part of the chapter, the dissent around the earliest structural adjustment legislation, the VAGST Bill, and looks at the ways in which dissent was expressed, and contained, in Samoa. It explores the views which a range of non-government stakeholders held about the reforms, how these were expressed to Government and how Government responded. It uses this case to illustrate some of the social linkages which shape the form and intensity of public dissent over such issues as

structural reform. It explores the ways in which socio-political organisation and the distribution of political power may contain political opposition and contribute to the appearance of public acceptance of elements of reform programmes. It is necessary because, in the absence of more vociferous dissent and more visible protests, it is easy to form the view that Samoans generally supported the structural reform programme. It explores a range of opinion over reform and establishes the existence of opposition to the reforms, and why this was expressed in the way it was. It then explores the extent to which cultural factors may influence Samoan views of social change and reform and the ways in which these are expressed. It argues that a coalition of interest between government and churches effectively suppressed public opposition to reform and that after the initial protest, over the introduction of VAGST, public expressions of dissent were muted. The absence of public dissent, however, is a reflection of Samoan political culture and should not be confused with wholesale acceptance as is suggested in public discourse.

This balancing is also necessary because public evaluations of these programmes are invariably made by economists, who are often theoretically predisposed to structural adjustment, and Government politicians who have a political interest in the success, and the experiences of those employees who are directly affected are often overlooked. When the economists and the politicians articulate concern for those most directly affected, it is often expressed as a largely untested belief that they will benefit eventually from a freer, more efficient economy which results from structural adjustment. The contested nature of evaluations of the outcome of structural adjustment is rarely explored, or articulated, by those who hold the formal power to 'evaluate' these programmes.

This chapter acknowledges that views of whether the reforms were 'successful' will be contested, and will depend on where people stood on the need for reform and on their interests in the reform process. The case study outlined those who benefited from the reforms and those who lost. Those who benefited are supportive of the neo-liberal ideas of development which drive the reforms ideologically. They were in positions of power to implement this development agenda.

Equally, measuring the success of a development programme can be through the eyes of those who have borne the brunt of the programme and have had no power to change the outcomes. According to Foucault:

Power is not a thing but a relation; power relations operate at all levels throughout society and not merely through the apparatuses of the state; power should be analysed from below and must be understood in terms of strategies (Foucault. quoted in Critchley & Schroeder, 1998: 542).

The power relationship between the decision-makers and those affected is important in the analysis, as what may have been decided with 'good' intentions may not have the anticipated results. It is almost inevitable that policies and programmes which may be 'good' for a nation's economy, may not seem as 'good' for those of its citizens whose lives are disrupted in various ways, and to different degrees, by their implementation. The 'benefits' to the economy may not convert directly into 'benefits' to the citizens affected by structural adjustment. In fact, many of the benefits may be invisible to those most directly affected. For example, the people who lost their jobs do not actually see the other benefits like free education or better health provision. Their models of the economy do not allow them to connect the benefits of increased aid and expenditure in health and education with the completion of a reform programme which disrupted their personal and work lives.

However, structural adjustment may benefit some of the elites in the reformed Government department. The first part of the chapter looks at the ways in which power and interests shaped people's assessments of the success of the Public Works Institutional Reform and Asset Management Services (PIRAMS) project.

This chapter seeks to avoid setting up an argument which cannot be resolved: whether or not the reforms were 'successful'. It looks instead to identify those promises and undertakings which were made by the architects and advocates of structural reform and to

see which were, in the eyes of the employees, realised, those which were partly realised, and those which were not. It then seeks to explain why these gaps existed and what might have been done to have made this process more successful for those directly involved in the project, especially the employees of the former PWD. It seeks to explain how culture, in this case the world view of Samoans, may have influenced the process.

‘Power’, ‘Interests’ and ‘Success’

The case study at the centre of this thesis has confirmed a sociological truism which is that power and interests shape a group’s views of reality. This case study has shown that the people who have been involved in the design and implementation of the programmes assessed the programmes differently from those who were members of organisations which were restructured. In Samoa, there is a contested view of the outcome of structural adjustment, and more particularly, of that programme which resulted in the downsizing and refocusing of the former Public Works Department, and the privatisation of many of its former roles and activities.

Two dominant positions are identified. The first is that of those who, for a range of reasons, support the programmes: the Government politicians, bureaucrats and the consultants. The second, and less frequently encountered, viewpoint is that of the people whose lives have been affected by the programmes and politicians in the opposition party.

The first group comprises politicians, those who work directly for Government, and those who provide their professional services to Government. They tend to hold a macro level view of Government and of the institutions they work for and have a vested interest in the ‘successes’ of these programmes. They also use macro-economic ‘models’ and ‘templates’ and ‘measures’ for the evaluation of the programmes’ ‘success’ which obviate the necessity for directly confronting contrary evidence. By using these, they are able to measure the macro level indicators but not the views and experiences of the second group of people who may contradict the official view.

The second group consists of those employees whose livelihoods are greatly affected by the programme, and whose lives are changed dramatically as a result of the reforms. These people also use 'models', 'templates' and 'measures' to evaluate the programmes, but these focus on the micro-economic consequences of these reform programmes and provide often contradictory experiences. Their views represent a collective view of their lived experiences. This view from the micro-level is often quite different to the macro-level.

Beyond the Obvious: Refining the Model

But even this distinction may be too simple. There are divisions within 'groups' and within the 'society' as a whole over the value of the reform programmes. Politicians, for instance, were divided over the reform programme. Some politicians stood to benefit from contesting Government's claims about the claimed 'benefits' of structural adjustment. Opposition politicians, for instance, may gain politically from publicly challenging Government's view of the necessity for and benefits of reform. These opposition Member of Parliaments may also genuinely believe in their fight against the ruling party.

The Politics of Dissent VAGST

In the absence of obvious publicly expressed dissent and visible protests, it is easy to form the view that Samoans generally supported the structural reform programme. Indeed, this absence seems to confirm politicians' claims that this was in fact the case. But this is not true. To understand why there was not more obvious dissent; one has to understand the nature of the politics of dissent in Samoa.

A coalition of interest between government and churches can effectively suppress public opposition to government programmes. In this case, over the introduction of VAGST, after the initial protest, public expressions of opposition to structural reform were muted.

The absence of public dissent, however, is a reflection of Samoan political culture and should not be confused with wholesale acceptance as is suggested in public discourse. In the case study below, which focuses on the early protest around the introduction of VAGST, the ways in which this coalition of interest constrained dissent is outlined. This case study helps to explain why dissent faded after this initial expression.

In the VAGST case, the former leader of the opposition, the Honourable Tupua Tamasese Efi challenged the Government's reform programme in Parliament and spoke against the implementation of the value added goods and service tax as part of the reform programme. The Hon. Tupua Tamasese Efi stated that:

Other countries like Australia, New Zealand and Fiji are having a bad time with their GST legislations because GST has its negative side that is, it is a burden on the people. I do not think GST is good for the country at all it is rather burdensome (Samoa Parliamentary Record: 3 March, 1993: 478).

The Deputy-Leader of the opposition, the late Honourable Vaai Kolone, also voiced his concern regarding the same legislation by stating that:

I believe that this is very crucial in my own opinion, since we are discussing the entire life of the country. The Minister had mentioned my name which is quite right however that is not how we did it last time, this is a burden. The whole country are still suffering from the after effects of cyclones Val and Ofa but you are adding another burden on them, that is not love and it is not right. The timing is wrong (Samoa Parliamentary Record: March 3 1993:486).

The Leader and the Deputy-Leader of the opposition were opposed to the implementation of the Value Added Goods and Services Tax bill which was to address that initial part of the Government's reform plan. Cynics and critics might say that the opposition has to be seen to be actively criticising the Government in whatever it tries to introduce, and that, by definition, the opposition, does not follow the same political agenda. It was, therefore,

in their interest to be critical of the reform legislation. However, their opposition to reform has continued and has focused on the same themes of the consequences of globalisation of trade for small states. In more recent sittings, another opposition Member of Parliament who objected to the privatisation of the PWD, the current Deputy Opposition Leader, Asiata Saleimoa Vaai, stated:

I am seeking clarification on why we are adopting or favouring privatisation. I believe that perhaps the need has arisen for privatisation because the managements of these departments were not effective. I know that the Commonwealth Parliamentary Association is very concerned with the effects of globalisation on people. We have witnessed how in the bigger nations, globalisation has extended the gap between the rich and the poor (Samoa Parliamentary Record: 29 January, 2002:1492).

This politician's view showed general concern at the effects of privatisation. He pointed out that the process of privatisation may have come about as a result of the ineffective management of Government departments. This point may have a bearing on the reasons for the reform, but his view is also contested because of his position as the new Deputy Leader of the opposition party. Part of his role as an opposition Member of Parliament is to question the Government on their policies.

Interest groups outside of Government, including non-governmental organisations (NGOs), professional associations and church groups, have also expressed concern about reforms, throughout the process, particularly, for instance, when these reforms can be seen to be forced on a nation and to have compromised its sovereignty or its national interests. Pule and Tumua, an NGO which reflects the traditional governance of Samoans, and NGOs including the National Council of Churches, objected to the reforms, especially to the VAGST Bill. This opposition resulted in a demonstration march by members of the Tumua and Pule group who marched to the Executive Building to protest. The National Council of Churches sent a letter to Parliament to present a

petition against VAGST, which was read out by the former Leader of the opposition, the Honourable Tupua Tamasese Efi:

I wish to read out the petition by the National Council of Churches referring to the increase in prices of essential commodities, saying that the VAGST is un-Godly it is not a bill or an act which God will approve of. The National Council of Churches felt that the taro blight is affecting people and this act should not be allowed to go ahead. The protest march representing Tumua and Pule as well as members of SNDP group wants to abolish the VAGST (Samoa Parliamentary Debate: 15 March 1992:342).

The Tumua and Pule group mentioned here is a grass-root NGO consisting of chiefs and orators from throughout the two islands of Samoa, and numbers over 200 people. But, in this case, the actual numbers are probably less significant than the socio-political status of those involved in the movement. The Samoa National Democratic Party, (SNDP) was the opposition party in Parliament at that time. These groups and the National Council of Churches marched in protest against the reforms in general and particularly against the tax reform bill in 1994.

Some members of the Public Service Association (PSA) also were opposed and saw the reforms as putting downward pressures on wages and were critical of the reforms. It was reported in the Samoa Observer newspaper in an article entitled, 'PSA should see VAGST is causing suffering' the newspaper reported:

A senior Public Service Association (PSA) official has warned that the PSA "should recognise that VAGST causes suffering to the people. The official was asked for a comment because of the PSA's failure to act on the high cost of living dispute (Samoa Observer, 1994b:1).

The role of the media is important in determining the view of the public on a range of issues, but it too was divided. The mass media in Samoa comprises, on one hand, a

Government-owned and controlled newspaper, a radio station and a television network, and, on the other, several privately-owned radio stations and newspapers and a television station. These all have significant audiences and play a significant role in shaping Samoan public opinion. The Government's influence over public opinion is not confined to those views expressed on its own media outlets and it faces genuine competition from private media organisations. However, government issues the business licences which allow private media enterprises to operate in the country, and this may indirectly influence the ways in which apparently 'independent' media report events. Senior figures in the Government also have commercial interests in mass media and this may also influence the ways in which privately-owned, and apparently 'independent', media organisations report events. Despite the apparent media freedom and competition to influence public opinion on matters such as the reforms could be said to be somewhat one-sided.

Throughout the reform process, the media published articles on the reform programme. The Samoa Observer, the major Samoan daily newspaper and renowned for its independent stance, published a whole range of articles throughout 1994 which opposed, and later criticised, the reform programme, especially the Value Added Goods and Service Tax (VAGST) Bill. The first of the articles was titled, 'Protest March against VAGST' according to the Samoa Observer:

The proposed march will start from Vaimoso where the people will gather, before marching on to government house at the reclaimed area. The march is a direct result of public discontent with the government's VAGST that has caused howls of protest over the high cost of living that resulted (Samoa Observer, 1994a:3).

The Samoa Observer newspaper is a privately owned newspaper, and it printed articles describing public feeling at the start of the reforms. Headlines like: 'Tofilau brands national protest march a rebellion'. [Tofilau Eti Alesana, was the Prime Minister at the time VAGST was introduced] and, 'The SNDP leader calls for referendum on VAGST':

The leader of the opposition, Samoa National Development Party (SNDP), Tuiatua Tupua Tamasese, has called for a national referendum to give the people the chance to say how they are affected by the 10% VAGST and the 15% new price increase. The call was made in parliament during a special session to address the rift between the ‘embittered population’ and PM Tofilau’s Government who instituted the new economic policies (Samoa Observer, 1994c:2)

The Savali, which is the Government-owned newspaper, had its own version of the protest march. It reported:

The protest march by Tumua and Pule against the VAGST and the cost of living started last Wednesday at 7o’clock in the morning from Vaimoso. The march was led by the leader of the opposition, the Hon. Tuiatua Tupua Tamasese Efi. Cardinal Pio was also at the head of the march. The march reached the front of the Government Office at 8 am and the people were then told that the church service would be at 9am. About two hundred members of Tagaloa Pita’s Samoan Democracy Faamatai party arrived to support the march. The service was conducted by Rev. Siatua Leulualii, the president of the Methodist church and the current chair of the National Council of Churches. He told the more than 6,000 people who gathered, to wait on God, like the land waiting for blessings from God (Savali, 1994c:1).

Two weeks later, the Savali newspaper published an article on its front page, entitled ‘Govt. slashes duties on many essential goods’ which noted that:

The Government has slashed most of the duties on the basic essential items needed for daily living, far more than was expected or requested by many people. Prime Minister Tofilau Eti Alesana told Parliament that the VAGST would stay, but duties would be reduced or dropped altogether from many essentials required by the people. And when Finance Minister Tuilaepa Sailele gave his statement to

Parliament on the Second Supplementary Estimates 1993-1994, many people were amazed at the extent of the relief package. 32 items altogether, plus VAGST exemptions from electricity, water rates, boat fares on travel between Savaii and Upolu and on departure taxes paid by people travelling abroad (Savali, 1994b:1).

On the same day the Samoa Observer newspaper put out an edition with a front page story entitled, 'Tuiatua⁵ wisens up to Govt's tactics'. The article questioned the justification of some of the Government's tactics in trying to divert attention from the real issue of the day, the 10% VAGST and its impact on the people. The article also mentioned a press conference in which Tuiatua asked why the Prime Minister Tofilau Eti Alesana kept bringing up quotes from a National Council of Churches letter that was sent to the Government one week before the national protest march. The article further noted:

As Tuiatua explained, the role of the church was better demonstrated when the VAGST was defeated in both Canada and Australia as a direct result of their opposition to it (Samoa Observer, 1994d:2).

The role of the churches in Samoa is as important as that of the media in shaping political opinion on the reforms. It is important to mention the role of the church in the community. The Samoan constitution states that 'Samoa is founded on God.' Samoa's constitution is founded on Christian principles and the church has been a dominant force in Samoan people's lives. The church is an important institution in Samoa, and plays an important role in Samoan society. The relationship between state and church is a close one, where one institution supports the other in most of their formal activities.

Churches command high levels of public support, and their positions on a range of social and political issues carry much weight among the Samoans who support them. The churches did take a public position on the reforms. As noted above, they petitioned Parliament to abandon VAGST, and later organised public protests against them, but they

⁵ Tuiatua is also the Hon. Tupua Tamasese Efi, former leader of the opposition party and has recently been elected Head of State.

also counselled discipline and respect for Government on the part of church members who wished to protest. To understand why the churches might have taken these positions, it is useful to understand the relationship between the church and the Government.

Governments have been generally supportive of the established religious denominations in Samoa and some members of Government hold senior positions in the governance structures and management of some of the major denominations. As a consequence of these linkages, they understand well the churches' positions, and the churches understand clearly the Government's position. The churches are routinely called on to provide real and metaphorical blessings to government undertakings, and the government in turn gives it support to the churches aspirations and plans. Both entities stand to gain from maintaining a mutually supportive relationship. The church enjoys some protection from the in-roads of new denominations and the Government enjoys some benefits from a moderate public position taken by the churches on political issues. The public reaction to the reforms might have been very different if the churches had taken a more critical stand or had encouraged their members to take a more active role in opposition to the reforms.

The role of the churches in opposition to the VAGST legislation was also notably subdued. The National Council of Churches, which includes the four mainline Christian denominations, namely, Roman Catholic, Congregationalist, Methodist and Anglican, wrote to the Government to ask it to re-consider the introduction of VAGST, and some of its members joined the protest march. Of the churches, the Roman Catholic church was arguably the most active, but it is also significant that the Catholic leaders were instrumental in the maintenance of peace on public protest marches, and of promoting support and respect for the leaders of the country even during expressions of opposition to the VAGST bill. The Catholic Church, for instance, marched through the town of Apia to demonstrate their belief in peace and justice issues. The Savali reported that:

There were 6,000 Catholics that turned up to march in the pilgrimage of faith through Apia. Cardinal Pio Taofinuu was no doubt thinking of the protest march the following day, and so he prepared his flock. Yes, they must search for justice,

but at the same time, keep the peace if they wanted to be called the sons of God. This forestalls any attempt by the devil to stir up trouble during the protest march (Savali, 1994a:3).

The Catholic Church's march was organised by the Cardinal to appease his people before the Tumua and Pule's march the following day. On the eve of the march, the Cardinal also shared with the people during mass a letter he sent to the Prime Minister, asking for exemption of essential food items from VAGST. He organised the march and sent a copy of his letter throughout Samoa so that it was read in all the Catholic Churches on the same day. The goal of the letter was to inform Catholics that, as head of the church, he had written to the Government on their behalf, and that all Catholics should maintain 'peace in their hearts' if they wish to join the protest march the next day. The Cardinal in part of his letter, published in the Savali, wrote:

In my twenty-five years as a Bishop, I have never backed one political party over another. At the same time, I have always respected the different Governments that have been formed by our political leaders, properly elected. It appears to me now that a real effort is being made to bring the present Government to its knees. Some would say, simply, that's politics, but something more is happening that is truly troubling for our future. It seems that whoever the people are behind the march and behind the threat to shut down Faleolo airport and Mulifanua wharf are willing to do anything to reach their goal. The Samoan people, even when they have disagreed with various Governments decisions, have always shown traditional respect to the Country's leaders. The recent news report of the Prime Minister being booed by a large crowd in public demonstrates the ugliness that has now been unleashed. What happens is we lose our self respect as citizens of Western Samoa, who have an ancient tradition of civility, and we sow the seeds of violence and possibly even war. The roots of VAGST are in the previous government, it was they who imposed this tax on hotels and that it will eventually be imposed on everyone. Permit me to say that I do not believe it necessary that

the whole VAGST be dropped. As a Country, we have serious financial needs. This is an on-going reality, and the reality must be faced (Savali, 1994a:4).

The Cardinal's letter, which basically advised members of his denomination not to get involved in violent acts during the protest and restated Christian values of respect and love to his flock, was read to all the Catholics in the country. It is also interesting that the Savali newspaper published that letter in support of the view that the church accepted the necessity of economic reforms, and repudiated extreme forms of resistance to Government's moves, and criticised a lack of public respect for the Government.

The Christian churches played an important role in defusing the protest movement. This was seen by Government as a positive move and it responded by exempting basic foodstuffs. Pastor's salaries were tax free before VAGST and the Government maintained this tax free status after VAGST. This relationship between church and state leadership was reaffirmed with the clergy being a select sector of the community that enjoy tax free salaries and fringe benefits. The church is almost always seen as supporting the Government and sometimes the Government uses the church ministers to preach to the people the importance of accepting Government policies. There are also cases where the churches have used Government for their own purposes. There is a synergy and respect for each other in the relationship between the politicians and the clergy.

The protest march happened the next day and members of Tumua and Pule camped in front of the Government Building while they waited for an answer to their petition to have the VAGST removed altogether. The Government was committed to the reforms and instead of applying the VAGST on all goods and services they relented on food and basic services as requested by the Cardinal. The next day, the Government-owned Savali, responded by publishing a list of essential goods that had been made duty free as evidence of Government responsiveness to the public protest over VAGST. The article stated:

Prime Minister Tofilau Eti Alesana told Parliament that the VAGST would stay, but duties would be reduced or dropped altogether from many essentials required by the people. There will be no duty on sugar, tea, potatoes, onions, rice, flour, lamb, beef, poultry, tinned fish, baby food, salt, milk and pharmaceuticals (Savali, 1994b: 10)

The media played an important role by keeping the debate alive especially with the private media criticising the Government's reform plan and the Government media defending Government actions and policies. At the same time, Government media were setting out the Government's position and highlighting Government's responsiveness to the protestors, including dropping the tax on essential goods and a decrease in the rate of tax on luxury goods.

But the media had another role in public opinion of the reforms, as they also published the thoughts of people who expressed their feelings in letters to the editors. During the protest march and the time the protesters camped in front of the Government building, several letters to the editor opposing the reforms were published. An example of this kind of letter was one written by Fereti Avea, titled 'No more confident in the government', which expressed one man's frustration over the economic policies pursued by the Government. This was one among many more letters written by people dissatisfied with the introduction of structural adjustment reforms in Samoa.

In summary, it could be said that while there was resistance to reform, it was generally muted and focused on a particular element of the reforms, the imposition of a consumption tax, VAGST, which would have had a marked impact on the standard of living of Samoans if it had been applied in the form originally proposed. There was general and widespread opposition to this particular element of the reform package which would have had a clearly demonstrable, and direct, effect on the entire population.

Other elements of the reforms have affected fewer people directly and have attracted far less public interest. There was, for instance, far less general interest in or opposition to

the reform of Government Departments. There were none of the protests, or ongoing media interest in the structural adjustment processes which would affect rather fewer people most of whom, were employees of Government. Public opinion on these matters was more divided and shaped by the extent to which individuals or families would be influenced by these.

Similarly, employees' views may not be universally shared because the reforms, especially in the case study, affected different groups of employees in different ways. Some of the redundant workers and those who joined the business units have expressed their regrets at the changes because they see themselves as victims of a process in which they had very little "say".

Even within the same groups of employees, some individuals are more positive than others about the outcomes of reform. Those employees who accepted the outcomes of the reforms were mostly those of retirement age, they were happy to take their retirement and redundancy packages and start new ventures themselves. Their various experiences may be affected by age, length of service, skills, family cycle stage, responsibilities to their family and so on. However, there were only a few people in this group.

Furthermore, employees' views may have changed in the time since the reforms were implemented and as a consequence of the impact of the reforms. Some will have become more positive about the reforms and others more negative. Indeed that is one of the reasons for conducting a case study after the event as people's situations settled and they had the opportunity to reflect on the reforms. Those employees, who were positive at the time when the changes took place, were those who took up the challenge of managing the business units established as a result of the reforms. Some of those people have now changed their views. They now feel quite resentful because of the problems that they encountered that were not transparent to them before they set up the companies. The unskilled labourers who were made redundant and got rehired by one of the business units have become quite negative about the reforms. They saw the injustice in the way they were treated in terms of remuneration packages and they experienced major changes

to their lives because of what they said were the 'mistakes' made by those who were not performing their roles properly in the Department.

What was also apparent from the case study is that views of the reforms were not shaped entirely by individual self-interest, notably whether or not a particular person gained directly from the reform process. Samoan culture also influenced the ways in which people both experienced the process and judged the outcomes of the reforms in important ways. These cultural influences could not be anticipated by models which focus on individual interests and presume that individuals' views of the reforms will be directly, and primarily, influenced by the extent to which an individual benefits from them.

The *faasamoa*, or the Samoan way, of decision making affected the outcomes for some employees. Most of the employees practice the concepts of *faautautaga loloto* (wisdom in the exercise of authority) and the *vā fealoaloa'i*⁶ (mutual respect) which define the social order, the nature of role relationships within that order, how to act and when to speak in relation to others. One presumption, for instance, is that titled people, or *matai*, act in the interest of those whom they represent out of an obligation to exercise their power beneficially. Some of the employees, may have wanted to make different choices, but trusted those who were in charge of the process because of their chiefly status and because, to take another course of action, might have been seen to be disrespectful to *matai* who were entitled in culture to their respect. In return, the leaders of the process took responsibility for those who were less fortunate in ensuring that they were accommodated either by redundancy or by employment in new business units. But beyond that they were unable to provide very much more in the way of 'protection' a fact which must have become clear to the untitled employees as the businesses struggled in the competitive market place.

These decisions worked for most people provided they were taken in the 'right spirit' and that the cultural consultation processes were carried out appropriately. There are also

⁶ The concepts of *faautautaga loloto* and the *va fealoai* are discussed in an article, by Tuala Sale Tagaloa, entitled *Va Tapuia: an environmental Vision*, published in the *Environmental Forum Journal*, No.1, 2000:2. The translation of these concepts was taken from this article.

cultural processes which act as checks and balances to ensure that the decisions do not backfire. In this case, some employees took the cultural responsibility of joining their 'in group' at the time instead of choosing an option which may have carried greater individual benefits, and others who founded businesses took on employees who had a limited range of skills out of a sense of responsibility to them. This commitment to solidarity with others, born out of principles of *faasamoa*, was not enough eventually to overcome the financial problems which emerged in the new units and some of these employees left the business units after they become disenchanted with their first choice. The micro-economic consequences of the reforms impacted on some employees' ability to participate in family and village life, and in the events which defined them as people and through which they asserted their presence in society. These can be seen as the cultural consequences of the reform. These take different forms in different societies but are not widely recognised by an economic model which focuses on the macro-economy and national consequences of reform.

For instance, employees who were made redundant and left the services were not always able to participate in village activities because of reduced income and because of the loss of their social status as a Government employee, both of which were important status symbols in Samoan society. Those employees who established business units found it a struggle to participate actively in their village and family activities because of the time and the resources that they now had to put aside to run the business venture in order for it to be profitable.

The managers have all had financial difficulties in keeping up with financial obligations to the banks, so they prefer to relent on their family and village commitments. This is a difficult choice since both options have down sides. Relenting on family responsibilities can mean a loss in social capital and status. However, relenting on a bank loan might mean losing the assets which they have spent their whole working life acquiring. It may also carry with it the risk of public failure.

The consequences of public failure in Samoan society may be quite different from commercial failure in capitalist societies. Commercial failure in capitalist societies is seen as an inevitable consequence of risk-taking and is frequently part of successful capitalist's business history. However, in Samoan society commercial failure is the same as public failure and carries a stigma of failure. This has major social consequences for individuals and their families; often individuals and their families can suffer public scrutiny and may lose privileges, and sometimes their social status depending on the degree of severity, as judged by the community.

Views of the reforms are contested and, while it is true that these are shaped by power and interest, it is necessary to acknowledge that even within some 'interest groups,' there will be significant differences which cannot be explained solely in terms of structural location. The employees of the PWD were people who crossed the cultural, education and class divides of Samoa. Some of the employees who were unskilled labourers were members of work gangs within the Department. They were guided by their group dynamics which shaped the way they reacted to the reforms and the way they accepted the outcomes of the reforms.

Another factor which may explain the varied reactions to the reforms and the consequences of the reforms is the significance of religion, and in particular the acceptance of the belief in divine intervention and direction. This belief, which is widespread in Samoan life, may have produced a greater willingness of employees to accept the reforms, and their consequences, as part of God's plan for them. This acceptance, which some would label fatalism, may mean that people are less likely to resist changes, and to accept some things, such as restructuring, as part of a greater plan which they have only to accept and need not understand. This apparent acceptance may not be entirely the result of intellectual appraisal or assessment. The acceptance may be qualified in ways in which economists cannot either understand or anticipate, because their world views make no allowance for divine agency.

These differences can be analysed by examining the claims put forward by the Government and governmental agencies, about the consequences of structural adjustment programmes and which focus on how plans, policies and practices are designed to strengthen the economy and the quality of lives of the Samoan people. These can be compared with the experiences of those directly, and involuntarily, involved, and which impact directly on their economic, social and material quality of life. The programmes have been exemplified in the case study of the privatisation of the Public Works Department which has been used to examine how the elements inherent in SAPs influence the outcomes on the people concerned.

The Promises

Two sets of promises, or undertakings, were given by the architects of the reforms: about structural reform in general, and specific promises about the reform of the PWD. The second part of this chapter focuses on promises and undertakings made by the architects and advocates of the structural reforms and the extent to which employees felt these were met in the process. It will seek to explore the differences between the 'facts' and experiences, and the extent to which these were shaped by cultural considerations.

The Government of the day made several claims about the macro-economic benefits of instituting the programmes, and about how these would improve the economy of the country, and the material and social quality of lives for Samoan citizens. The programmes targeted the creation and maintenance of a stable macro-economic environment, privatisation, reform of the public sector, encouragement of private sector-led economic growth, and introduction of financial sector liberalisation, implementation of tariff and tax reforms and encouragement of foreign investment. Embedded in the discussion of these programmes are the promises by Government that the outcomes of the programmes would:

- Achieve sustainable economic growth for Samoa,

- Encourage private sector development by privatising state owned enterprises,
- Reform the public sector to make it more efficient and cost effective,
- Enhance people's choices,
- Provide improved quality of life for all.

The principal difficulty of establishing whether the promised benefits of structural reform were delivered by Government is that much of the data required to form a view on these matters is not available to private citizens for research purposes. However, the data is available to the agencies which have provided both the impetus for the reforms and the incentives to initiate and to continue to implement them. The agencies, and particularly the Asian Development Bank, periodically visit Samoa to review the progress of the reforms. As donors they have access to data, and the expertise to analyse and form judgments on the outcomes of the reforms. Thus, the assessment which follows necessarily depends heavily on those of agencies which have reviewed the programmes.

While it could be argued that these agencies' analyses might tend to favour interpretations which highlight the benefits of structural reform programmes which they have supported, it could also be argued that these agencies have no obvious reason to take this view. Their agents are technocrats who have an interest ensuring that difficulties and appropriate remedies are identified so that the programmes have a better chance of succeeding. They control the release of resources and are responsible to the ADB for ensuring that loan conditions are met by recipients and agreements about remedies are secured before releasing further funding. On this basis, I have chosen to use the analyses of various aid donors to assess the outcomes of the programmes and to form views of the Government's performance in delivering on the promises about the benefits of reform.

Achieving Sustainable Economic Growth for Samoa

Achieving sustainable economic growth for Samoa through the reform programmes is one of the general promises Government made. These claims were included in the

Statement of Economic Strategy (SES) which was to play a major part in initiating and explaining the reform process. The first SES document entitled, *A New Partnership*, was put out by the Samoan Government in 1996 and stated that:

Three decades of development plans, sectoral strategies, technical assistance and aid-funded capital projects have failed to propel us into a dynamic phase of economic growth which will relieve us of our dependency on foreign aid, foreign loans and remittances from expatriate Samoans (Treasury Department, 1996b:3).

In the light of these failed development plans, the Government undertook to deliver on its promises through a new planned programme of reform and to outline its promises and its overall strategy and sectoral objectives in strategic statements. The Government further claimed that as well as instituting a 'forceful start' to reforming the fiscal system, it would withdraw from some economic activities altogether. A partnership with the private sector was encouraged as the Government saw the private sector as the 'engine of growth'. The Government also claimed that it would create a 'level playing field' on which businesses, freed from the need to compete with subsidised government operations, could compete on equal terms with one another. To this end, the Government publicised its commitment to 'shrinking' the public sector and encouraging a slimmer more productive public service. The Government then introduced measures to promote 'growth' in the private sector by liberalising the highly regulated economic environment, and continuing reform of the fiscal system, which it claimed would increase incentives to corporate investment without the need for discretionary intervention.

The Government in its efforts to achieve sustainable economic growth promised to improve the macro-economic outlook through improving fiscal policies reduce public spending and containing its expenditures. The statement of economic strategy 2000-2001, was an important document which declared the Government's strategic directions and development priorities. The Honourable Tuilaepa Aiono Lupesoliai Sailele Malielegaoi, the Prime Minister of Samoa, was the architect of these financial policies, and was the

main proponent of these adjustment policies which according to him, if successful, would eventually 'promote the quality of life of Samoans' among other benefits.

To maintain and promote a stable macroeconomic framework, the Government targeted a steady and sustainable Gross Domestic Product (GDP) growth of 3-4% per annum. It introduced policies to maintain a balance budget, keep the inflation rates low and stable, give adequate credit for private sector development, keep the money supply growth consistent with low inflation and adequate credit, provide a competitive exchange rate, create employment opportunities and provide the environment for a sustainable external balance.

A report from the Asian Development Bank (ADB) country strategy and programme update on an evaluation mission to Samoa reported in 2001 that:

The benefits of this reform program are now reflected in the country's economic performance. From a low of 1% in 1997, growth in the economy (GDP) accelerated to 3.4 percent in 1999. In 2000 economic growth likely exceeded 7 percent. The construction industry was the driving force behind this strong performance with the commerce, transport and communications, and the finance and business service sectors also significantly contributing to the growth (Asian Development Bank, 2001:4).

The report discussed the role played by the restructuring of the tax and tariffs systems as well as liberalisation of the financial sector as being instrumental in stimulating growth in the tertiary sector of the economy. The same report stated that:

On the external account, merchandise exports were 17.5 percent lower than in the previous year. There were declines in revenues from all major export commodities, with fish exports, which contributed 55 percent of total exports, falling by 24.2 percent. Exports of copra, coconut oil, and kava all declined by more than 50 percent. Inflows of remittances had another year of strong growth,

increasing by 20 percent, to a level equivalent to about 20 percent of GDP. Gross tourism receipts increased by 5.1 percent over 1999, and were equivalent to about 17 percent of GDP, they were exceeded by remittances for the first time (Asian Development Bank, 2001:5).

This Government's success in attaining sustainable growth through reform is difficult to measure. As the section on Samoa (Chapter 4) has shown, the country's economic growth rate is erratic and irregular, with GDP growth rates fluctuating over time and for reasons which are unrelated to the activities of the state. This sustainable growth is also difficult to achieve because of factors outside of the Government's control such as the country's vulnerability to natural hazards, such as cyclones, and plant diseases, such as the taro blight, which periodically devastate the economy, and reduce economic growth rates for several years while trees recover and new blight resistant varieties are developed. Despite all the major policy changes, Samoa's economic situation remains vulnerable because of its susceptibility to external shocks. The ADB in a later report wrote:

ADB supports the Government strategy for the development of Samoa (SDS) 2002-2004 as it contributes to ADB's overarching goal of poverty reduction, and is consistent with ADB's poverty reduction strategy, as well as ADB's Pacific strategy for the new Millennium. First the ADB strategy for Samoa aims to enhance access to, and quality of, basic social services. Second the strategy aims to improve the environment for the private sector, by ensuring sound fiscal and macroeconomic policies (Asian Development Bank, 2004:4).

However, the most common index used by economists to measure macroeconomic growth is the trend in GDP or gross domestic product. The value of GDP as a measure of how well a country performs has been contested in the literature. The index does not, for instance, indicate the distribution of any benefits of growth within national populations. There are other, and arguably more sophisticated, ways of measuring how well a country performs economically and how, for instance, any benefits of growth are shared. The answer perhaps lies in examining the basis of growth. One such definition is offered by

Szirmai, a development economist, who summarises what he saw as the basis of growth as follows:

...the basic sources of growth for economies to grow and societies to become more prosperous are through: discovery of riches and natural resources like oil, gold, gas, coal etc, saving and accumulation of capital from abstaining from consumption in order to save, effort, e.g. working hard and increasing working hours per year, abstaining from consumption to invest in education, training and health to improve the productivity of labour, and theft through appropriating resources from other societies and using these to accumulate capital, efficiency in the use of capital, labour, inputs and the ways in which these can be combined in production, and technological change which acquires new knowledge about how to produce valued goods and services and applying such knowledge in production (Szirmai, 2005: 69).

The above quote highlights the central elements of SAPs, especially the efficiencies in the use of capital, labour, inputs and the way in which these can be combined in production. Structural adjustment programmes according to Szirmai will 'grow the economy' or make society more prosperous, provided that there is accumulated capital. The economy has grown and the top half of Samoan society: the decision makers and people in professional occupations have prospered. At the same time, there is hardship among the bottom half of society. Some members of these groups are sustained by remittances sent from relatives overseas as well as the continued reliance on subsistence agriculture for food security. The significance of remittances as an element of GDP growth raises issues of the sustainability of this growth; it depends on the continued capacity and willingness of expatriate Samoans to contribute in this way and this is by no means assured. The prosperity is also, in part, due to wage rises which were part of the HRPP election promises and which are underwritten by loans from international agencies rather than domestic economic growth.

Encouraging Private Sector Development

The Government promised to develop, and encourage the development of, the private sector by changing inefficient and ineffective Government departments and corporations into business units or commercially viable corporations. It promised to privatise some of its ailing State Owned Enterprises (SOE) to save the ongoing costs of supporting these and of subsidising their inefficient management and operating practices.

It has encouraged the growth of the private sector to take over some of its functions because of the shortage of capital. According to Vaai et al., (1999), the Government liquidated or privatised some state owned enterprises between 1987 and 1996. These included, Western Samoa Breweries Ltd, Agricultural Store Corporation, Samoa Forest Corporation, Computer Services Ltd, Hellaby Samoa Ltd, Brugger Industries Ltd, and Samoa Coconut Products Ltd. It was further noted that:

The Government sold its shares in the Bank of Western Samoa, Western Samoa Breweries, wound up the Special Projects Development Corporation and sold its assets, to help fund the losses of Polynesian Airlines (Vaai & Associates, 1999: 61).

The Government strategy was to encourage the private sector into a partnership to lead the country into a period of sustained economic growth. Whether or not these privatisations were more efficient when run by private sector managements and subject to commercial disciplines is unclear. Some of these enterprises and departments had inherent problems with poor management and human resource issues which affected their performances both as Government operations and later as commercial entities. The privatisation of the old Public Works Department was one example of a Government department that was experiencing management and human resource problems at the time. It outsourced some of its functions to create business units that were offered to its workers to encourage them to join the private sector. But, as noted above, the mindsets which led to inefficiency in the public service were, in many cases, transferred to the new

private sector employers who had then to attempt to change these. The mere act of transfer does not, of itself, produce a new set of values and norms.

A second problem in establishing whether these privatised activities are more efficient than their public predecessors is that the evidence required is not publicly available. Many of the new ventures formed are not required to report on their performance in ways, and at a level of detail, which would establish either how efficiently they use their capital or whether their labour is more productive than labour in the public sector.

Privatising state owned enterprises (SOE) may or may not encourage the development of the private sector. Privatising these SOEs does not guarantee instant success from the private sector management. Government assumes that the private sector is in a position to take over and “fix” these ailing enterprises or departments. But the private sector may or may not, for a variety of reasons, have access to the required human or financial capital, to be the “engine of growth” as it is expected to be. The private sector may have to go to commercial lenders for financial capital with an untried and under-capitalised business start up, and without the advantages that Government enjoys as a borrower. If the private sector owner is able to secure credit, it will be on terms which reflect the bankers’ assessment of the risk involved which is, not unreasonably, likely to be high. Funding growing numbers of relatively small, new, under-capitalised ventures which will compete both with one another, and longer established businesses, in a small market is not an attractive proposition for risk adverse banks.

Even if the private sector can secure the required credit, it may not be able to secure the personnel required to expand and manage new businesses successfully and profitably. In an increasingly global labour market, some of the most important technical and professional skills required to develop and grow private sector businesses are highly mobile, and Samoan private sector employers may not be able to recruit and retain the technical expertise to transform and develop new private sector businesses, when they are forced to compete for these in what is, in effect, a global labour market. Those whose skills are most needed to transform these businesses also probably have the widest range

of available employment opportunities and may be hard to attract to what are relatively poorly paid opportunities.

Indeed, the Government is apparently beginning to realise that the growth of the private sector and its role as the 'engine of growth' does not occur simply because the conditions exist to make it possible. The Samoan Government has been forced to consider a more active role in stimulating private sector activity, by looking at partnerships in joint ventures. The ADB noted this in a report:

There was some frustration in Government circles with the economic reform process, especially with regard to the sluggish private sector and foreign investor response to the reforms. The Government took on a more interventionist tone and in-principle endorsement was given in the 2004 budget to a joint venture with a local business to construct a beach resort hotel near Faleolo international airport. This project is proceeding with public sector financing (Asian Development Bank, 2004:5).

This is in line with the Government's strategic plan referred to as the *Strategy for the Development of Samoa 2002-2004*; the theme for which plan was *Opportunities for All*. The strategy was to improve private sector development and in the process, promote employment creation. The Government again claims that its policies support private sector growth which generates job opportunities to meet rising demands of an increasing labour force. These promises were embedded in the statements of economic strategies that were put out by the Government. The Government in 2005-2007, again put out another strategic plan with the theme of enhancing people's choices, in this plan the Minister of Finance, the Honourable Misa Telefoni claimed that:

The implementation of these priority strategic areas and associated activities is expected to realise the National Vision which is: "*For every Samoan to achieve a better quality of life*". The achievement of this vision will result in the attainment of Samoa's Millennium Development Goals (Treasury Department, 2005:6).

Encouraging the development of the private sector has occurred at the macro level but the results have only been partially achieved because of the shortage of domestic capital and the lack of foreign investors attracted to invest money in the Samoan economy.

Reforming the Public Sector

The Government formulated a comprehensive public-sector reform programme which promised to strengthen the partnership between the public and the private sectors. The plan included a redefinition of role and responsibilities of public service to strengthen its policy analysis and regulatory capability, while relaxing its direct control and regulatory intervention in private sector activity. The Government wanted to prioritise and focus on core Government functions, and to reduce its direct involvement in commercial enterprises' activities. Government also promised to improve the efficiency and quality of its services to the people, as well as improving its accounting systems to support delegations of financial controls, devolution of personnel management and contracting out of services to individuals or the private sector.

The ADB report summarised its findings on Government performance on reforming the Public sector:

The new Government structure has reduced Government departments and constitutional offices from 28 to 19 (Asian Development Bank, 2004:4).

Policies were put in place to improve budget performance and to support strategic planning systems in the remaining Government departments and ministries. All the chief executive officers (CEO) of Government agencies, and their deputies, have been placed on performance-based contracts, where performance was to be assessed in relation to budget outputs and performance measures. In one Ministry, there could be a minimum of three and a maximum of ten people on contracts, depending on the size of the Ministry.

The Public Service Commission (PSC) is no longer involved in the selection of CEOs. However, the PSC is still involved in the appointment of the Assistant CEOs. CEOs are now contracted to the relevant ministers to supply the budgeted outputs, while deputies are effectively contracted to the Public Service Commission. These changes were introduced after the Special Post legislation was passed in 1990.

The changes have added costs especially to the special posts for the CEOs of the agencies, and working on contract to the ministers has made the position a political appointment where the minister has the power to hire and fire a Chief Executive Officer if they do not follow the Government agenda. This system is producing expected outcomes for the Government of the day, however it requires an evaluation to ensure that it is the 'best practise' to adopt for the people of Samoa, or an independent assessment of the performance of CEOs under this system.

This situation may, or may not lead to effective or efficient service delivery as claimed, as efficient and effective services depend on the quality of those people imparting the service, and how the service is seen by those receiving the services. The costs of these new posts have escalated because of the risks involved in taking a job which may or may not be a 'sustainable' career option.

At least now, the performance of CEOs is more transparent than it was formerly. In the past, a compliant but incompetent, departmental head could be protected and retained by a minister without any effective scrutiny of performance since 'outputs' and 'performance measures' were not clearly specified in a measurable form. On the other hand, a CEO may fail to achieve budgeted targets for reasons which are beyond their control, and they would have been more secure under the permanent civil service arrangements which guaranteed them employment.

Enhancing People's Choices

SAPs were designed primarily to reduce the role of the state in the economy and open up various activities to the market. Its promise of, 'enhancing people's choices' was part of

its plan for the people to broaden their horizons in the economy, agriculture, education, community projects, tourism activities and health development. The Government wanted to highlight its commitment to 'the need for every Samoan to have access to every opportunity he or she desires' (Treasury Department, 2005:1).

Enhancing access to opportunities for its citizens, through the education process, was the underlying focus of the reform strategies. Indeed, the Government's determination to reduce its investment in areas which could be readily provided by the private sector and to invest its resources in education is acknowledgement that it is the key to enriching opportunities for individuals and, ultimately, the nation. The growth of people's choices in all areas of their life depends on their having the skills to take advantage of opportunities. The structural adjustment programmes were designed to release funding and human resources, formerly consumed in maintaining inefficient government operations, for investment in the provision of a wider range of better educational opportunities. These would extend both Samoans' views of what was possible and their ability to attain their new aspirations.

Increased investment in education is the most fundamental expression of the government's rationale for structural reform and most tangible outcome of successful structural adjustment. It might be argued, that structural adjustment is only successful when it results in the delivery of an increased 'educational dividend' since it is this which is, in practical terms, the key to the enhanced personal opportunities which were promised to those who underwent the restructuring process. In many respects, the government's success in extending educational opportunities to all Samoans is the key to longer term economic growth; it is also the focus of this evaluation. It is acknowledged that the government outlined other goals, which could 'enrich opportunities' and which might be discussed here, but all of these were longer term goals and depended, in the first instance, on the delivery of the enhanced educational opportunity for all. This educational dividend could be understood in several ways: it can not be measured simply in terms of increased expenditure in education. It may, for instance, be the reform of educational delivery so that the same expenditure produces higher quality outcomes for students; or

that more students are offered more education; or the improvement of outcomes for targeted groups of students who were previously disadvantaged. This thesis now turns to the question of whether structural adjustment programmes did deliver an educational dividend to Samoans and how this was done.

This emphasis was not without problems since the expectations of the 'content' and 'objectives' of the education system are themselves contested. The Asian Development Bank mission to Samoa reported that:

The government recognizes, and is committed to addressing, the lack of opportunities and access to basic social services of certain vulnerable groups in the community. The relationship between the traditional value system, Fa'asamoa, and effective development policies that reflect the country's aspirations to position it in competitive, global markets, creates both opportunities and to some extent, tensions. The Government is therefore, facing the challenge of achieving harmony between the traditional and modern worlds. Participation of the community in the development of the country will be indispensable. Towards this end ADB will continue to contribute through assistance to the government in enhancing public participation in urban management and planning and fostering good corporate governance and in relation to appropriate poverty reduction strategies. In the longer term, ADB support for education also supports effective participation and demand for good governance (Asian Development Bank, 2004:7).

The Government started its reforms in the education system in its efforts to address equal opportunities, and has made education a priority in their platform in the last ten years. The Ministry of Education, Sports and Culture (MESC), in the last ten years 1995-2005, has embarked on an ambitious reform programme, to provide '*opportunities for all*' as stated in the theme of the Government's *Statement for the Development of Samoa 2002-2004*.

The Government of Samoa undertook a review of the MESC policies and strategies that had been implemented to evaluate the performance and cost effectiveness of these interventions before the Ministry introduces the next 10 year plan. The project was funded by Asian Development Bank (ADB). The report noted that the purpose of the evaluation:

...is to investigate and determine the degree to which the educational policies and strategies that have been developed and implemented by the Samoan Government through the Ministry of Education, Sport and Culture (MESC) over the last ten years from 1995-2005 have achieved the goals of education (Samoan Government Report, 2005:1).

The evaluation study also sought to assess the effectiveness of the implementation process. The key question asked as part of the evaluation work was whether the educational policies and strategies, as implemented in the last ten years, achieved the goals of education and how well were these achieved. The report entitled *Education Sector Evaluation Study* noted that:

Education has been allocated from 15-19% of the total national budget revenue in the last five years, out of which salaries absorb up to 95%. However, in reality, the approximately 22% of the total national expenditure (1999-2003), based on actual expenditure figures, was allocated to education. Since 1997, the participation (gross enrolment) for primary education has been stable at around 95% to 97% of the age cohort but secondary enrolment has gradually increased from 46% in 1997 to 51% in 2004. The national standard for student: teacher ratio is 1:30 for primary and 1:20 for secondary (Samoan Government Report, 2005:29).

The money that has been spent on the education budget has increased in the last five years. Table 12 shows the amount of money that was spent on the different items within the total education budget.

Table 12: Government of Samoa: Education Appropriation as % of National Budget, FY 2000/2001 – 2004/2005 (SAT)

Year	National Budget Expenditure	Education Appropriation	Education Appropriation as % of National Budget Expenditure
2000-01	225,504,272	37,870,013	16.8
2001-02	240,522,760	41,877,529	17.4
2002-03	254,692,895	47,709,788	18.7
2003-04	272,548,213	50,536,108	18.5
2004-05	279,877,444	51,985,557	18.6

Source: Ministry of Education, Sports and Culture (MESC) and the Asian Development Bank (2004), *Samoa Education Sector Project II*, (p.81).

Table 12, indicates the budget that Government spent on education in the last six years 2000-2005, and as shown the budget appropriated to the education sector had increased over the financial years shown. The education sector receives over 18 percent of the annual expenditure which indicates priority spending by Government. The education sector is the best funded of all sectors. But absolute expenditure alone is only a partial guide to the development of education which has been possible because of structural reform. Only where increases in educational expenditure are invested in ways which increase the stock of human capital is potential for social and economic growth and development likely to be realised.

The amount spent on curriculum development service has increased generally, while amounts spent on teacher training services have increased slightly. Primary teaching services increased in the early years but discontinued due to changes in the budget process. Policy planning and research item has been strengthened and asset management has been given priority funding as well.

The Government subsidises early childhood education (ECE) and special needs education (SNE) through direct grants, based on the number of students that are enrolled in each school. ECE and SNE are operated by a non-Governmental organisation, The National Council of Early Childhood Education of Samoa Inc. (NCECES). Government also gives

grants to private primary and secondary schools, as well as mission schools, National University and Polytechnic.

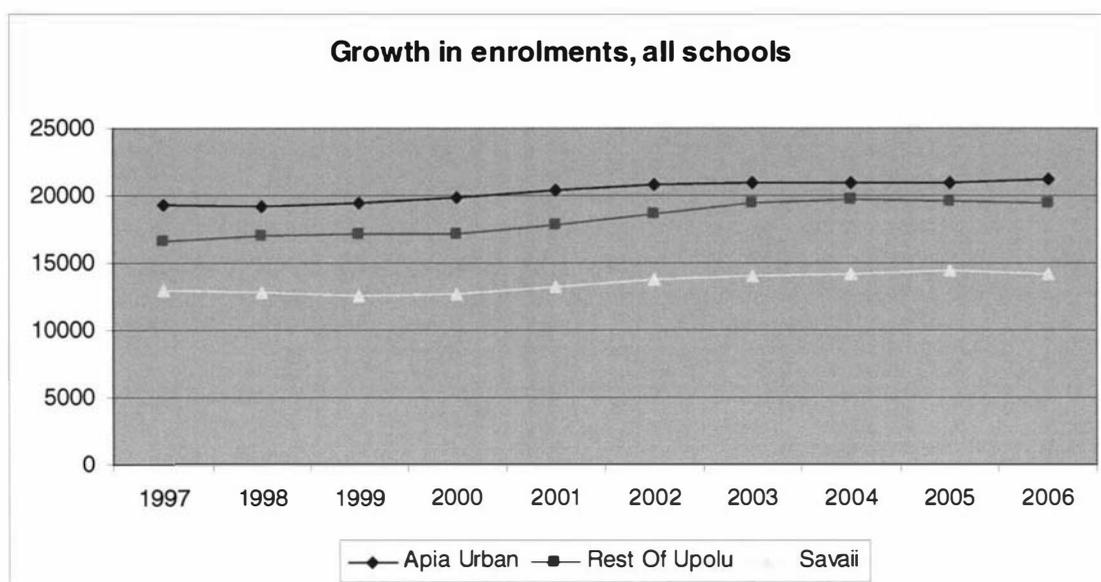
The numbers of students enrolled in private schools remain stable while Government school enrolments are high and appear to be increasing. This may or may not be due to the encouragement given by Government, as private schools have always been provided by religious denominations namely Catholics, Congregationalist, Methodist, Seven Days Adventist and The Latter Day Saints (Mormon). The Government grants given to Mission Schools, further consolidates the relationship between the Government and the Clergy. Table 13 shows the number of enrolments in both private and government schools since 1997.

Table 13: Enrolments in All Schools

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apia Urban	19315	19229	19507	19803	20342	20747	20923	20961	20944	21176
Rest Of Upolu	16677	17074	17129	17222	17834	18593	19507	19754	19599	19500
Savaii	13035	12885	12597	12682	13212	13765	14056	14224	14431	14212
TOTAL	49027	49188	49233	49707	51388	53105	54486	54939	54974	54888
% Increase		0%	0%	1%	3%	3%	3%	1%	0%	0%
Government						40989		42009	42740	42136
Private						789		1692	1634	1858
Mission						11291		11238	10600	10894

Source: Ministry of Education, Sport & Culture, (2006), *Education Statistical Digest*, Samoa, p.5.

Table 14: Enrolment Trends in All Schools



Source: Ministry of Education, Sport & Culture, (2006) *Education Statistical Digest*, Samoa, p.5.

Table 13 shows the enrolments of all students in both primary and secondary education. The figures illustrate that there was a drop in enrolment figures in the last two years, in terms of the percentages of children that have enrolled. The Apia urban area has the highest number of school enrolments while the Savaii Island has the lowest. This may be due to the fact that more people reside in Upolu than Savaii and the enrolment figure is an indication of the population distribution. Table 14 is another representation of the same figures in Table 13, however, the line graph can give a better visual image of the trends in enrolments in all schools in the country.

But investment has also occurred in the provision of tertiary level education in Samoa. In this respect, the investment in tertiary education has effectively enhanced choices for Samoans who wish to have a tertiary vocational or university education, but who do not have the resources to take advantage of the tertiary education opportunities beyond Samoa. These students can now access tertiary education within Samoa and have access to certificates and degrees which are recognised by the Government and extend the range of employment opportunities for Samoans. While the National University of Samoa (NUS) was established by an act of Parliament in 1984 and pre-dates the structural

reforms, a significant increase in the scale and range of courses offered at the university became available after the reforms had commenced. This early Act was later amended as the NUS Act of 1997. The Faculty of Arts was the foundation faculty at Malifa campus and was soon joined by Science. The NUS currently has five academic faculties, Arts, Education, Commerce, Nursing and Science. NUS is not self sufficient financially. It receives an annual grant and charges tuition fees. The Government grant was capped at SAT5 million in the past five years while the student roll continues to increase. Fees have been relatively low at SAT185⁷ per course, for foundation level (students take an average of 5 courses per semester). However, it is inevitable that the fees will increase in order to bridge the gap between the Government grant and the funds required to deliver quality education to the increasing number of students.

The Vocational and Technical Education (TVET) for the Government of Samoa is managed by the Samoa Polytechnic Institute which is the main provider. The Samoa Polytech is financed by a grant of about SAT 3.5 million, from Government plus revenue from student fees.

The educational policies (1995-2005) had rationalised a merger between NUS-Samoa Polytechnic which took place late in 2005. The merger is part of the Government rationalisation of resources policy which according to *NUS Statement of Corporate objectives and Strategies*:

Addressing the issue of synergy and making optimum use of scarce resources while building a system in which the aspects of equity, quality, relevancy and efficiency are present (Helsinki Consulting Group, 2004:17).

The NUS-Samoa Polytechnic merger has now created two institutions, the Institute of Higher Education (IHE) and the Institute of Technology (IoT). The NUS is well established in new buildings through donor support and further donor grants are targeted for further amalgamation in the future. The future of this amalgamation, and of the

⁷ This information was taken from the NUS Institute Of Higher Education Calendar, 2006, p25.

extension of this institution, will clearly depend, as it has thus far, on donor support which will, in turn, depend on Samoa's willingness to continue to pursue structural reform.

Generally the education sector has been dependent on grants from aid donors to assist the Government in developing and planning education systems and issues throughout the country. The majority of the infrastructure has been built by donor support as highlighted in Table 15.

Table 15: Donor Contribution to Education, FY 2000/01 to 2004/05

Sub sector	Duration	Amount US\$	Description
ASIAN DEVELOPMENT BANK (ADB)			
Primary and Secondary	2000-2004	1,170,000	Facilities Trainings and materials
AUSTRALIA AUSAID			
Early Childhood Ed (ECE)	2001	23,000	Facilities, Playground and School Fence
Primary	2000-2004	3,213,000	Furniture & Water tanks, School Fence
Secondary	2000-2002	37,000	Library Upgrade at Polytech
VOC TEC	1999-2002	1,295,000	Strengthen Samoa Polytechnic Programmes
Management	1999-2006	3,785,000	Support Building of new Headquarters
CANADA FUND			
ECE	2000-2002	18,000	New School Construction
Primary	2001-2002	52,000	Renovation of Classrooms, Libraries in 3 Schools
Secondary	2001-2002	61,000	Upgrade Playing Fields, Computer Labs at Papauta
Post Secondary	2001-2003	77,000	Institute of Performing Arts, Curriculum for Uesiliana, truck for Don Dosco
Special Education	2001-2002	15,000	Computers and Software
EUROPEAN UNION			
ECE	2000-2001	6000	New School modifications
Primary	2000-2004	1,315,000	New Schools (9) & related costs
Secondary	2000-2004	211,000	New School Construction

Table 15 continued: Donor Contribution to Education, FY 2000/01 to 2004/05

Sub sector	Duration	Amount US\$	Description
JAPAN			
Ministry of Education, Sports and Culture (MESC)	2001-	367,000	Upgrading Printery for MESC
Primary	2000-2003	1,299,000	Renovate and Furnish Classroom, School reconstruction
Secondary	2002-2004	974,000	Reconstruction and Refurbishment of 12 Schools
Post Secondary	2003-2005	10,006,000	Upgrade Polytech Campus
Special needs	2001-2003	300,000	Strengthening NGO / CBS in Service Delivery
LATTER DAY SAINTS			
Primary	2003	121,000	Primary School development
NEW ZEALAND AID			
Secondary	1999-2004	3,403,000	Development of a single Stream Sec Development, Resource Centre for Savaii & Rural Upolu
Management	2000-2005	831,000	Curriculum Development
Post Secondary	2000-2002	247,000	Development of Horticulture, Hospital and Tourism Courses
Management	2004-2006	973,000	Support construction of new headquarters
UNDP			
ECE	1999-2003	441,000	ECE Strategies with the Community
Special Needs (SNE)	1999-2003	166,000	mainstreaming Curricula and facilities for Teacher training
Other	2000-2006	851,000	Establish the authenticity to set standards for qualification
Overall Total		31,257,000	

Source: Samoa Education Sector Project II report, ADB (2004), p116

Table 15 indicates the level of funding provided by aid donors to support the education policies and strategies. Despite these levels the review report entitled, *Equity Quality, Relevance, Efficiency Education Sector Review, The Independent State Of Samoa* reported that:

Participation in secondary education is steadily increasing but primary education participation seems to be on the decline. Female students outnumber males in secondary education and families suffering from hardship are less able to send their children to school, especially at secondary level. Much progress has been made in improving the factors that contribute to education quality, such as improved facilities and equipment, curriculum and learning materials, and systems for teacher training. Despite these improvements in the quality of education, if measured by achievement tests, these do not show marked improvement. Quality of teaching and curriculum are of special concern (Helsinki Consulting Group, 2004:94)

The ADB Mission also evaluated progress in different sectors considered the achievements in education. It had this to say about education;

Substantial progress has been made toward achieving the education goals, since the adoption of the education policies and strategies for 1995-2005. Considerable progress has been made in terms of (i) lifting teacher training standards and the quality of teachers; (ii) improving the curriculum and teaching materials for primary and secondary education; (iii) improving educational facilities; and (iv) institutional strengthening of the Ministry of Education, Sports and Culture. However, the reform agenda remains long and major issues are still to be addressed, including access to quality schooling in disadvantaged areas, low levels of functional literacy and numeracy among high-school leavers, high repetition and dropout rates, low secondary school completion rates, short supply of well-trained teachers with adequate skills, relevance of the curriculum, and school supervision. Future interventions need to be geared toward qualifying students sufficiently well to respond to the private sector opportunities and demand generated by the ongoing economic and public sector reforms (Asian Development Bank, 2004b:8).

ADB is further assisting the Government to improve the access to, and quality of, primary and secondary education through rehabilitation, expansion and upgrading of schools. ADB is proposing a new education sector project to assist Samoa improve the quality of education outcomes by strengthening teacher competence training programmes through provision of information and communications technology to rural schools and creating community access facilities.

Notwithstanding the reservations expressed in the reports, it is clear that these programmes have enhanced educational opportunities for Samoans, and that funding for this expansion has been possible because of a combination of savings from structural reforms, and because donors have been more willing to provide aid for education because Samoa is seen to be taking an active role in donor-approved structural reform. Aid donors' willingness to commit significant resources to development of education provision is, in turn, a reflection of their acceptance that the Samoan Government is committed to structural reform. Thus, while the Samoan Government, may not, and indeed could not, have funded all of the education provision outlined above from its domestic revenues, its prosecution of the structural reforms has effectively attracted the donors' investment and has made the growth of education service provision possible.

Provision of Improved Quality of Life

While the benefits of educational reform in improving the quality of Samoans' live are necessarily longer term ones, the government did promise shorter term benefits for its citizens. The *Strategy For The Development Of Samoa, 2002-2004* promoted a vision which promised, 'for every Samoan to enjoy an improved quality of life premised on a competitive economy with sustained economic growth, improved education, enhanced health standards and strengthened cultural and traditional values' (Treasury Department, 2005:28).

The improved quality of life promise is dependent on the fulfilment of all the other claims for the reforms. These include, maintaining a stable macroeconomic framework,

improving education standards, improving health standards, improving private sector development and employment creation, enhancing agricultural opportunities, strengthening social structure, improving the country's infrastructure and services, improving opportunities for tourism industry and enhancing public sector efficiency.

The ADB mission to Samoa in assessing the progress of the reforms quoted:

About 20% of Samoan households have incomes below the basic needs poverty line, and are therefore experiencing some degree of financial hardship. There are significant gaps between the two major islands of Upolu and Savaii in terms of economic growth and human development indicators, with Savaii lagging significantly behind. The greater Apia urban area, containing around 40% of the population, is estimated to generate 70% of the national income (Asian Development Bank, 2004:7).

Basic infrastructure, like roads, water, sanitation and energy are the fundamental components of infrastructural development. Samoa has been upgrading its roads over the last ten years with support from the World Bank. Most of the country now has access roads which provide vehicular access to plantations and improve the efficiency of agricultural activity, and roads and ferry services which facilitate the more efficient transportation of people, goods and services throughout the country.

However, more recently the ADB assisted Government in improving urban management planning through a sanitation and drainage project. This project is aimed at improving public health, environmental quality, and surface and ground water quality. This was also intended to reduce frequency of flooding in specific low-lying areas of Apia.

In terms of the energy provision, the rural electrification project has been completed. The ADB mission stated that the challenge for the Government and Electric Power Corporation (EPC) is for the:

...EPC to improve its management and operation efficiency. They need to develop a power sector road map for the strategic long term development of the sector and to concentrate on key tasks of achieving corporate goals related to financial performance, technical performance, and customer service performance (Asian Development Bank, 2004:9).

With regards to private sector development the ADB mission reported that:

Macroeconomic and fiscal stability, liberalised financial markets, public service reforms, reduced Government presence in commercial areas, and improved infrastructure has significantly improved the business environment. The Government has made good progress in improving micro and small enterprises' access to credit, business training, and advisory services (Asian Development Bank, 2004:9).

These then were the interim assessments of the claims by the Government that were reported by the ADB Mission Report, 2004. There is still some time before the reforms are completed as some of the programmes are ongoing, while some are dependent on policies that have been introduced. There is ongoing support of these programmes from ADB as it further stated that:

Reform achievements include the introduction of corporate planning disciplines in SOEs; adoption of accounting policies based on international Accounting Standards; preparation of selected SOEs and shareholdings for privatization; and raising of general public awareness concerning SOE reform, privatization, and SOE corporate governance. However, there is considerable scope to improve the performance of the government's SOE portfolio by (i) subjecting major public development projects, especially those associated with SOEs, to cost-benefit analysis; and (ii) adopting a cost-cutting strategy in SOEs, including outsourcing of non-core activities to the private sector (Asian Development Bank, 2004:10).

Realities

It is clear from the ADB assessment report that Samoa has ‘graduated’ to a stage where the private sector development reform and performance benchmarks should reach beyond regional borders, and be measured against international best practice. However, ongoing reforms still need to be completed and assessed against their intended objectives and, where necessary, additional measures have to be pursued. The education reforms were among the earliest to be implemented. Ten years later these changes have yet to be completed. As discussed in the *ADB Country Program Update Report*, the equitable access to quality education in underserved areas still needs to be improved. The *Samoa Education Sector Evaluation Study* reported that:

Those important interventions implemented under the policies and strategies document had only been implemented in late 2004 and 2005. The team felt quite strongly that these interventions had yet to have any measurable impact on the performance of the system or of the individuals in it, and that it would be premature to evaluate their impacts, if any, at this stage (Samoa Government, 2006:25).

The report discussed their version of the current status of the education sector and further quoted that:

In 2005, there were a total of 203 schools, of which 159 were primary schools, 8 were combined primary and secondary schools, and 36 were secondary schools. Of the 159 primary schools, 140 were Government, 13 were mission and 6 were private. In the primary-secondary category, 1 was Government 5 were mission and 2 private. At the secondary level, 24 were Government and 12 were mission. The adult literacy rate is high at 98.7% but recent literacy tests indicate significant problem with the standards being attained in primary schools. Despite this

officially the literacy rate in Samoa is one of the highest in the region (Samoa Government, 2006:30).

The reforms of the education sector continue into its second phase with lessons learnt from the last programmes.

The reform programmes have promoted user payment for some Government services. Government has claimed that this would reduce government spending on essential services and that the money saved could be spent in other areas. A range of user pay services have been introduced by the Samoa Water Authority (SWA), the Electricity Power Corporation (EPC) and in telecommunication services. While one can espouse the benefits of user pay systems in relation to sustainable development, the rural and underserved communities will be further disadvantaged by user pay systems. More consultation needs to be done in this area to ensure that communities have a say in the policies that influence their lives. This was evident in the following assessment:

Lack of formal employment and/or income generating opportunities are among the critical issues in the communities, in both rural and urban areas. Many young people are finding it difficult to get the sort of jobs to which they aspire. With around 5,000 school leavers and dropouts entering the labour market every year, a growing number of people are without jobs, leading to increased social and domestic tensions, rising crime rates, and deteriorating quality of life for those most affected. Even the traditional Samoan social structure and associated safety nets are coming under strain as external influences affect attitudes and aspirations (Asian Development Bank, 2004:5)

User pay services discriminate against the poor, and privileges those citizens who can afford to access services that were once subsidized by Government. To ensure equal accessibility, the Government needs to examine pro-poor policies to these areas. Water and electricity costs have escalated in the last five years as these costs have been passed on to the consumers. Access to health service and education are still subsidised by the

Government. However, these services are under review, and may incur extra costs for those who choose to use them. The health sector is undergoing major changes and may take some time before an evaluation of the services it offers can be completed.

SAP promoted downsizing of the public sector which would, it was claimed, make it more efficient. It is difficult to establish empirically whether this is true because the range of tasks performed by the former entity and the new entity respectively are sometimes very different sets. Sometimes when faced with gross inefficiency and lack of transparency, limiting the range of tasks is a necessary precursor of promoting efficiency.

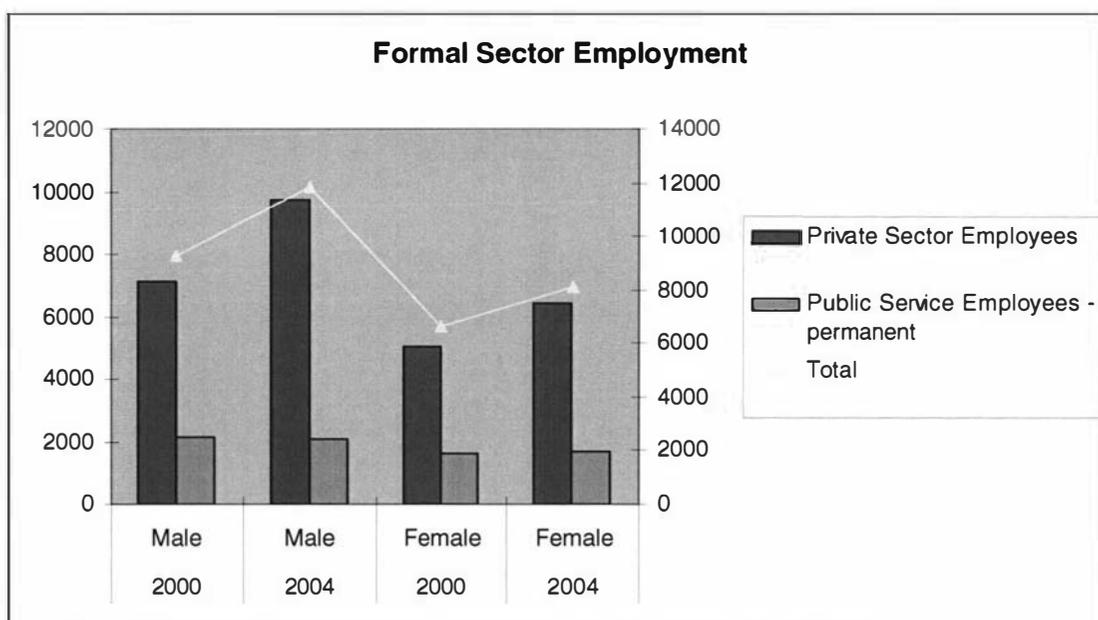
However, this downsizing resulted in people losing their jobs and finding it difficult to make ends meet. This was the case with some employees who left the Public Works Department after they chose the options of joining a business unit, taking redundancy or retirement. Many of the employees in the case study are now facing hardship and believe the choices they were given were to benefit the Government rather than to assist people into businesses. Some of them took early retirement and are now back looking for jobs to support their families. The packages offered were not sustainable for many of those who were affected and some of them have regretted buying in to the deals as they are now back working on the minimum wage which is \$2.60SAT an hour. The Government was not able to ensure that there were opportunities for these people in the labour market when they needed it. The macro-level scenario reflects a different viewpoint and Table 16 shows the number of public and private sector employees for the years 2000 and 2004.

Table 16: Total Formal Sector Employment

	2000		2004		% increase	
	Male	Female	Male	Female	Male	Females
Private Sector Employees	7132	5036	9732	6414	36%	27%
Public Service Employees - permanent	2119	1618	2087	1674	-2%	3%
Public Service Employees - casual/temp	750	509	n/a	n/a		
Totals	10001	7163	11819	8088	28%	22%

NB: Estimated male/female breakdown of casual/temporary staff

Table 17: Formal Sector Employment



Source: Department of Labour, Labour Market Survey Report, UNDP, Samoa, 2005.

Table 16 shows the figures while Table 17 shows the graph of the same figures. Both Table 16 and Table 17 show that the trends are favouring private sector employment. The graph indicates a gradual increase in the number of female workers in the private sector

and quite a substantial increase in the number of males employed in the same sector. However, the increase among male workers is significantly higher than for females.

The Government assumed that the creation of new jobs in the private sector would resolve the problem. SAPs were supposed to encourage the private sector to take over some of the functions that Government had performed previously. Promoters of SAPs in Government assumed that the people in the private sector knew what they were doing, and they may have put too much trust in a sector that is underdeveloped and whose management lacks the experience of running service industries. The private sector was not ready for these responsibilities as it still needed to build its capabilities in order to assume its new role.

Government claims that growing the private sector can help the economy grow by increasing the competition among competing units. Government also claims that one way it can help the economy is to reduce its own activities, and therefore, costs and capital can be re-invested in other pressing areas. The private sector has been encouraged by Government in many ways to assist in taking up commercial ventures. The newly developed business units from the reform of the PWD were part of this plan but these units were not in a position to meet the criteria established by the World Bank or ADB to secure major jobs. These business units initially had to join other firms, and form partnership arrangements with other sub-contractors in order to gain access to World Bank and /or ADB funded projects. They have since acquired skills, knowledge and insight in improving their prospects of growing, to survive as business entities.

The World Bank (WB) and the International Monetary Fund (IMF) lent money as soft loans with the conditions enforced on countries to introduce these programmes as the only strategies that they accept from cash-strapped countries like Samoa. The evaluation of SAPs by SAPRIN in countries who adopted these programmes has shown that they become impoverished as a result of these programmes:

In Ecuador, SAPRI researchers found that the legal framework created as part of the financial sector liberalisation in 1990 -5 led to full scale financial crisis in 1999, the consequences of which the Government was unable to control. Instead of promoting a more stable macroeconomic environment, liberalization policies pushed the Ecuadorian economy into severe recession. In 1996, within a year of the completion of the reforms, one of the country's largest banks folded. Since then, the Ecuadorian financial sector has been lurching from one crisis to another. Assessed in terms of the initial objectives of the structural adjustment policies, the results of financial liberalisation have been negative. The state has been unable to regulate the financial sector effectively and was forced to assume the costs of the 1999 financial crisis that resulted (SAPRI, 2004a: 77).

SAPRI further noted that:

The privatisation of public utilities, including such essential services as the provision of water and electricity, has led to significant rate hikes and has increased financial pressure on poor families. Such privatisation also tend to discriminate against the poor with regard to price, access and consumer choice, thus exacerbating existing economic inequalities (SAPRI, 2004a: 214).

In the case of Samoa, the privatisation of water and electricity has led to significant increases in rates for the use of these resources. In reality, the growth in the economy, as measured by the Gross Domestic Product (GDP), shows a clear upward trend. In fact, the growth rate indicates positive growth in all the years as shown in table 7 and was never below 1.5%. Overseas investments have not increased despite the Government efforts to attract foreign companies to invest in the country. The venture with a private local hotelier at Satuimalufilufi is one example, of how desperate the Government is in developing the private sector, as very little interest is shown from overseas companies. Macro-level experiences can differ from real life experiences at the people's level.

Another measure of the micro-level experiences is provided by the interviews of the employees who lost their jobs as part of the reform programme. They were put in a position where they were not able to escape and this was evident in their interviews.

The information gathered in the interviews revealed two distinct positions. There is the inside view of the politicians, and more specifically, those of the governing party, the HRPP, who supported the privatisation programme. They saw the reforms as a way forward for the department, and for the country. They have the political power, as members of the executive to introduce policies that appeal to their political career as individuals and as members of the ruling party. They genuinely believed in the benefits of the privatisation exercise.

The second position is the views shared by those who were part of the old Public Works Department. Most are now outside of Government but some of them are still dependent on Government for their contract work. The employees who took redundancy are not in any way connected to, or dependent on, Government and were quite free to speak and express their views. These people expressed their regret at taking the options they did at the time and some appear quite upset about the choices and are blaming themselves, even though they have been victimised in the process.

People with different positions assess the same reforms as revealed in the case study in quite different ways. All expressed contested views of the same reform. The difference is that one group, mainly Government and its supporters, made the decisions which affected the other group, who were in no position to oppose any action by the Government,

The case study highlighted some benefits as claimed by the Government to the Samoan economy through the privatisation of its commercial activities. The Government benefited by the privatisation as it freed itself of a department that was a cause of public embarrassment. It managed to dispose of old and dilapidated equipment that the department would have to have to replace at great expense. It formed business units which joined the private sector, which further supports their claim, of encouraging the

private sector as the 'engine of growth' for the economy. These business units increased the competition for Government projects, and reduced the cost of these projects, to the Government, in the long term.

The former Minister of Public Works claimed that the cost of road construction and maintenance has, on average, been reduced by about 50 percent when compared to the costs prior to the changes in the department. This is a product of the increase in competition among private contractors. The Government also benefited by redirecting tax payers' money which was used to maintain a Department that had a reputation of wasting national resources. These are some of the benefits which flowed to Government.

However, these benefits are not seen by those affected in the privatisation exercise. The managers of the new spin off company SWEL, which was formed during the privatisation process, pointed out that they were unable to compete with two established and experienced firms, a position they did not envisage, due to lack of commercial experience on their part. They had to take out loans to keep the venture afloat financially, as well as work long hours without pay 'to make ends meet'. This is in line with the findings of SAPRIN that:

Newly privatised firms had experienced an increase in non-performing loans and defaults and that many had closed, were struggling or were grossly exploiting labour (SAPRIN, 2004a: 177).

The new business units created as a result of PIRAMS have joined the private sector resulting in increased numbers of private contractors and consultants. The Government has fulfilled its objectives of outsourcing the non-core functions of the old Public Works Department to business units while it maintains its regulatory and monitoring functions. It is also responsible for putting out tenders for consultants who can design and contract supervision of projects to the private sector.

The question of whether the reforms were successful or not depends on the different perspectives discussed in this chapter. The views are contested depending on ones' world view and experiences.

The next and final chapter offers some lessons and issues for policymakers, consultants, reformers, Government officials and civil society to consider or may wish to consider to mitigate against negative social impacts before embarking on other reforms.

CHAPTER EIGHT

Summary and Lessons for the Future

Conclusions

In this thesis, I have argued, that the Structural Adjustment Programmes (SAPs) were promoted by international financial institutions, as an answer to the financial problems of developing countries like Samoa. Structural adjustment programmes is the name given to a set of 'free market' economic policies and institutional reform programmes imposed on developing countries by these international financial institutions to support and direct their development while at the same time making them more accountable for the funds they were receiving as loans.

The thesis has argued that loans given by the World Bank and the International Monetary Fund through SAPs were used to extend these agencies' economic and political influence among these countries, which then became more aid dependent than ever before. SAPs were also underpinned by an economic development philosophy which became known as the 'Washington Consensus' which reflects its origins in the IMF and the World Bank, both of whom have headquarters in Washington D.C.

SAPs are neo-liberal policies based on the economic assumptions which have competition as its core doctrine. Its proponents believed in opening up the market and the market forces, while reducing the role of the state, as a way of generating savings and foreign exchange, for indebted third world countries. The thesis has argued that the institution of SAPs represented a neo-liberal programme designed to shape the economic policies of the Third World Governments and which in the process, effectively limited their economic sovereignty.

The neo-liberal economists who were the proponents of SAPs made several claims to promote SAPs among the Third World nations. They argued that economic liberalisation unfailingly promotes growth and reduces poverty in developing countries, which adopt SAPs and pursue them systematically. They further claimed that ‘liberalisation of markets promotes perfection in economic organisation and management which, in turn, pushes forward economic growth which ultimately improves human welfare’ (Krugman, 1994:126). This was also supported by Hussein (1996), Berg and Krueger (2002).

Furthermore, any impetus to the achievement of economic growth eventually reduces or alleviates poverty, improves the standard of living, closes the gap between the rich and the poor, and brings about convergence between states through faster growth in the poorer countries. These were claims by the promoters of the programmes that attracted poor countries in to adopting SAPs. However, the literature consulted for the study, has evidence that does not support claims by the neo-liberal theorists. Several economists and social scientists argued that:

Post-cold war neo-liberal regime of liberalisation fostered conditions which instead of alleviating poverty ensured its continued production in the developing countries by shrinking their prospects of economic growth (SAPRI 2004:25).

A World Bank study in 2003 noted an increase in the number of countries with absolute poverty worldwide despite impressive growth performances in many large developing countries. A comprehensive report by a joint participatory investigation group comprised of World Bank professionals and representatives of civil society and entitled, *Structural Adjustment, The SAPRI Report*, on the impact of structural adjustment policies, gave the most comprehensive, assessment of the actual impacts of the privatisation, liberalisation, de-regulation and austerity policies that constitute SAPs. SAPRI, the authors engaged the World Bank’s president in this ambitious and highly participatory project, concluded that:

If there is to be any hope for meaningful development in the countries of the South, and for the sustained reduction of poverty and inequality, the Western-inspired and imposed doctrines of structural adjustment and neo-liberal economics must go (SAPRIN, 2004:1).

SAPs were implemented, in developing nations in the Pacific, including Samoa, because of pressure from the World Bank and the International Monetary fund, for them to be accountable for the funds they were receiving as loans from these institutions. Most of the Pacific member countries including Samoa were not in a position to refuse the offer. This position was dependent on several factors discussed throughout the thesis. As members of the World Bank group, they were labelled under a category of “Pacific Paradox,” The term Pacific Paradox was coined by World Bank officials to address the lack of growth in the economies of the Pacific member countries, despite the amount of aid money they were receiving.

The term was seen as derogatory by those working at the Samoan Treasury Department and a label which generated negative stereotypes of the Pacific. The Samoan officials interviewed did not like the terminology. Accordingly, they resented the visits from the World Bank officials who came in to dictate to them the terms of the loans. The institution of the reform programmes was supported by these officials who saw them both as a professional challenge and as a means to address these negative labels.

Officials who worked for the Government were instrumental in supporting the reform programme in Samoa. It is important to note that the ‘state’ is an important social force in society. It has an important role to play in the shaping of societal values, including those in its own institutions. Government officials who work in the bureaucracy are governed by the rules of bureaucracy. They become influenced by these social institutions that also shape their world view. The idea proposed by Seidman known as “situated knowledge” can be applied to this situation. Seidman stated that:

We know the world from a specific vantage or standpoint. A standpoint shapes how we see society. We never know the world apart from our standpoint; who we are matters in terms of what we can say or know about the world (Seidman, 2004: 278).

Seidman further noted that a standpoint makes knowledge possible even if it also gives to it a “one-sided, perspective character” (ibid: 278), The majority of the people involved in the decision making for the reforms were all men and they bring a patriarchal bias to the decision making process. The different views that they expressed are contested as they come from different standpoint. The politicians, the bureaucrats, the consultants and the employees were mostly men. Men’s lives are organised around public social roles in Samoa and makes it possible for them to develop complex ideas about public life especially in the areas of the economy, bureaucracy, division of labour and/or politics. These decisions should include inputs from women but this is often excluded. Women’s voices and ideas are often not heard or shared in decision making processes at Government level.

Studying the consequences of privatisation as a feature of SAPs in Samoa has highlighted some important development issues especially in how these issues impact on the social, economic, cultural and political world views of Samoans.

When the first elements of SAPs were introduced in Samoa, concerns and criticisms about the reform process were expressed by academics, social scientists, policy-analysts, non-governmental organisations and other members of civil society. SAPs in Samoa included a range of activities in a number of fields from macro-economic reorganisation and other later elements of the reform process attracted less attention and criticism. This may have been because the proposed form of the VAGST would have had an immediate and marked impact on every Samoan, whereas the consequences of later elements of reform of the macro-economy were incremental and effectively invisible to many Samoans.

Thus, while one can point to public concern with and criticism of early elements of the reform process, later elements passed largely unnoticed by the public. Such comment as there is on the reform process as a whole tends to have been made by people who, for various reasons, had a vested interest in it. Their analyses and comments tend to focus on the transformation of the macro-economy of Samoa and tend to be largely positive, which, given their situations and interests, is not surprising.

The thesis has argued that the macro-economic measures of success and economic indicators are clearly useful and relevant, but that a holistic assessment of the impact of the reforms for Samoan society, a study of the micro-level experiences of those involved is required. Micro-economic experiences may differ somewhat from the big-picture scenario. Privatisation has not been a popular reform but economic assessments of its effects on economic welfare and growth in developing countries have generally been portrayed as positive.

The thesis sought to address this imbalance by examining the micro-level dimensions of the reform process. The thesis used the case study on the privatisation of the Public Works Department, to study the impact of privatisation on the lives of those people who were affected. These were mainly the employees who took up the challenge of joining the private sector. The case study approach narrowed the area of study to avoid the possibility of inappropriate and inaccurate generalisations about the consequences of many and varied elements of the reform process. Studying the privatisation process has unpacked several issues faced by those who were affected. While this is a case study, its significance is not restricted solely to the case in hand. It is also likely to be confronted by others in organisations which are about to go through the same process.

The thesis relates their experiences in terms of their struggle to be seen as 'successful' even at the face of adversity. It has sought to show how elements of Samoan culture or the fa'asamoa, and Christian beliefs have influenced their interpretation of the process, their behaviour and their motivation.

There is a clear difference which marks what has been promised at the macro-level and what people are experiencing at the micro-level. Overall a significant proportion of Samoa's people are only able to maintain their living standards because of the availability of remittances sent from their overseas relations and because they are able to produce much of their food supply from their subsistence mode of production. Despite these buffers, national and regional poverty lines, based on the 2002 household income and expenditure survey, have been calculated to quantify the extent to which household might be experiencing hardship. The analysis, which has yet to be officially recognised by Government, indicates that in 2002, twenty percent of households nationally had incomes below the basic needs poverty line and would therefore be experiencing some degree of financial hardship on a daily or weekly basis.⁸

The privatisation process of the PWD is seen as a successful policy, at the Government level. In fairness, the budget savings and the revenue from VAGST can be said to be to the benefit of all taxpayers, but privatisation has failed to generate the economic benefits to the employees who left the PWD. The majority of the workers who were made redundant and those who are struggling financially in the business units have been deprived of the resources and opportunities they require to enable them to move out of poverty. There were not enough employment opportunities available or created for them.

Their stories and their experiences can assist in a major policy shift to shape a different future for them, and for those who will be affected by these programmes in the future. Their hopes for a better future depend partly on policy makers creating space for their ideas and actions and including a more expansive consultation process, which includes all stakeholders from both government and civil society.

Samoa is incredibly fortunate to receive significant amounts in remittances from migrants living abroad and also the availability of subsistence agriculture as cushions against external shocks. These economic buffers have spared the Samoan Government some of

⁸ In 2005, the Samoan Government put out a report entitled *Hardship*, a study by ADB, in which it acknowledges that there is 'hardship' in Samoa, rather than 'poverty' as defined by UNDP in their 2002 report.

the consequences of similar reforms elsewhere. In countries where population density has precluded the options of displaced workers returning to subsistence agriculture and fisheries, structural reforms have a much more unsettling effect on the poor. However, even in Samoa, people who live in the urban areas, who have no access to their customary land, and do not receive remittances, are facing hardship situations. Some of those who were made redundant in the reforms fall into this category. Should increasing population growth rates put pressure on land available for subsistence agriculture, or remittances decline as has been shown to occur elsewhere, or if both were to occur simultaneously, the Samoan Government may no longer have this buffer. This would make it more important for the Government to consider carefully the management of reforms so that the consequences outlined above are mitigated. The final section of this thesis focuses on some of the lessons which might be learned from the case study.

The Way Ahead

The lessons learnt from the case study can contribute to better planning processes and can prevent, or at least mitigate, negative social and economic impacts of reform. While this is a case study, its significance is not, as mentioned above, restricted solely to the case in hand. The findings of good applied sociological research can have relevance in other like projects and can, in the process improve processes and mitigate negative social impacts. That seems to be the case here for the following reasons.

Some of these outcomes of the PIRAMs might have been predicted. One-size-fits-all policies and templates of the IMF and WB were designed in the tradition of a school of economic thought; namely, that an economy can become an interlocking system of markets that automatically adjusts supply and demand through the price mechanism. As Dr. Fred Block, a sociologist at the University of California, has argued:

Even when economists acknowledge that the market system sometimes needs help from Government to overcome market failure, they still rely on this

conceptualisation of the economy as an equilibrating system of integrated markets (Block, cited in Waites, 2002: 5).

The Samoan Government has relied on macro-economic evaluations of the programmes by World Bank officials and consultants rather than doing its own evaluation. This makes the process unduly biased towards meeting the requirements and the policy agendas of those institutions. The PIRAMs process espoused the need for 'participation' and 'consultation' but the policy processes were designed in a way where the workers and employers were put in a position which makes it hard for them to object and in a subtle way enforced them to conform to the proposed changes. There has, in reality, been little room in this reform process for people as involved citizens democratically participating in shaping the forces that affect their lives to outline their views to Government.

Samoan Treasury officials pre-empted the reforms because they did not want the World Bank to dictate to them, and were actually appeasing World Bank officials in Washington, rather than responding to the needs and democratically expressed views of the Samoan people. Some officials and the bureaucrats were aware of the likely shortcomings of the PIRAMs project, but were not in a position to change the Government's direction. The reform process has 'succeeded', in the views of the pro-Government participants, in the privatisation at the centre of the case study. This means that the aims and objectives of the project were fulfilled for most of the players but not for others, but these were designed by outside consultants and were bound to succeed, at least in these terms, because the outcome of the process was predetermined by the promoters of the programmes.

The case study has revealed that Samoan employees felt that they had been victimised by the privatisation programme. The promises of flourishing businesses and becoming a member of the business elite are an elusive dream as the employees of the former PWD, experience financial hardship and sacrifice. The conditions that were promised seemed generous and especially because they started on a zero budget. These conditions and all

that came with the so call “blessings” were obviously not sufficient to achieve the promised dream. There were gaps between the rhetoric and the realities.

This too might have been predicted. Their views and their voices join those of people from the developing countries of the South who protested against SAPs in the early 1990s. These concerns had made their way into the literature through the work of SAPRIN and Professor J. Stiglitz, an architect and former proponent of SAPs, and other development economists, who have written extensively on the emerging problems. The voices of these victims, and their concerns, need to be heard if lessons are to be learnt and this begs the question of why these were not in this case.

Studying the nature of power relations can, according to Foucault, explain why these views are not heard:

Power is not something that is divided between those who have it and hold it exclusively, and those who do not have it and are subject to it. Power must, I think, be analysed as something that circulates, or rather as something that functions only when it is part of a chain. Power is exercised through networks (Foucault, 1997: 29).

This is an important point in the analysis. Power is not appropriated in a way a commodity can be appropriated. It functions in people’s networks and individuals influences and power do circulate in their networks. Referring to individuals, Foucault stated:

...they are in a position to both submit to and exercise this power. They are never the inert or consenting targets of power; they are always its relays (Foucault, 1997: 29).

The individuals who now consider themselves the victims of the PIRAMs project felt powerless in their current situations. They were swept along the winds of change with

very little time to evaluate or seek alternate advice on their predicament. Power is also not the most widely distributed element, and was definitely not well distributed in the PIRAMs chain. The employees' experiences indicate a position of powerlessness.

The agencies that promoted structural adjustment programmes and those whose policies led to the case at the heart of the thesis are still around and still promoting the same agenda. While the names and the emphases of the programmes have changed, the promoters remain the same because the fundamental elements of the economic ideology that underlie the programmes have not changed since the early 1980s.

The case study of the PWD can highlight examples of the kinds of experiences that people will have if Samoa continues to push for privatisation of state owned enterprises without taking account of the lessons which can be learned and applied. The findings of, and lessons from, this case study can be generalised to other, similar projects which are bound to follow. The Government made it clear that it would continue with the privatisation process that they had started already. The HRPP party stated in their election manifesto that they would continue on their development and reform programmes if they were re-elected to Parliament. The party won the 2006 election with a clear majority which will allow them to continue with their development plans.

An evaluation of the latest statement of development for Samoa titled *Strategy for the Development of Samoa 2005-2007: Enhancing People's Choices* highlights recent achievements and lessons:

It points to the need to maintain macroeconomic stability, the need for further efforts to improve literacy and numeracy. The statement highlights concern over rising incidence of lifestyle disease; the need to improve the environment for doing business; the need for a comprehensive agricultural sector strategy; concern over rising social problems; the need to further strengthen infrastructure and essential service provision, including regulations; the need to address constraints to private sector tourism development. All of these issues carry recognition that

there is considerable room for improvement in the efficiency and effectiveness of both the public sector and state-owned enterprises (Treasury Department, 2005:43).

But these general policies can be pursued in ways which mitigate their effects on the most powerless members of Samoan society.

Government can play a role in changing the impacts of these reform policies through the adoption of more people-centred programmes. Ongoing consultations between the Government and relevant stakeholders can inform policy decisions that are sound and driven by the local people. This enables them to drive their own agenda. Broad based civil society participation, collaboration and engagement with official institutions can offer challenges to the government and to financial institutions such as the World Bank to open up economic policy making to reflect local knowledge and realities. Depending on Treasury Department officials for policy advice has provided a narrow and biased perspective. Government could usefully engage the services of social, economic, cultural and environmental analysts to provide comprehensive, and independent, advice on the implications of adopting policies framed by outsiders who may be influenced by their agenda other than the national welfare.

This broadening of the debate could be achieved by recognising the role of civil society as a decision-making partner in policy areas. Government could be more active in involving civil society in defining and evaluating the 'costs' and 'benefits' of programmes, instead of depending on the World Bank evaluations for measures of progress. This would, however, require a more active promotion of national debate about development in general and about structural reform in particular. This is challenging but not impossible.

A system for collecting and disseminating information on these policies for interested people to comment on and evaluate could be put in place, so that more balanced analysis is made available to academics, researchers, journalists and other interested parties. There

are public and university libraries in which such material could be collected and made available. There is a steadily increasing level of access to the internet in Samoa and this raises the possibility of placing some of this material on websites.

Some of the same information might usefully be disseminated to the general public through mass media to generate discussion of the issues, development alternatives and of ways of mitigating the negative consequences of these. Such measures could ensure a wider participation of stakeholders across the class, age and gender divide, who can be encouraged to share their knowledge and experience on governance issues. The same measures could produce a wider, and more independent, appreciation within the electorate of 'costs' and 'benefits' of development alternatives where these are available.

The consequences of early experiences, and the lessons from these, will be lost unless they are the subject of systematic research and documentation. As long as the research and documentation of these programmes is in the hands of agencies which have an interest in the success of programmes some lessons are likely to be over-looked. To ensure that the benefits of the lessons from early reforms are used effectively in later ones, systematic independent research on the impacts of policy changes on the people involved, should be encouraged. This research could capture both general lessons and those which relate specifically to the implementation of programmes within the Samoan cultural environment. This could be achieved through allocation of funds to research groups and NGOs who are free to 'define' and 'measure' the outcomes of reform projects within a broader matrix.

But if this research is to be of real practical value, the material from these analyses needs to be made available to those politicians and professionals who are charged with managing the ongoing reform in these areas in a form which they can use. Manuals of best practice could be collated from these experiences to provide guidelines to officials and managers on how to manage changes within organisations, especially the restructuring of Government departments, and the privatisation of Government trading

operations. These could include practical guidelines on general change management practice and guidelines on specific issues which arise in the Samoan social context.

Many lessons can be learnt about the role that Government played in the process, the role of the consultants who planned the transition, and the roles of civil servants who managed the transformation. The lessons can contribute to the refinement of a process which is bound to continue. But these lessons are only likely to be learned where all of those involved accept that there is room for learning to occur. For this to take place, there needs to be an acceptance that there are real benefits to be had from a broad and open national debate about development options and reform practices which involves an effective partnership between the Government, civil society, NGOs and the citizens at large.

This thesis has sought to tell the stories of the people affected by the privatisation of the former Public Works Department. Their stories can now join the voices of those reported by SAPRIN and it seems appropriate to conclude with a statement from an authority on SAPs:

It is important to restructure state enterprises, and privatisation is often an effective way to do so. But moving people from low-productivity jobs in state enterprises to unemployment does not increase a country's income, and it certainly does not increase the welfare of the workers. The moral is a simple one, and one to which I shall return repeatedly: Privatisation needs to be part of a comprehensive programme, which entails creating jobs in tandem with the inevitable job destruction that privatisation often entails (Stiglitz, 2003a:57).

The results of this study demonstrated quite clearly the different outcomes of all the aspects of privatisation. It also discussed issues pertinent to all the stakeholders who were affected one way or another, including the lessons learnt, the constraints that must be addressed and the directions for any future development especially in managing the privatisation of Government owned institutions.

APPENDICES

APPENDIX A:
CONFIDENTIALITY AGREEMENT

Researchers must obtain a signed confidentiality agreement from anyone, such as research assistants, who will process any data which contains personal information. This should cover agreement to not disclose, retain or copy information.

[Print on Massey University departmental letterhead]
[Logo, name and address of Department/School/Institute/Section]

CONFIDENTIALITY AGREEMENT

**Structural Adjustment Programmes:
The Samoan Experience**

I, Mrs Maria Talaitupu Kerlake, agree to keep confidential all information concerning the project entitled, Structural Adjustment Programmes: The Samoan Experience.

I will not retain or copy any information involving the project.

Signature:

M Kerlake

Date:

17/03/2005

Format for Transcriber's Confidentiality Agreement

Researchers must obtain a signed confidentiality agreement from transcribers who will process audio tapes which contain personal information. This should cover agreement to not disclose, retain or copy information.

TRANSCRIBER'S CONFIDENTIALITY AGREEMENT

Structural Adjustment Programmes: The Samoan Experience

I, Mrs Maria Talaitupu Kerslake, agree to transcribe the tapes provided to me.

I agree to keep confidential all the information provided to me.

I will not make any copies of the transcripts or keep any record of them, other than those required for the project.

Signature:

M Kerslake

Date:

17/03/2005

APPENDIX B:
PARTICIPANT CONSENT FORM

[Print on Massey University departmental letterhead]
[Logo, name and address of Department/School/Institute/Section]

**Structural Adjustment Programmes:
The Samoan Experience**

This consent form will be held for a period of five (5) years

I have read the Information Sheet and have had the details of the study explained to me. My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I agree/do not agree to the interview being audio taped. *(if applicable include this statement)*

I agree/do not agree to the interview being video taped. *(if applicable include this statement)*

I wish/do not wish to have my tapes returned to me. *(if applicable include this statement)*

I wish/do not wish to have data placed in an official archive. *(if applicable include this statement)*

I agree to not disclose anything discussed in the Focus Group *(if applicable include this statement)*

I agree to participate in this study under the conditions set out in the Information Sheet.

Signature:

Date:

Full Name – printed

APPENDIX C:

LIST OF INTERVIEWEES:

- Amaramo Anesone-Consultant- KVA Consult Ltd.
- Aumua Lupematasila Wendt- Public Service Commissioner
- Faalogo Iosefa Falaniko- Director- SWEL Co. Ltd.
- Faamausili Matagalofi Ufi-Chief Executive Officer (CEO), Ministry of Public Service Commission.
- Feaga'ifu'e Leumu Elisala – Chief and Orator, Saoluafata.
- Honourable Faumuina Liuga- Minister of Works, Transport and Infrastructure
- Honourable Tuiatua Tupua Tamasese Efi – Council of Deputies
- Honourable Tuilaepa Lupesoliai Sailele Malielegaoi – Prime Minister of Samoa.
- Leiataua Isikuki Punivalu- former Chief Executive officer (CEO), Public Works Department.
- Leota Nuafesili Lakisipone Lamositele Sio- ADB Consultant Officer, Ministry of Finance.
- Lolesio Fidow-Director, Samoa Carpentry & Maintenance Construction Pty. Ltd.
- Ms Hinauri Petana-Chief Executive officer (CEO) Ministry of Finance
- Muliagatele Mamaia-Director, Government Land and Housing Maintenance Co.
- Pau Iakopo-Project Officer, Public Service Institutional Strengthening Unit.
- Respondent A- former labourer, Public Works Department.
- Respondent B-former labourer, Public Works Department.
- Respondent C–Carpenter, Public Works Department.
- Respondent D-Truck Driver, SWEL Co. Ltd
- Respondent E - Driver-Public works Department.
- Sala Epa Tuioti- partner and senior consultant- KVA Consult Ltd.
- Silafau Paul Meredith–Assistant Chief Executive Officer (ACEO), Ministry of Finance.
- Sofaea Alo- Director-SWEL Co. Ltd.
- Talilino Roebeck- Assistant Chief Executive Officer, Corporate Services, Ministry of Public Service Commission..
- Toga Latu Kupa-Director, KEW Consult Ltd.
- Tupai Lavea Iulai- Assistance Chief Executive Officer (ACEO), Ministry of Finance.
- Vaaelua Nofo Vaaelua-Chief Executive Officer (CEO), Ministry of Works, Transport and Infrastructure.

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