

# U4 Expert Answer



## Corruption challenges in small island developing states in the Pacific region

### Query

Please provide an overview of specific corruption challenges in small island developing states (SIDS), and specific challenges facing anti-corruption efforts in such places, with an emphasis on the Pacific region.

### Purpose

Small island developing states (SIDS) have specific challenges due to their sizes and geographic isolation (particularly in the Pacific). How does this relate to corruption challenges in SIDS (cultural factors, small populations, small economies etc) and in turn, to specific challenges in anti-corruption efforts?

### Content

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### Summary

Small island developing states (SIDS) share a set of common characteristics in terms of their size, geographic isolation and cultural tradition that may challenge their long term development and anti-corruption efforts. Against this background and in spite of relatively well developed legal and policy frameworks, corruption is a significant challenge for Pacific island countries (PICs) and manifests itself

through various forms of bureaucratic, administrative and political corruption. Natural resource management is considered to be especially vulnerable, with problems of corruption identified in the oil, mining, forestry and fisheries sectors. Corruption risks associated with aid, offshore banking activities and transnational crime are also issues of growing concern across the region.

PICs are very diverse in terms of the extent of corruption risks and their respective level of governance, and law enforcement capacity. However, in most of these countries, anti-corruption efforts are hampered by weak government capacity, low levels of state penetration, limited opportunities for public participation, as well as a lack of civil society involvement. Many of these issues are linked to factors associated with the size of the countries, the geographical features of the region and the challenge to integrate political institutions with strong cultural and tribal traditions that prevail in the region.

There is still relatively little empirical evidence on what anti-corruption models would work best in the specific context of PICs. Strategies to address these challenges could include increasing political responsibility, foster public participation and promote a competitive private sector. The potential of traditional integrity systems to support anti-corruption efforts could also be explored.

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## 1 Patterns of corruption in SIDS

### Overview of sustainable development challenges of SIDS

SIDS have been first acknowledged as a distinct group of developing countries at the United Nations Conference on Environment and Development in 1992. The United Nations now recognises 52 SIDS in Africa, Asia and the Pacific and Latin America and the Caribbean (Please see the UN [Department of Economic and Social Affairs' list of SIDs](#)).

SIDS can greatly differ in terms of levels of development, governance quality, state consolidation and effectiveness, institutional capacity, as well as with regard to legal and administrative environments. They include countries as diverse as the Bahamas, Haiti, Papuan New Guinea and Timor-Leste. The wide variation of SIDS' GDP per capita provides a good illustration of their wide diversity, ranging from USD 28,000 in Singapore to USD 369 in the Comoros (Santos-Paulino, McGillivray and Naudé 2010).

In spite of their great diversity, SIDS share a set of common characteristics that shape their development trajectories. These features include small, but growing populations, dependence on a narrow resource base, remoteness from large markets, vulnerability to natural disasters and other external shocks, fragile environments and significant dependence on foreign aid and/or international trade. As the frequency and intensity of natural hazards are expected to increase as a result of climate change, many of these countries are also highly vulnerable to globally-induced sea level rise. In addition, their small size gives them little room for taking advantage of economies of scale. Their development opportunities are further hampered by expensive public administrations and infrastructure development, as well as high communication, energy and transportation costs. These various factors put them at greater risk to be marginalised from the global economy and to suffer more from the impact of climate; food and other related global crises (Please see [UN Department of Economic and Social Affairs](#)).

While SIDS located in the Pacific exhibit relative high levels of human development, their economic growth has remained relatively stagnant in recent years (Barcham 2007). In the face of growing populations, low average GDP growth in the region exerts pressure on available resources. This contributes to rising unemployment, economic hardship and migration of

skilled labour, thereby further undermining economic development prospects and poverty reduction efforts in the region. This situation is generally attributed to the effect of poor governance combined with the impact of civil conflicts and political instability in countries such as the Solomon Islands, Fiji, Tonga and Vanuatu.

### Extent of corruption in Pacific Island Countries (PICs)

In spite of relatively well developed legislative and policy frameworks, the bulk of available studies suggest that corruption remains a problem in many islands of the region.

Statistics from specialised anti-corruption agencies and public opinion surveys provide evidence of corruption in many countries of the region, including PNG, Solomon Islands, Fiji, and Vanuatu (Larmour 2009). For example, a pilot survey carried out in 2006 in the Solomon Islands found that 62 % of respondents in rural areas and 46 % in urban areas believed that the government was corrupt. Community Crime Surveys conducted in 2006 in PNG also showed that the large majority of the people surveyed considered that corruption was increasing in the country.

Comparative cross-country studies broadly confirm this case evidence. Corruption is found to be prevalent in most PICs. However, extent and patterns of corruption can greatly vary across countries, as reflected by [Transparency International's 2009 Corruption Perception Index](#). Samoa performs relatively well, ranking 56 of the 180 countries surveyed with a score of 4,5 as compared to Kiribati and the Solomon Islands that share the 111th place of the ranking with a score of 2,8 or Papua New Guinea (PNG), the region's worse performer with a score of 2,1 on a scale that ranges from 10 (highly clean) to 0 (highly corrupt). Similarly, the [World Bank Institute's 2008 Worldwide Governance Indicators](#) suggest wide variations across countries for the six dimensions of governance assessed, especially with regard to political stability, government effectiveness and rule of law. In terms of control of corruption, countries such as Samoa, Vanuatu, or Kiribati tend to perform well above average with respective scores of 64,3, 65,7 and 58,9 (on a 0 to 100 scale), while Tonga (26,6), New Caledonia (16,9) and Papua New Guinea (9,7) receive one of the lowest scores of the region.

### Some drivers of corruption in PICs

There are different reasons that may explain some of the corruption challenges small countries face. For example, some observers relate small countries' limited

resource base to specific corruption risks associated with offshore financial centers and investments (Larmour and Barcham 2005). In such countries, opportunities for investment are so limited that it is not uncommon for government to turn to offshore banking activities as an alternative source of income, creating another set of corruption risks.

The small size of the communities also creates inherent governance challenges. The low electoral ratio of parliamentary representatives to citizens makes it more likely for elected officials to know many of their constituents and may facilitate the development of corrupt networks. Similarly, the small size of the communities is also likely to encourage the personalisation of decision making and fuel various forms of patronage, nepotism and clientelism (Larmour 2005).

Yet, other evidence also indicates that within the group of relatively small Pacific island countries itself the relation between size and corruption does not hold anymore. As suggested by a survey of National Integrity Systems (NISPAC) conducted in 2003-2004 in 12 Pacific Island countries (Barcham 2007) smaller PICs such as Niue tend to have less corruption than larger ones such as the Solomon Islands or Papua New Guinea.

### Forms of corruption in PICs

Corruption in the Pacific islands manifests itself in various forms and sectors, ultimately undermining the performance of the public sector and compromising the state's capacity to deliver public services.

The above mentioned NISPAC studies found indications of **bureaucratic and administrative corruption** in many countries of the region. For example, the PNG and the Fiji reports mentioned the existence of small payments made to speed up bureaucratic processes and the delivery of public services. In other countries, such as the Solomon Islands, Kiribati, Nauru and the Federated States of Micronesia (FSM), there have been concerns of administrative corruption, with practices ranging from misappropriation, embezzlement, abuse of power, to manipulations of budget processes to the benefits of vested interests (Larmour and Barcham 2005).

There were also **concerns of nepotism** in countries such as PNG, Solomon Islands, Tonga and Vanuatu, manifested in a predisposition to favour kin, relatives, political allies or people from the same tribal or language group in appointments, contracts and scholarships (Larmour 2006). Some forms of nepotism

in this context may take advantage of strong tribal solidarities of the local people who have lived for a long time in isolated communities. In Vanuatu or Tonga for example, people often use their relatives or kin as intermediaries to facilitate their dealing with the government.

Various forms of **political corruption** were also identified in the region. It is common practice in many countries to offer gift and favours to voters during the election campaigns and this is not always perceived as strictly corrupt behaviour (Larmour 2006), thereby providing a challenging slippery slope towards more systematic vote-buying. In Kiribati for example, gifts of tobacco are expected by visitors and even required by public service regulations. In Samoa, candidates are expected to provide gifts of food and money to voters. In Tuvalu, Ministers are also expected to make gifts to the local communities they visit. A widespread strategy to gain political support or secure re-election in the region consists of creating offices and offering executive positions and sources of income to parliamentarians. For example, such practice led to increase the size of the Cabinet in Samoa, and create "Special Advisors" in Tuvalu (Larmour and Barcham 2005).

### Sectors most affected by corruption in PICs

#### *Natural resources management*

Corruption risks associated with **extractive industries** can partly explain the heterogeneous patterns of corruption that exist across the Pacific island countries (Barcham 2007). For example Melanesian resource rich countries are known to be plagued by large-scale forms of corruption that affect the petroleum, forestry and mining sectors. In resource poorer countries of Micronesia and Polynesia, corruption tends to occur on a smaller scale. Similarly, the forestry sector is affected by corruption in PNG, Solomon Island and Fiji, while smaller islands don't face similar challenges, as they have little forest resources to exploit (Larmour 2005).

As foreign fishing access agreements accounts for a large parts of PICs' economic activity, corruption in the **fisheries sector** is becoming a growing source of concerns in many countries of the region (Tsamenyi and Hanich nd). In many states, the legislative framework for licensing grants considerable discretionary powers to either the Minister responsible for fisheries or a licensing officer to issue licenses for both foreign and domestic companies. This makes this activity especially vulnerable to corruption, as illustrated

by recent public enquiries into corruption in the Solomon Island and Fiji. Corruption can also occur in the negotiation of access agreements as well as in the monitoring and inspection of vessel logbooks and catches.

### *Public services*

Like in many other countries, corruption has been found to be prevalent in public services as diverse as **health, education, retirement funds, police, port and customs administration** (Barcham 2007). In particular, the NISPAC reports raised concerns of police corruption in Cook Islands, Kiribati, Federated States of Micronesia (FSM), Tonga and Vanuatu.

### *Public financial management*

Public financial management systems have been reviewed in several countries in an effort to comply with internationally agreed benchmarks. However, while countries in the region have improved their budget processes and fiscal transparency, systemic weaknesses remain in terms of spending controls, reporting and external audits. While Samoa scores relatively well on procurement indicators, an inquiry into corruption in the PNG's finance department allegedly reveals that considerable amounts of money (A\$ 400 million) went missing in the last few years (AusAID 2008).

### *Corruption in aid*

The region is heavily dependent on foreign aid which is often disbursed outside regular domestic accountability structures and therefore comes with inherent corruption risks. Little research has been conducted in the region on the scope and scale of aid related forms of corruption. However, there have been concerns of aid resources being used as a form of patronage, such as in the Solomon Islands where French emergency relief funds disbursed due to a hurricane were allegedly disproportionately channeled to the Prime Minister's village (Larmour 2005).

Aid modalities can also contribute to undermining public accountability. In the Solomon Islands for example, Taiwan has provided large sums of money directly to MPs to support constituency projects with hardly any adequate accountability mechanism in place, contributing in the process to undermine the provincial government viability by bypassing regular funding modalities (Barcham 2007).

### *Offshore banking activities*

In an effort to compensate for the absence of broader revenue sources, some countries such as Vanuatu, the

Cook Islands, Marshall Islands, Niue, Nauru and Palau have set up offshore financial centres (OFCs). Offshore banking activities create inherent corruption vulnerabilities, bringing governments in close contact with tax avoiders, money launderers, or even terrorist networks (Larmour 2005). In particular, concerns have been raised in the past about the Cook Islands, Marshall Islands, Niue and Paulau, which were listed on the Financial Action Task Force's (FATF) first list of "non cooperative" countries to implement the forty recommendations against money laundering. Most of these countries have since been removed from this list as well as from the OECD's list of uncooperative Tax Havens. However, at least six of them were still listed on the OECD "grey list" as of 2 September 2009, including the Cooks Islands, Samoa, Vanuatu, Nauru, Niue, and the Marshall Islands (OECD 2009).

### *Transnational crimes*

Few experts question the fact that the region is targeted by criminal networks - especially **drug traffickers** - to conduct their illicit activities. While drug production is believed to remain limited, there is little doubt about **presence of drugs** in the Pacific Islands. The islands' geographic and economic characteristics make them particularly attractive to transnational criminal networks, as isolated and sparsely populated islands offer many opportunities for drug/illicit goods trans-shipments. In the relative absence of data available on illicit drug trafficking, it is difficult to assess the nature, scope and scale of that threat in the region. However, these concerns have been confirmed by anecdotal evidence of transshipment of drugs through islands such as Fiji, Tahiti or Tonga (McCusker 2008).

It is also believed that Pacific islands constitute both a source and transit point for illicit trade in **endangered species** (McCusker, R 2008). The region's biological diversity combined to the islands' relative lack of capacity to effectively regulate wildlife makes PICs an easy target for the illicit exploitation of the Oceanic flora and fauna.

### *"Cleaner" sectors*

The above mentioned NISPAC studies found **petty corruption** to be a major problem only in a few countries such as Samoa, Tonga and Palau (Larmour and Barcham 2005).

Surprisingly, NISPAC consistently found generally low levels of corruption in **national judicial systems**. **Electoral administration** was also reported to be relatively clean, even in spite of the absence of independent electoral commissions in most countries.



## 2 Challenges to anti-corruption efforts in PICs

### The ambivalent role of cultural and historical heritage

As already mentioned, local communities are characterised by a strong tribal tradition and populations who have lived for a long time in relative isolation from modern state structures and political culture.

This cultural heritage is believed by many authors to play a critical role in shaping **people's understanding and attitudes of corruption** (Barcham 2007). In countries like Vanuatu, gifts are not only perceived as socially acceptable behaviours but expected as a legitimate dimension of electoral processes (Vaadre 2009). Perceptions of corruption can also greatly vary across groups within the same country. Peter Larmour, for example, who looked into the cultural dimension of corruption in the region, argues that more research would be needed to understand how and why some activities can be regarded as corrupt by one group and not by another one (Larmour 2006).

Cultural tradition is also believed to influence **people's attitudes to the concept of citizenship** in the region. People tend to consider themselves citizens of their tribe rather than citizens of a state and only engage in national political processes to a limited extent. The most relevant level of decision making is the village, with limited citizen's involvement in broader political process.

The colonial history may also have reinforced this pattern, as local communities have been largely excluded from participation in all key decision making processes until independence, as shown by a case study of Vanuatu. This is believed to have far reaching implications in terms of the political landscape in the various countries, as politicians are relatively new in their position and have limited experience of democratic processes and policy making. In Vanuatu for example, politicians are often elected on the basis of their personal standing or link to a dominant clan or cultural group. As a result, politicians in general and parliamentarians in particular are often under pressure to cater to their tribe rather than to serve the general interest (Vaadre 2009).

At the same time, cultural identity has been identified by the Anti-Corruption Plan for the Asia and the Pacific as a key dimension to explore for anti-corruption efforts in the region (ADB and OECD 2001). The Samoa

NISPAC study also called for a greater understanding of traditional integrity systems and their potential as a way to fight corruption in the region, as they have their own accountability structures and deterrence mechanisms that are well known by members of the communities and could be used as positive drivers of anti-corruption efforts (Barcham 2007). More research would be needed to understand the intersection between modern state and customary systems in the region.

### Political and administrative framework

#### *Diverse levels of state penetration*

The region is also characterised by differential levels of state penetration. This has implications in terms of the provision of public services such as health and education, as well as for the level of control and oversight that the government is able to exercise over the entire country. Countries like the Solomon Islands and Papua New Guinea have relatively low degree of state penetration as compared to countries such as Samoa (Barcham 2007). In the former countries, this implies that non-state actors such as NGOs and the churches tend to assume much of the state's service delivery functions.

In terms of anti-corruption efforts, weak penetration of the state implies that regulatory/compliance functions may be weak or inexistent and central oversight functions very limited. According to experts, anti-corruption strategies should therefore go beyond strengthening central government's oversight functions and mainstream anti-corruption into all aspects of public service delivery. This also means that in these countries, non-state actors such as churches and NGOs should be dealt with as important targets and drivers of anti-corruption efforts.

#### *Weak state capacity*

Closely related to the problem of limited state penetration, the capacity deficit of the public sector remains a common feature of small islands states. Bureaucratic checks and balance are not fully developed and the administrative structures are not as institutionalised and formalised as in bigger states. Due to the lack of infrastructure, physical and human capital, central government often lacks the means to reach out to districts and communities outside the capital city (Barcham 2007). This is especially acute in multi-island countries like Kiribati and the Cook Islands which are constituted of a multitude of scattered islands separated by massive ocean distances (Barcham 2009).

### *Limited political participation and accountability*

As already mentioned, political participation is hampered by both cultural factors as well as a general lack of experience with democratic processes of a modern state. PICs often don't have a strong political party system, but are characterised by a limited number of parties which often lack strong popular support. In some countries, politicians need to promise favours and services to voters and MPs in exchange for their support for the passage of a legislation. This is likely to undermine the effectiveness of overall parliamentary structures and democratic processes.

The political features of the various countries are also likely to shape the level of government accountability and public participation in decision making. Monarchical regimes such as Tonga face a situation where the king and his ministers are only weakly accountable to government. These regimes face a different set of challenges in this regard than countries like Samoa, which have stronger voice and accountability mechanisms, greater government stability and more bureaucratic effectiveness (Larmour 2005).

### **Anti-corruption stakeholders**

The effectiveness of anti-corruption efforts relies on coalition building between the various stakeholders and sectors of society, including the public sector, civil society and the private sector.

#### *Civil society*

There is no real consensus of what constitutes civil society in the region and whether to include traditional leaders and organisational structures as well as intermediate groups between government and families. As a result, the NISPAC studies uncovered wide variations in civil society activism across the various countries. There were no reported citizens groups in Kiribati and very poorly developed civil society organisations in Tonga, while more active and lively civil society were recorded in Vanuatu, Cook Islands and Solomon Islands (Larmour and Barcham 2005).

These varied patterns of civil society activism and definitions may have key implications for anti corruption efforts, since many effective strategies rely on the mobilisation of civil society at large. Anti-corruption efforts in the various countries may therefore require differentiated strategies across countries, based on a solid understanding of the various dynamics at play to effectively mobilise and engage local communities in anti-corruption efforts.

### *The Private sector*

Many NISPAC reports in the region point to the small size of the private sector which is only gradually emerging in some countries. Business is sometimes criticized for its dependence on government contracts, which can act as a disincentive to its active involvement in the fight against corruption. In countries such as the Solomon Islands, business is perceived as a source of political corruption (Larmour and Barcham 2005).

### *The media*

Limited access to a free press is considered as a major challenge to anti-corruption efforts in the region. The lack of access to newspapers, radio, or free TV in remote areas makes it difficult to promote accountability, citizen participation, investigative journalism and public oversight of public expenditures. The role of the media can be further hampered by government's attacks to a free press in some countries (Vaadre, 2009). In countries such as Tonga and Tuvalu, the media is closely controlled and regulated by the government. The freedom of the press is hollowed out through censorship and newspaper bans as shown by the Tongan government's recent attempt to control the media through an amendment of the constitution (Larmour and Barcham 2005). There have also been instances where journalists have been harassed or intimidated in Palau, Solomon Islands and Vanuatu (Larmour and Barcham 2005). In countries where the press is considered freer like in the Solomon Islands, a narrow ownership base combined with close links to the elite also undermine the role of the media as independent watchdog.

### **Conclusion**

While PICs share a set of common challenges, the heterogeneous patterns of corruption across the region suggest that anti-corruption efforts need to be tailored to the specific social, economic and political circumstances of the various countries.

However, some common risk characteristics can be discerned and observers have made broader recommendations to address the specific challenges anti-corruption efforts that the region faces. Promising approaches to combat corruption in Pacific island countries that have been discussed in the literature include enhancing political responsibility, fostering public participation and promoting a competitive private sector (Vaadre 2009). Other authors stress the importance of taking into account the cultural context of these countries and recommend exploring the potential of traditional integrity systems for anti-corruption

(Barcham 2007). This can also include promoting South to South forms of policy transfers, for example, learning from successful and culturally-sensitive anti-corruption interventions implemented in similar countries. Finally, regional networks and organisations should not be overlooked. They can help overcome some of the capacity challenges that anti-corruption institutions face in individual countries. In addition, these institutions can provide a mechanism to broker a dialogue between global and regional frameworks and domestic interventions. (Barcham 2009).

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