

THE STATE OF HUMAN DEVELOPMENT IN THE PACIFIC:

A REPORT ON VULNERABILITY AND EXCLUSION IN A TIME OF RAPID CHANGE

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Report Team

Editors/Lead Authors

Ahmed Moustafa (UNDP Pacific Centre)
David Abbott (Consultant)

Contributing Authors

Sophie Butcher, Contributing Author and Lead Researcher (Consultant)

UNDP

Asif Chida (UNDP Pacific Centre, Suva)
Ferdinand Strobel (UNDP Pacific Centre, Suva)
Simone Troller (UNDP Pacific Centre, Suva)

UNFPA

Andreas Demmke (UNFPA, Suva)
Maha Muna (UNFPA, Suva)

UNESCAP

Sanjesh Naidu (UNESCAP, Suva)
Siope Vakataki Ofa (UNESCAP, Suva)

UNICEF

Bjorn Gelders (UNICEF, Suva)

ILO

Edward Bernard (ILO, Suva)
Kee Beom Kim (ILO, Bangkok)
Satoshi Sasaki (ILO, Suva)
Sophia Kagan (ILO, Suva)

Copy Editing

Lisa Hiller-Garvey and Lesley Wright (Consultants)

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FOREWORD

Pacific Island countries (PICs) are facing enormous challenges related to profound changes underway across their societies and economies. Climate change, migration, monetization, slow and volatile economic growth and the transition from traditional subsistence-based economies to market-based ones, together with the erosion of natural and social capital, and the diminution of traditional social structures are among some of the factors shaping new ways of life in the Pacific. Despite the fact that most PICs are middle-income countries, and are ranked as having medium-to high human development, and are among the highest per capita aid recipients in the world, progress on achieving the MDGs is mixed, and only two PICs – Niue and Cook Islands – are on track to achieve all of the MDGs by 2015.

This report provides an updated picture on the state of human development in the Pacific, drawn from new data and analysis from Household Income and Expenditure (HIES) surveys conducted in various PICs, as well as other recent research. While UNDP's Pacific Centre has led the production of this report, many UN agencies, and other development partners working in the Pacific have also made substantial contributions to its content and analysis. UNDP is grateful to all these agencies and partners for their support in helping to produce this report.

The report examines the dimensions and drivers of economic exclusion (income poverty and inequality) and the causes and characteristics of social exclusion and vulnerability in the Pacific from a human development perspective. Much of the data and analysis presented in the report particularly relating to social exclusion has not been previously considered from a regional perspective, and the report therefore adds value in the context of a renewed interest in the social dimensions of sustainable development in the Pacific.

The report shows that poverty (hardship), vulnerability, inequality and exclusion are on the rise in many PICs, and that the most vulnerable people are likely to be women, youth, the disabled and the elderly, as well as those living in the outer islands and rural areas. Dealing with the challenge of reversing this rising tide of vulnerability and exclusion while also providing safety nets and social protection for those at risk will require Pacific governments to adopt new policy approaches and make some difficult choices. This report also provides policy options and insights for decision-makers, development partners and communities on how to foster more inclusive and sustainable human development in the Pacific during a time of change.

The findings presented in this report also come at an appropriate time. As a result of the recent Pacific Plan review process, regional leaders have reaffirmed that the culture and values of the Pacific translate naturally into the idea of sustainable development, and that Pacific Islanders have a richer more multidimensional view of poverty and development that goes beyond measuring income and reflects the value they place on protecting and promoting culture, family, social cohesion, and the environment, upon which all Islanders depend.

In September 2014, the Third International Conference on Small Island Developing States will be held in Apia, Samoa. The fact that the conference is being held in the Pacific will focus global attention on the multiple development challenges confronting PICs, while at the same time allowing Pacific countries to make inputs into the post-2015 global development agenda that reflect their specific concerns in terms of addressing issues of poverty, vulnerability, exclusion and sustainable development.

At the same time, the 2014 Human Development Report (HDR) focuses on the topic of 'Reducing Vulnerabilities and Building Resilience', thus complementing, and providing a global perspective, on the findings of this regional report. The HDR introduces the idea of life cycle vulnerabilities, and explores in some detail those risk factors that make people vulnerable, and what can be done to mitigate these risks. It also urges governments to commit to the universal provision of basic social services and social protection to build resilience, especially for the poor and the vulnerable.

The twin issues of poverty and inequality are at the heart of UNDP's new strategic plan for the period 2014-2017. The organization remains committed to helping countries, including in the Pacific, to achieve the simultaneous eradication of poverty and a significant reduction of inequalities and exclusion.

As the Pacific region seeks to address these challenges of vulnerability and exclusion in a time of profound change, I hope that the analysis as well as the recommendations from this report will be useful to all decision makers, not only in the countries of the Pacific, but also to their many development partners. For it is only by addressing vulnerability and exclusion that human development can become more equitable and sustainable.



Haoliang Xu

UN Assistant Secretary-General and UNDP Assistant Administrator and Director, Regional Bureau for Asia and the Pacific

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Peter Batchelor

Manager

UNDP Pacific Centre

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ABBREVIATIONS

ADB	Asian Development Bank	NDS	National Development Strategies
ALTA	Agricultural Landlord and Tenant Act	NMDI	National Minimum Development Indicators
BNPL	Basic-needs Poverty Line	NSO	National Statistics Office
BPFA	Beijing Platform for Action	ODA	Official Development Assistance
CAPP	Care and Protection Programme	OECD	Organization for Economic Cooperation and Development
CCT	Conditional Cash Transfers	OEK	Olbiil Era Kelulau (Palau)
CD	Communicable Disease	PAA	Priorities and Action Agenda
CEDAW	Convention on the Elimination of all Forms of Discrimination Against Women	PAH	Participatory Assessment of Hardship
CRC	Convention on the Rights of the Child	PBS	Poverty Benefit Scheme
CRPD	Convention on the Rights of Persons with Disabilities	pc	per capita
CSO	Civil Society Organization	pcae	per capita adult equivalent
CYP	Commonwealth Youth Programme	PGI	Poverty Gap Index
DHS	Demographic and Health Survey	PIC	Pacific Island Country
DPO	Disabled Persons' Organization	PIDF	Pacific Islands Development Fund
ECD	Early Childhood Development	PIFS	Pacific Islands Forum Secretariat
ECE	Early Childhood Education	PNG	Papua New Guinea
EEZ	Exclusive Economic Zone	PPA	Pacific Platform for Action
ESCAP	Economic and Social Commission for Asia and the Pacific	PPP	Purchasing Power Parity
EU	European Union	PYDF	Pacific Youth Development Framework
FAO	Food and Agriculture Organization	RAMSI	Regional Assistance Mission to Solomon Islands
FAP	Family Assistance Programme	RMI	Republic of Marshall Islands
FPL	Food Poverty Line	RNZI	Radio New Zealand International
FSM	Federated States of Micronesia	SBS	Samoa Bureau of Statistics
FVP	Food Voucher Programme	SEEA	System of Environmental and Economic Accounting
GDP	Gross Domestic Product	SIDS	Small Island Developing States
GNI	Gross National Income	SPC	Secretariat of the Pacific Communities
HDI	Human Development Index	SPGI	Squared Poverty Gap Index
HDR	Human Development Report	SPI	Social Protection Index
HIES	Household Income and Expenditure Survey	STI	Sexually Transmitted Infection
HIV	Human Immunodeficiency Virus	SVGS	Samoa Victims Support Group
HPI	Human Poverty Index	TB	Tuberculosis
ICP	International Comparison Programme	TVET	Technical and Vocational Education and Training
IFC	International Finance Corporation	UNDP	United Nations Development Programme
IGME	Inter-agency Group for Child Mortality Estimation	UNFPA	United Nations Fund for Population Activities
ILO	International Labour Organization	UNICEF	United Nations Children's Fund
IMF	International Monetary Fund	VAW	Violence Against Women
IWDA	International Women's Development Agency	WB	World Bank
IYCF	Infant and Young Child Feeding	WHO	World Health Organization
KAB	Know About Business		
MDG	Millennium Development Goal		
MICS	Multiple Indicator Cluster Survey		
MPI	Multidimensional Poverty Index		
NCD	Non-communicable Disease		



CHAPTER 1

A Pacific Perspective on Human Development: Defining Poverty, Vulnerability, Inequality and Exclusion

This report examines the state of human development in the Pacific, focusing on vulnerability and exclusion. The concept of human development, as defined by UNDP, is about enlarging people's choices, including the ability to be healthy, to be educated, and to enjoy a decent standard of living. It also encompasses a much broader range of capabilities, including political freedoms and human rights.

This report discusses two broad aspects of exclusion in the Pacific: economic exclusion, which encompasses the various forms and degrees of income poverty (or hardship, as widely used in the Pacific), inequality and disparities. This report also discusses social exclusion in its broader sense, which includes the various dimensions of human poverty and inequality, such as health, education, standards of living and access to energy and basic services. Vulnerability and exclusion are generally regarded as 'broader concepts' and therefore tend to incorporate the concepts of poverty (hardship) and inequality. In this context the report examines the complex nature of multidimensional human and income poverty (hardship) and vulnerability. Throughout the report, unless otherwise stated, the use of the terms 'vulnerability and exclusion' are intended to also include the terms 'poverty and inequality'. While the aforementioned concepts are common to many parts of the developing world and well covered in numerous other reports and academic studies, this report attempts to view them from a Pacific perspective.

The dimensions and drivers of 'economic' exclusion, encompassing income poverty and inequality, are already well covered by numerous regional and national reports published by UNDP, Asian Development Bank (ADB), World Bank and others, and hence this report focuses more on aspects of social exclusion. The report reviews the latest available information and data from census, household and demographic and health surveys to identify the broad causes and characteristics of social exclusion and vulnerability from a human development perspective. Much of this data has not previously been considered from a regional perspective and the analysis therefore adds value in the context of a renewed interest in Pacific regionalism following the Pacific Plan Review. It also provides the basis for a Pacific perspective on social issues for the post-2015 development agenda.

The brief overview of economic performance is intended to review and analyse the links between patterns of economic growth and macroeconomic performance and the causes and consequences of social and economic exclusion. It acknowledges, however, that these conditions are not caused by any single factor. Finally, this report also provides policy options and recommendations for government and civil society decision-makers, development partners and communities on how to foster more inclusive and sustainable growth and human development in the Pacific context.

This introductory chapter defines some of the key concepts and issues to be discussed and analysed in the report. The rest of the report is organized into three parts:

- Part One focuses on the dimensions and drivers of economic exclusion;
- Part Two provides a comprehensive discussion of the dimensions and drivers of social exclusion; and
- Part Three considers the way forward and provides a number of policy options and recommendations.

1.1 Defining Exclusion in a Time of Change

The state of human development in the Pacific is undergoing a period of profound change, and many Pacific Islanders are experiencing for the first time rising levels of poverty/hardship, vulnerability and exclusion. This is clearly a relatively new phenomenon. Pacific Island countries (PICs) have a rich history of informal and traditional economic and social protection systems. In the past these systems have played a powerful role in maintaining a decent quality of life for most Pacific Islanders. They have also helped ensure that most Pacific Islanders' basic needs were met; that the poor and vulnerable were looked after; and that wealth and assets were fairly redistributed throughout the population.¹

¹ Nunn (2012) Climate Change and Pacific Island Countries, Asia Pacific Human Development Report Background Series 2012/07 [Online] Available at: <http://www.snap-undp.org/elibrary/Publications/HDR-2013-APHDR-TBP-07.pdf>, UNDP, Bangkok, Thailand.

Today these traditional social protection systems are under significant stress from a wide range of social, economic, internal, and external factors. These factors include migration, monetisation, slow and volatile economic growth, and growing aid dependency. Together these factors are contributing to the erosion of the natural and social capital that has underpinned Pacific lifestyles and livelihoods for millennia.²

Many of these factors are driven by globalisation, changing demographics, and the current transition of most PICs from a traditional subsistence-based economy to a market-based economy. This transition is undermining the reach and effectiveness of traditional social protection systems, and is having a profound impact on the state of human development in the region – as measured by levels of poverty, vulnerability, and exclusion.

In the new context, traditional safety nets are no longer able to prevent poverty/hardship, vulnerability and exclusion in modern Pacific Island societies. There are gaps in traditional social protection systems caused by various factors such as “diminishing flexibility in land allocation, increasing reliance on markets, increasing overall levels of poverty (too poor to practice reciprocity), weakening commitments to social obligations, increasing inequality and growing urban settlements with diluted clan identities.”³

In this time of change, poverty, vulnerability and exclusion may take a variety of forms and can result from many different causes. These may relate to gender, age, politics, social status and ethnicity, as well as conditions of health and education. They may stem from certain characteristics including poor access to land, a lack of access to education and/or a poor level of educational attainment, and a lack of access to adequate health care services.

Physical characteristics contributing to poverty and vulnerability include the likelihood of experiencing a natural disaster or being affected by climate change, and a lack of access to safe water supplies or improved sanitation facilities. Lack of access to, or active exclusion from, employment or other economic opportunities may also be critical factors leading to social exclusion and/or vulnerability.

In addition, many other disadvantaged and vulnerable people, including the elderly and people living with disabilities, are being left behind as PICs became more monetised, as national demographics change and as traditional family, clan and community ties weaken. There is also greater awareness of the gender dimension of vulnerability and exclusion and the need for more empowerment of both women and youth to meet the development challenges faced by all.

1.2 Defining Poverty, Vulnerability, Inequality and Exclusion

To assess the nature of poverty (hardship) in the Pacific, the ADB canvassed the perceptions of Pacific Islanders across nine PICs as part of the Participatory Assessments of Hardship (PAH) in 2002 and 2004.⁴

More than 150 villages and groups across urban and rural communities were surveyed. Their perceptions, particularly those of the poor, vulnerable and most disadvantaged, were sought on what poverty and hardship meant for them in their daily lives. This included details of the nature and extent of poverty, its primary causes, and priorities for the alleviation of poverty.

The PAH revealed that experiencing poverty (hardship) and being vulnerable were seen as the result of many factors.

- Poor education and low skill levels.
- Lack of access to land for food gardens or cash crops.
- Lack of employment or income earning opportunities.
- Poor access to improved water and sanitation facilities.
- Poor health (especially non-communicable diseases [NCDs]).
- Living alone or depending on others (this was especially true of the elderly and people living with disabilities).

² PIFS (2013) Pacific Plan Review 2013, Report to Pacific Leaders; Suva, Fiji.

³ Ellis (2012) Informal Social Protection in Pacific Island Countries – Strengths and Weaknesses: AusAID Pacific social protection series: poverty, vulnerability and social protection in the Pacific [Online] Available at: <http://aid.dfat.gov.au/Publications/Pages/pacific-social-protection.aspx>, AusAID, p.3.

⁴ Abbott and Pollard (2004) Hardship and Poverty in the Pacific, Asian Development Bank, Manila, Philippines, pp. ix.

Meanwhile, the following groups were identified as suffering most from poverty (hardship) and vulnerability.

- Widows and single mothers without regular incomes.
- Elderly people without regular incomes or family members to care for them.
- Large families without regular incomes and/or access to land.
- "Lazy people" (usually seen sleeping and/or drinking kava/beer or chewing betel nut).
- Those who did not marry and have family support.
- Jobless migrants to urban areas.
- People with disabilities and sickly people.
- Dropouts from primary and secondary school.
- Commercial sex workers (especially in mining and logging areas).

Box 1.1 A Pacific Definition of Poverty and Hardship

An inadequate level of sustainable human development manifested by:

- A lack of access to basic services (e.g. education, health, transport and communications).
- A lack of opportunities to participate fully in the socio-economic life of the community (e.g. employment, other economic activity).
- A lack of adequate resources (including cash) to meet basic household needs and/or customary obligations to the extended family, village community and/or the church.

Source: *Hardship and Poverty in the Pacific*; Abbott, D and Pollard S, ADB Pacific Studies Series 2004

The communities surveyed recognised that there were growing numbers of disadvantaged and vulnerable people who were being left behind as the PICs became more monetised and as traditional ties weakened.

From the PAH, however, it also became clear that poverty (hardship) in the Pacific was not generally understood or defined by the people only through the traditional concepts of income and expenditure. Island and village-based communities were concerned more about the concept of 'hardship' as multidimensional human poverty.⁵ The absolute or extreme poverty of the Millennium Development Goal (MDG) 'dollar-a-day' type is not generally recognised and is rather rare.

The formal analysis of income poverty computed from Household Income and Expenditure Surveys (HIES) data and reported in national poverty reports in the Pacific have been based on the 'cost-of-basic-needs method' as broadly defined by the World Bank.⁶ Within this analytic framework of 'basic-needs', the incidence of food poverty (as a proxy for extreme poverty) is based on national food poverty lines. These take into account both household food purchases as well as the significant portion of subsistence production that features in the daily food consumption of typical Pacific households. The value of subsistence production is usually sufficient on its own to put daily consumption above the US\$1.25 per day MDG 1 absolute-poverty measure.

This basic-needs poverty line (BNPL) therefore relates to a household or individual's purchasing power over basic consumption needs, including both food and non-food basic-needs. A 'basic-needs poverty line' is therefore defined as the monetary cost of achieving a minimum standard of living, below which a household or individual is deemed to be poor.⁷

Although PICs are not yet included in the new Multidimensional Poverty Index (MPI), the traditional Human Development Index (HDI), published in the UNDP Global Human Development Reports since 1980 still provides a good guide to the relative human development performance across nine PICs. Table 1.1 illustrates that although the basic HDI for all nine PICs has improved over time, the annual average rate of improvement was significantly lower than the regional averages for both East Asia and the Pacific and South Asia. The data also indicate that between 2008 and 2013, six of the seven countries (for which data was available) all lost ground in the overall HDI ranking. The only exception being PNG, which rose one place from 158 to 157. The HDI therefore clearly indicates that PICs have been falling behind in their human development progress. This is supported by the findings of the recent annual Regional MDG Tracking Reports published by the Forum Secretariat, which have highlighted the slow progress being achieved by many PICs towards the various MDG goals, and particularly towards MDG 1, the poverty goal.

⁵ The 2010 Human Development Report featured the new Multidimensional Poverty Index (MPI) for 104 countries. Pacific countries were not included as the full-set of data required for the construction of the index was lacking. The latest 2014 MPI index only includes Vanuatu. The MPI reflects both the incidence of multidimensional deprivation, namely health, education and standards of living, and its intensity.

⁶ Bidani, B. and M. Ravallion (1994), How Robust is a Poverty Profile, World Bank Economic Review 8, pp. 75-102. & Ravallion, Martin (1998), Poverty Lines in Theory and Practice, Living Standards Measurement Study Working Paper 133, World Bank, Washington DC.

⁷ The measurement of absolute/extreme poverty, enabling cross-country comparisons of the extent of poverty, is usually done through the estimation of the US\$1.25 per day Purchasing Power Parity (PPP) value used in MDG 1 (this is currently estimated to be about US\$1.50 per day in 2008 PPP terms). Presently this measure of poverty cannot be estimated for PICs since comprehensive and consistent PPP indices are not yet available. Furthermore, even if PPP were to be made available, the high level of subsistence production in household consumption and access to natural resources, such as oceans and forestry, in the PICs will lead to overestimation of expenditure and underestimation of poverty, particularly extreme/food poverty, and make most of the targets in MDG1 misleadingly irrelevant for most PICs.

Table 1.1 Pacific Island countries: Human Development Index

Human Development Index												Average annual HDI change		
	HDI Value									Change		(%)		
Country	1980	1990	2000	2005	2008	2010	2011	2012	2013	2013	2008-2013	1980-1990	1990-2000	2000-2013
Palau	..	..	0.741	0.771	0.772	0.768	0.770	0.773	0.775	60	-4	..	..	0.34
Fiji	0.587	0.619	0.674	0.694	0.712	0.721	0.722	0.722	0.724	88	-4	0.53	0.86	0.55
Tonga	0.602	0.631	0.672	0.695	0.696	0.701	0.702	0.704	0.705	100	-2	0.49	0.62	0.37
Samoa	..	..	0.654	0.681	0.683	0.688	0.690	0.693	0.694	106	-3	..	..	0.45
FSM	..	..	..	..	..	0.627	0.627	0.629	0.630	124	..	..	..	..
Vanuatu	..	..	..	..	0.608	0.617	0.618	0.617	0.616	131	-5	..	..	..
Kiribati	..	..	..	..	..	0.599	0.599	0.606	0.607	133	..	..	..	..
Papua New Guinea	0.323	0.363	0.423	0.441	0.467	0.479	0.484	0.490	0.491	157	1	1.19	0.53	1.17
Solomon Islands	..	..	0.475	0.483	0.506	0.489	0.494	0.489	0.491	157	-10	..	..	0.25
East Asia and the Pacific	0.457	0.517	0.595	0.641	0.671	0.688	0.695	0.699	0.703	..	..	1.23	1.42	1.29
South Asia	0.382	0.438	0.491	0.533	0.560	0.573	0.582	0.586	0.588	..	..	1.37	1.16	1.39

Source: UNDP 2014 Human Development Report: Sustaining Human Progress: Reducing Vulnerabilities and Building Resistance, UNDP, July 2014.

1.2.1 Defining National Food and Basic-Needs Poverty Lines

The food poverty lines are estimated from the cost of a minimally nutritious, low-cost diet that delivers a minimum of around 2,100/ 2,200 calories (Kcal) per average adult per day. This is the estimated minimum daily calorie intake required for basic human survival as internationally benchmarked by Food and Agriculture Organization/ World Health Organization (FAO/WHO).⁸ Ideally this diet should provide adequate additional nutrition to ensure a sound and balanced, but basic diet. Subsistence production is carefully computed and taken into account in the estimation of the incidence of food poverty.

National basic-needs poverty lines are then computed by adding to this food component an amount for essential non-food expenditure (e.g. housing, transport, education, health, clothing, utilities). This is required to provide an overall basic-needs standard of living. Households that have per capita income or expenditure below the 'basic-needs' poverty line are then deemed to be living in 'basic-needs poverty'. This is not a condition of starvation or destitution. It is a condition where difficult choices about household expenditure priorities have to be made on a daily basis.

1.2.2 Poverty (Hardship) in the Pacific Context

People in the Pacific view poverty (hardship) in the broader context of inadequate levels of sustainable human development. This encompasses not only a measure of income and expenditure that is necessary for meeting 'basic-needs' but also the impact that can result from a lack of access to essential public goods and services and to income earning opportunities. This basic definition, strengthened by reference to the importance of family, kinship, and customary obligations, was widely debated and generally agreed to during the consultations for the PAH.

The PAH also suggested that few communities acknowledged that extreme or absolute poverty was an issue. Only in Fiji and PNG was this type of poverty considered a serious concern. Even so, all communities without exception acknowledged that hardship was a common, widely shared condition when defined as a family's inability to meet basic needs for a decent standard of living, to access basic services, and to meet community obligations.

⁸ This is the FAO/WHO recommended daily minimum adult calorie intake for a moderately active adult.

In some countries, the emphasis was on services (Fiji, Samoa, Tonga, and Vanuatu). In others, employment and economic opportunity were regarded as especially important (Kiribati and Tuvalu).

Meanwhile, governance was perceived to be important in FSM and PNG. In rural areas many participants said that their hardship and feelings of vulnerability were due to:

- limited access to markets,
- poorly maintained or lack of rural roads,
- inadequate medical supplies and too few trained medical staff at the village level, and,
- the high cost of water tanks and education services.

The communities surveyed also acknowledged that many factors influenced their own degree of vulnerability to serious hardship. Specifically, it was accepted that a rural family that had little or no regular wage or source of income from remittances was likely to be experiencing hardship. Such a family would also be immediately vulnerable to any changes in their immediate circumstances, such as a natural disaster or sickness in the family.

In urban areas it was agreed that hardship existed even amongst families with an employed member, or the so-called 'working poor'. These were the households whose total income from wages, the value of own production, or self-employment did not bring the per capita income/expenditure of individual members of the household above the basic-needs poverty line. Families and households in this situation were constantly having to make difficult choices between competing priorities – for example paying school fees over household bills, or buying food over meeting community obligations.

The concerns expressed by participants were remarkably consistent not only between urban and rural areas within each country but also across the region (see Box 1.2).

People's priorities for alleviating hardship and poverty as well as reducing the extent of vulnerability focused on three principal causes:

- lack of employment and economic opportunities;
- lack of access to basic services especially health care and education; and
- lack of response by governments to the needs of the people.

The priorities suggested by those consulted include a set of clear and simple directions for future development strategies. These should broadly include a selection of the following (depending on national circumstances):

- The development of competitive, commercial, private markets for pro-poor growth.
- Performance-oriented, essential public service delivery in support of inclusive social development.
- Improved, broadly defined standards of governance that included well-operated and honest private and public institutions.

Clearly, in the early years of this century many individuals and families were already experiencing a trend of declining living standards alongside a higher degree of hardship than the rest of the community. This was even before the onset of the global economic recession. People were also noting that in the five years prior to the PAH there appeared to be more school drop-outs, either because of lack of motivation, or the inability of parents to meet all the costs associated with education. They were also noticing more joblessness, higher prices for goods, and the deteriorating quality and/or rising costs of services (particularly water supply, education, roads and transport). Some

Box 1.2 Poverty and Vulnerability: Causes and Characteristics

Recognising that hardship was a complex problem with many different direct and indirect causes, the PAH identified the following as the key factors causing hardship for families and individuals.

The lack of jobs and other ways to earn cash was the most critical issue for all communities in both urban and rural areas.

The poor quality of services, rather than the lack of services, was an important cause of hardship in many communities.

- Families with too many dependents and/or children was a concern.
- Limited access to basic services.
- Landlessness also caused concern.
- The high cost of goods and services.
- Burdensome family, church, and community obligations.
- Poor health and/or disability.
- Poor family budgeting.
- Increased individualism of the more educated youth.
- Migration to urban areas, and poor relocation sites for squatter communities or those hit by calamities were also said to contribute to hardship in urban areas.

Source: Priorities of the People, ADB series, 2002 – 2004, ADB Manila

communities identified political instability and the waste of public funds as adding to their feelings of hardship and vulnerability. Other communities commented that the traditional extended family and community support systems were being weakened due to the pressure of an increasing number of family dependents, low income, and changing social and cultural values.

Similarly, the recent results of the My World survey,⁹ a global study undertaken by the United Nations and partners, indicate that the priorities and views of citizens across the Pacific have not changed much from those expressed in the PAH a decade earlier. The My World survey is being undertaken to inform leaders and decision makers of citizens' priorities in the lead up to the new post-2015 development agenda. In the Pacific, some 2,200 citizens have responded to date. The top three priorities of all included countries¹⁰ are listed in Table 1.2.

Table 1.2 UN My World Survey 2013

	1st priority	2nd priority	3rd priority
PNG	Good education	Better healthcare	An honest and responsive government
Fiji	Good education	Better job opportunities	Better healthcare
Kiribati	Good education	Better job opportunities	Better healthcare
Marshall Islands	Good education	Better healthcare	Access to clean water and sanitation
FSM	Better job opportunities	Good education	Protection against crime and violence
Nauru	Good education	Better job opportunities	An honest and responsive government
Palau	Protecting forests, rivers and oceans	Access to clean water and sanitation	Better healthcare
Samoa	Good education	Better healthcare	Equality between men and women
Solomon Islands	Good education	An honest and responsive government	Better job opportunities
Tonga	Good education	Better job opportunities	Better healthcare
Tuvalu	Good education	Better job opportunities	Better healthcare
Vanuatu	Good education	Better healthcare	Equality between men and women

Source: United Nations (2013) MYWORLD 2015 Analytics [Online] Available at: data.myworld2015.org, Accessed: 27/04/14

For 10 out of the 12 countries, the respondents indicated that having access to good education was the first priority. In addition, respondents in nine countries included better healthcare as one of the top three priorities, while seven included having better job opportunities.

⁹ Online results and further information can be accessed at www.myworld2015.org.

¹⁰ Cook Islands, Niue and Tokelau are not currently included in the My World survey.

The results of the PAH and the My World survey indicate that people are slowly but surely finding their voice and are letting it be known that poor governance and declining living standards are no longer acceptable. Greater participation in policy formulation and decision-making is being demanded and overly burdensome traditional obligations are being debated.

As the PAH results confirm, the fundamental tenet of 'human development' as a concept within the Pacific context is that "people are the real wealth of a nation," and that development should focus on expanding the choices and options available to people.¹¹

In this context, the standard measures of development and poverty are not always appropriate or relevant in the Pacific due to the wide-ranging vulnerabilities and dependencies faced by PICs. In particular, in attempting to maximise growth opportunities and achieve 'fair and worthwhile'¹² lives for all Pacific peoples, presents significant challenges for PIC governments and policymakers.

A notable example of this dilemma is the conventional use of per capita income and expenditure to measure wellbeing. Such measurements are not always accurate in a context where significant proportions of the population still live largely outside the monetary economy, and/or supplement their income or food consumption with subsistence produce.

The consultations undertaken for the Pacific Plan Review 2013 Report to Pacific Leaders (Volume 1) highlighted that Pacific Islanders, in reference to traditional measures of development, "have a richer, more multi-dimensional view of development that reflects the value they place on the environment, culture, family, social cohesion, sports and leisure."¹³

Definitions of hardship, poverty, vulnerability and exclusion in the Pacific also need to take account of many factors due to the diversity of PICs. Each country in the region has its own traditional and cultural norms and modes of expression. In many PICs there are also significant variations, even within a single country. In PNG, for example, there are more than 850 traditional languages, making it the most linguistically diverse nation on earth. In Solomon Islands there are some 70 traditional languages spread across its nine provinces and the capital city, Honiara. Similarly each of the four widely dispersed states of the Federated States of Micronesia (FSM) also have very different customs and cultural norms.

While the definition of poverty/hardship in the Pacific context is generally accepted as defined in Box 1.1 above, challenges remain in developing appropriate forms of measurement and indicators for the concepts of poverty and how they can be applied in the Pacific. A good first step is to work with National Statistics Offices in the Pacific to undertake the necessary demographic and health surveys (already available in few PICs) and make data easily accessible to calculate the MPI for PICs.

The wealth of information and data now becoming available from various surveys and other reports is enabling much more detailed analysis of the multidimensional nature of hardship/poverty, vulnerability and exclusion in the Pacific. This data is helping to open the eyes of policy makers and to provide the solid evidence on which sound socio-economic policies can be based.

¹¹ UNDP (2014) Human Development Report, United Nations Development Programme [Online] Available at: <http://hdr.undp.org/en>

¹² Auckland Declaration of Pacific Island Forum Leaders (April 6, 2004).

¹³ PIFS (2013) Pacific Plan Review, Report to Pacific Leaders; Suva, Fiji, p.66.

1.2.3 Social and Economic Exclusion

Box 1.3 Dimensions of Vulnerability and Exclusion

Vulnerability:

- Economic: external and local shocks (e.g. unemployment, loss of income from other sources including remittances).
- Social: illness or death of spouse or breadwinner, unmarried pregnancy, criminality and/or violence in family.
- Spatial: remoteness and isolation, lack of access to transport, communications, basic services and/or economic opportunities.
- Natural disasters and climate change: loss of housing and other assets, loss of income and/or sources of livelihood including crops, fishing grounds and other resources.

Exclusion can be in the form of economic exclusion (in the form of monetary income and/or wealth) which is captured, for example, by disparities in the incidence of poverty among different groups or geographic locations as well as conventional measures of income inequality (e.g. Gini Coefficient, ratio of upper to lower expenditure/income deciles and/or quintiles, the share of lower income/expenditure deciles in total households' income and/or expenditure). The other mutually linked and reinforced form is social exclusion, which encompasses exclusion from and disparities in standards of living and abilities to participate in social life and access social and basic services.

Basis for exclusion:

- Based on gender through legal discrimination and lack of empowerment.
- Based on religion.
- Migrants experiencing lack of access to land, housing and services.
- Based on ethnicity.
- Based on social status, disability, poverty and inability to meet community obligations.
- Based on geographic location (e.g. urban vs. rural).

This report attempts to validate many of the qualitative claims of the PAH and tests the hardship/poverty definition using data from household surveys, national census and other statistical sources. The report also argues that despite the fact that the concepts of vulnerability, social exclusion, poverty and hardship, and inequality are intrinsically linked to one another, there are important distinctions between them and the manner in which they impact the Pacific region. The analysis will use relevant research from the Pacific and beyond to try and untangle the differences and highlight the overlapping nature of these concepts as they apply in the Pacific.

Vulnerability and exclusion have many dimensions (see Box 1.3). These dimensions impact individuals, families and particular groups in a variety of ways depending on the local circumstances and social environment.

Vulnerability often stems from the threat or impact of external forces over which people may have little direct control, but which can often be mitigated, or perhaps adapted to by the individual, family or group.

The causes of exclusion tend to be entrenched in cultural or social norms, traditions and customs. The causes of exclusion are frequently inconsistent with or in direct contravention of legal provisions in national constitutions and/or laws. In yet other cases, exclusion may be specifically mandated in national laws that are in contravention to UN treaties and conventions.

Social and economic exclusion are the antithesis of traditional concepts and values such as equality, social cohesion and inclusivity. Discussions of social and economic exclusion have a clear overlap with discussions on poverty and hardship, particularly if poverty is understood as multi-dimensional. The multiple deprivations described by the concepts of exclusion and of poverty and hardship capture an important reality. Both concepts have economic and social components, which need to be addressed simultaneously.¹⁴

¹⁴ O'Brien et. al. (2008) Poverty and Social Exclusion in North and South, IDS Working Paper 55, Institute of Development Studies and Poverty Research Unit, University of Sussex, pp. 10.

PART 1 THE ECONOMIC DIMENSIONS AND DRIVERS OF EXCLUSION



CHAPTER 2

Economic Challenges and their Impact on Vulnerability and Exclusion

2.1 Income Poverty and Economic Exclusion

2.1.1 Measures of Hardship and Poverty in the Pacific

There has been a persistent belief that poverty could not and should not be a part of daily life in the Pacific. Suggesting that there might be poverty in some form has not been readily accepted by the general public or by policy makers. Indeed, the common symptoms and images of poverty seen in the poorest developing countries worldwide (such as starving children and landless and homeless people) do not immediately spring to mind in relation to most of the Pacific region. Even so, it has been widely acknowledged that while conventional 'poverty' may not be acceptable, the notion of hardship is clearly understood and observed.

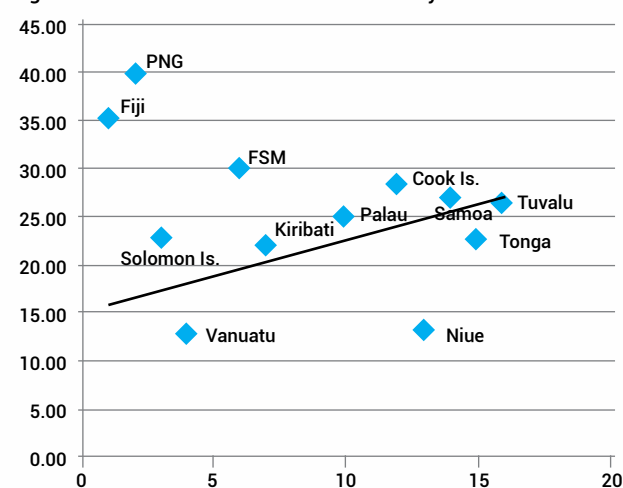
2.1.2 Measuring Income Poverty by Household Surveys

In the past, data collection across various national HIES often tended to cover only a limited time period and did not adequately capture periods of seasonal poverty, for example during the dry season. More recent HIES survey periods, for example in Samoa, FSM, and Solomon Islands now cover the whole year and provide much better coverage.

Poverty as measured by national basic-needs poverty lines is a measure of relative hardship. It assesses the basic per capita costs of a minimum standard of living in a particular country/society, or region within a society, and estimates the number of households and/or the proportion of the population that are deemed unable to meet these needs. Every country experiences some level of relative poverty incidence. This is true of developed as well as developing countries. However, levels of the incidence of relative poverty, as measured by national poverty lines are not directly comparable across countries. Thus, two countries may have similar levels of relative poverty incidence as measured by their respective national (domestic) poverty lines, but may have very different levels of overall costs and general standards of living. This is why the basic needs poverty line is not measured from the same cost level across the Pacific. As suggested by the wide variation in GDP levels there are some relatively large differences in general standards of living between the PICs.

The measurement of absolute/extreme poverty, enabling cross-country comparisons of the extent of poverty, is usually done through the estimation of the US\$ 1 per day Purchasing Power Parity (PPP) value used in MDG1 (this is currently estimated to be about US\$1.50 per day in 2008 PPP terms). Presently this measure of poverty cannot be estimated for PICs since comprehensive and consistent PPP indices are not yet available.¹⁵ Furthermore, even if it were possible to calculate the dollar-a-day measure, the high level of subsistence production in household consumption in the PICs would likely make such a form of measurement largely irrelevant for most PICs (see section 2.1.4 for further details). The food poverty line is taken as a proxy for extreme hardship/poverty in the region. Figure 2.1 illustrates that largely due to the high level of subsistence production, the rates of food poverty incidence in the Pacific are relatively low, with the exception of PNG and Nauru.

Figure 2.1 Incidence Of Basic-Needs Poverty



Source: National Poverty Reports and Household Income and Expenditure Surveys

¹⁵ SPC and the Australian Bureau of Statistics (ABS) have been developing a Pacific PPP model that will link with the global World Bank International Comparison Programme (ICP) through Fiji as the link-country between the two systems. Results from this research are expected in 2014.

Poverty is measured at the household level and therefore it is not generally possible to disaggregate poverty on an intra-household basis. Thus, if the average per capita expenditure/income of a household falls below the basic-needs poverty line, then all members of that household are deemed to be equally poor. Similarly if a household has an average per capita income/expenditure above the poverty line, then none of the members of that household are considered to be poor. Culture, demographics and many other factors affect the actual distribution of wealth and access to food and resources within each household (e.g. between males and females and between the elderly and children). However, such detail is not available from broad-based HIES. Little analysis has therefore been undertaken at this intra-household level in the region. Anecdotal evidence from various surveys including demographic and health surveys and surveys of gender-based violence do, however, suggest that there may be intra-household differences in levels of poverty with women and children often being the victims.

2.1.3 Poverty Trends in the Pacific

The increasing experience of hardship and poverty in several PICs has been demonstrated over the last decade from the analysis of the various national HIES. These surveys are now recognised as providing a wealth of extremely valuable information for policy makers. Recently, the analyses have alerted policy makers to the emerging poverty-related challenges, especially from the impacts of the global economic situation on employment, household and national budgets and on the levels of remittances.

For PICs, data used for estimating national basic-needs poverty lines at the household level is becoming increasingly available as more household surveys and poverty analyses are undertaken.¹⁶ From the work done to date, it is estimated that, on average across the Pacific region, approximately one-in-four households have per capita expenditure/income below what would be considered as the basic-needs poverty line in their respective countries. This excludes PNG where the rate is much higher.

As a result of the growing awareness of the increasing levels of hardship and poverty in the region, poverty reduction strategies now feature as a priority in most national development strategies and national plans. Although there are significantly lower rates of extreme (food) poverty and/or starvation in the Pacific (with the exception of PNG and Nauru) compared to other developing countries with similar per capita income and economic growth rates and structures, the rising levels of hardship and poverty in the Pacific are now of major concern to governments and development partners. The generally poor performance of PICs against MDG1 (as measured by the national poverty lines) has become a central concern for most governments.

2.1.4 Subsistence Production Cushions the Burden of Hardship

Typically, subsistence production in PIC economies acts as a cushion against absolute poverty (Box 2.1). The traditional socio-economic structure of Pacific economies and the communal/customary land tenure systems are also factors that serve to reduce the likelihood of extreme poverty. Nevertheless, the recent trends reveal a growing incidence of basic-needs poverty, as well as a deterioration in the equality of income distribution.

Most households in rural areas have access to land for subsistence cropping and are therefore able to meet a high proportion of their daily food needs from their own production. Even in many urban areas, households still manage to provide at least a proportion of their own food needs. This feature of Pacific society, access to land and subsistence crops, is what sets the region apart from most other parts of the developing world, where access to land and subsistence crops is much less easy or widespread.

¹⁶ Although there are still some gaps and inconsistencies in the data and methodologies there is now significantly more information available on PICs than even a decade ago.

Box 2.1 Subsistence Production as a way of Coping

Proportion of Own Production in Food Consumption (households in the lowest income/expenditure decile)			
Vanuatu			
	2006	2010	% change
National average	51.8	62.4	20%
Port Vila (urban)	10.2	15.8	55%
Luganville (urban)	29.7	26.4	-11%
Rural	66.9	70.9	6%
Samoa			
	2002	2008	% change
National average	45.8	48.3	5%
Apia Urban Area	15.9	17.6	11%
North-West Upolu	49.3	47.7	-3%
Rest of Upolu	57.6	57.2	-1%
Savai'i	57.4	56.9	-1%
Tonga			
	2001	2009	% change
National average	20.2	32.7	62%
Nuku'alofa	5.55	9.2	65%
Rest of Tongatapu	16.90	28.3	68%
outer islands	33.62	46.5	38%
Tuvalu			
	2004/05	2010	% change
National average	50.9	45.2	-11%
Funafuti	16.2	9.1	-44%
outer islands	64.4	67.3	4%

The food and energy crises had serious negative impacts on most Pacific countries. Many suffered negative growth rates for two or three consecutive years starting in 2008 (with the exception of Vanuatu and PNG). Progress towards poverty reduction and other Millennium Development Goals was halted and, in some cases, reversed. As food prices soared in Pacific countries, subsistence production successfully acted as a coping mechanism in some countries or regions and failed in others.

Vanuatu was an impressive success story. At the national level, the proportion of households below the food poverty line declined from 6 percent of households (2006) to 2.7 percent (2010), as the average share of own food production in total households food consumption, for households at the lowest income/expenditure decile, rose from 52 percent to 62 percent of household food consumption during the same period. Vanuatu, however, maintained a healthy positive GDP growth during the worst years of the crises (2008, 2009 and 2010). The proportion of own production in food consumption for households at the lowest income/expenditure decile in Port Vila and rural areas increased significantly from 2006 to 2010, contributing to a significant reduction in the incidence of food poverty. Meanwhile, the incidence of food poverty increased in Luganville, where the share of own production in food consumption declined.

In Samoa, where economic growth was negative in 2008 and 2009, the share of own production in households at the bottom decile increased by only 5 percent nationally and 11 percent in Apia urban area. The incidence of food poverty declined significantly during the same period throughout Samoa. The 2010 agriculture survey, however, shows significant increase in subsistence agriculture.

It is important to note that, with the exception of Apia urban area, the proportion of own production in food consumption is very high in Samoa.

In Tonga, food poverty remained at the same level in Nuku'alofa and declined by 9 percent in the rest of Tongatapu (2001 to 2009). This was despite an increase in the proportion of own production by 65 percent and 68 percent, respectively. On outer Islands, the incidence of food poverty increased by 100 percent. This was despite a 38 percent increase in the proportion of own production. In Tuvalu, paradoxically, food poverty declined by 87 percent in Funafuti and rose by 72 percent in outer islands as the proportion of own production in food consumption declined by 44 percent in Funafuti and increased by 4 percent in outer islands during the period from 2004/05 to 2010. This may be an indication of families eating cheaper, less healthy food as it became more difficult to produce local food items on crown island.

Clearly, subsistence production functioned as a coping mechanism, helping Pacific Islands to avoid an increase in food poverty because of the food and energy crises. In the case of Vanuatu and Samoa, it contributed to a significant reduction in food poverty. An overall relatively high proportion of own production in food consumption may indicate wider access to land and natural resources. A very high overall proportion of own production in food consumption (above 50 percent), however, may indicate that households have reached their limits of substitution of own production for purchased food and can no longer effectively cope with rising food prices.

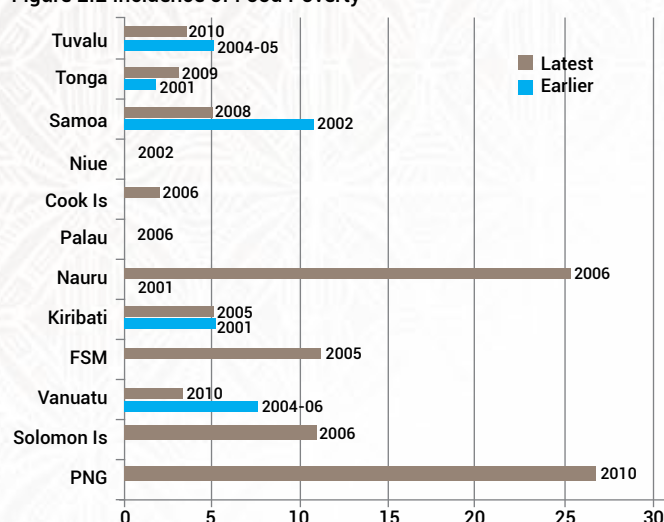
2.1.5 Food Poverty

While lower than most other developing regions, the incidence of food/extreme poverty in PICs is estimated to be very high in PNG (26 percent in 2010) and Nauru (25 percent in 2006) and slightly lower in FSM and Solomon Islands (see Figure 2.1).

The incidence of food poverty declined over the last decade in Vanuatu, Samoa and Tuvalu. This was achieved largely as a consequence of increases in subsistence production as a coping strategy in the face of the global food and energy crises. However, these coping mechanisms appear to have failed in Tonga where an increase in the incidence of food-poverty was recorded from 1.7 percent in 2001 to 3 percent of the population in 2009. This could suggest that the impact of lower remittances and the migration of young men have reduced the ability of households to provide for their own food needs. Further, between 2001 and 2009, households in all parts of Tonga outside Nuku'alofa saw their real incomes decline. This would have placed a serious stress on household finances. Thus the combination of all these factors suggests that there may have been changes in the role, complexity and resilience of traditional social protection systems.

2.1.6 Basic-Needs Poverty

Figure 2.2 Incidence of Food Poverty



Source: National Poverty Reports and Household Income and Expenditure Surveys

Although all PICs have a subsistence base to their economics, the nations of the Pacific are clearly very diverse. Likewise, there are wide geographic disparities in the incidence of basic-needs poverty (Figure 2.2). In Fiji, Samoa, Palau and PNG, rural areas are seen to be experiencing a significantly higher incidence of basic-needs poverty than urban areas. Simultaneously, the incidence of basic-needs poverty appears to be higher in the urban centres of, for example, Solomon Islands. Disparities range from two percentage points, as in the case of Palau where rural incidence of basic needs poverty was 28.9 percent compared to 26.2 percent of the population in urban areas in 2006, to as high as 18 percentage points, as in the case of Fiji. Here rural basic-needs poverty was estimated to be 44 percent compared to 26.2 percent of the population in the urban areas in 2009.

According to the latest available HIES data, the population below the respective national basic-needs poverty lines was 21.8 percent in Kiribati (2006/07), 22.7 percent in the Solomon Islands (2005/06) and 22.5 percent in Tonga (2009 preliminary results) and 26.3 percent (2010) in Tuvalu. In Cook Islands, the proportion of the population living below the national basic-needs poverty line is estimated to have remained constant during the period from 2006 to 2008, while in FSM the number increased during the period from 1998 to 2005 (FSM HIES 2005). In Samoa, the proportion below the line increased from 22.9 percent in 2002 to 26.9 percent in 2008 (Samoa HIES 2008). In PNG, the incidence of basic-needs poverty increased from 30 percent in 1996 to 36.2 percent in 2009–2011¹⁷ (HIES 2009–2011, WB analysis: 7).

With good returns from the Tuvalu Trust Fund and high levels of fish licence revenues, Tuvalu was able to reduce the number of people below the national basic-needs poverty line between 1994 and 2004. However, from 2005 to 2010, the incidence of basic-needs poverty rose from an estimated 21.2 percent of the population (2004/05) to 26.3 percent (2010). Even so, Tuvalu did manage to reduce the number of people suffering from extreme or food poverty by 1.5 percentage points during this period.¹⁸ This can be attributed to the decline in returns from the trust funds and workers remittances, mainly due to the global financial crisis.

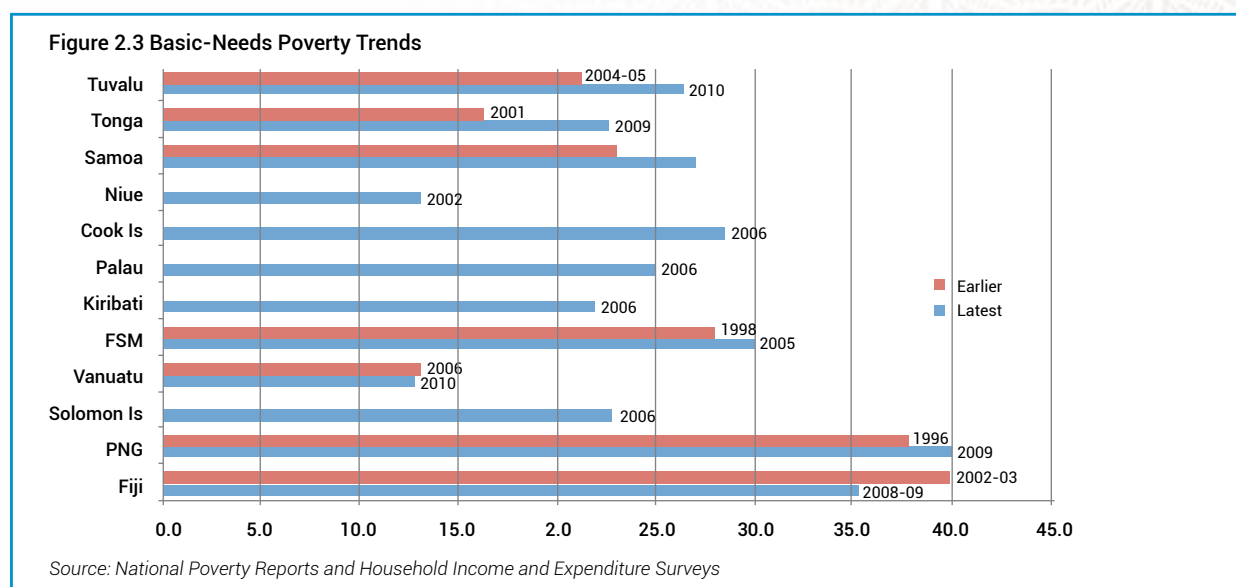
Very few PICs have experienced a decline in the incidence of basic-needs poverty in recent years. In Fiji, with its broader-based economy, the incidence of basic-needs poverty declined from 35 percent in 2002/03 to an estimated 31 percent in 2008/09. Vanuatu also achieved a slight decrease in basic-needs poverty, with a decline in incidence from 13 percent in 2006, to 12.7 percent in 2010.

Persistent pockets of high basic-needs poverty incidence continue to exist throughout the region, such as in Luganville in Vanuatu, Rural Momase and the Highlands in PNG and the northern (particularly urban) parts of Fiji, where the incidence of basic needs poverty reach as high as 55 percent of the population.

¹⁷ Papua New Guinea Poverty Profile; Based on the 2009–10 Household income and Expenditure Survey; Gibson J, Department of Economics, University of Waikato, World Bank June 2012. Note however the methodologies between the two estimates of the poverty incidence differ, comparisons therefore need to be made with care.

¹⁸ Tuvalu Trust Fund Advisory Committee 2010 Annual Report.

2.1.7 Trends of Hardship in Urban and Rural Areas are also Diverse



Poverty trends also varied considerably within countries over the last decade (Figure 2.3). For instance, in Fiji, while the incidence of basic-needs poverty declined at the national and urban levels, it increased in rural areas from 2002/03 to 2008/09. However, there is reason to believe that squatter settlements in Fiji may have been underrepresented in the household survey sample.¹⁹ Despite significant variation between settlements, there are also indications that deep poverty exists.²⁰ The poverty analysis of the most recent HIES in 2008/09 (completed by the World Bank) indicates that poverty in these settlements was as high as 55 percent in the Northern Region – 2 percent higher than the rural poverty rate.²¹

In Tuvalu, where the level of basic-needs poverty remained around the same at 27.5 percent of the population in Funafuti, the poverty incidence increased from 17.5 percent of the population in 2005 to 24.8 percent in 2010 in the outer islands.

Similarly, the increase in poverty in Samoa in 2008 compared to 2002 was mostly concentrated in Savai'i and the rural areas of Upolu (while poverty declined or remained around the same level in Apia Urban Area and North-West Upolu).

Consequently, the poverty map has changed in several Pacific countries. Areas that were relatively better off compared to the rest of the country in the early 2000s have become increasingly worse off in more recent years. Apia Urban Area and North-West Upolu in Samoa, for instance, had a higher incidence of basic-needs poverty, compared to Savai'i and the rest of Upolu in 2002. This was no longer the case by 2008-09. Similarly, Luganville in Vanuatu had lower incidence of basic-needs poverty in 2006, compared to Port Villa and the national average, and slightly higher than rural areas of the country. In 2010, Luganville recorded the highest incidence of basic-needs poverty in Vanuatu with a margin of about 6 percentage points above the national level and of that in Port Villa, and more than double the incidence of basic-needs poverty in the rural areas as a whole.

A less dramatic, yet significant, change in the poverty map was also evident in Tonga. In 2001, the incidence of basic-needs poverty was significantly higher in Tongatapu (18 percent and 18.8 percent of population, in Nuku'alofa and the rest of Tongatapu, respectively). This was compared to other islands, where about 11.8 percent of the population were below the basic-needs poverty line. In 2009, basic-needs poverty increased in Nuku'alofa and the rest of Tongatapu to 21.4 percent and 23.5 percent of the population respectively. Meanwhile, it doubled in the other islands, surpassing poverty levels in Nuku'alofa and reaching 22.9 percent of the population. These large and increasing variations are indicative of an exclusive, often skewed, level of economic growth, which can exacerbate social and political forms of exclusion.

¹⁹ Kidd (2012) Poverty, Vulnerability and Social Protection in the Pacific: the role of Social Transfers: AusAID Pacific Social Protection Series: poverty, vulnerability and social protection in the Pacific, AusAID, Canberra, Australia, p. 7.

²⁰ Kiddle (2010) 'Perceived Security of Tenure and Housing Consolidation in Informal Settlements: Case studies from urban Fiji', Pacific Economic Bulletin, vol. 25, pp. 193-213.

²¹ World Bank (2011) Republic of Fiji Poverty Trends, Profiles and Small Area Estimations (Poverty Maps) in Republic of Fiji (2003-2009) [Online] Available at: worldbank.org. Accessed: 1/11/2013.

Although post-economic crisis data is limited, there are strong indications that hardship has worsened significantly for many households in the Pacific in the last six years. The loss of employment and reduced levels of remittances have had an adverse impact on household income levels. At the same time, the need for cash has been exacerbated by the continuing monetisation of the economies and the increasing dominance of the cash-based market economy.

The poorest and most vulnerable, especially those in the rural areas and urban migrants, have often been the most affected by these trends of lower incomes, rising prices and greater monetisation of daily needs.

2.1.8 The Depth and Severity of Poverty in PICs

In line with the increase in basic-needs poverty, the depth and severity of poverty have increased in Samoa and Tonga and declined in Fiji and Vanuatu, as illustrated in Table 2.1 below. These figures provide a clear indication that the poorest and most vulnerable are being left further behind. Existing government policies do not appear to be working for the poor and a new paradigm for pro-poor and inclusive economic growth is needed.

Table 2.1 Depth and Severity of Poverty

	Depth of Poverty (PGI) ²²				Severity of Poverty (SPGI) ²³			
	PGI	Reference Year (latest)	PGI	Reference Year (latest)	SPGI	Reference Year (latest)	SPGI	Reference Year (latest)
Cook Is	8.5	2005/06	...		3.6	2005/06	...	...
Fiji	9.9	2008/09	12.2	2002/03	...	...	...	...
FSM	9.3	2005	...	...	4	2005	...	...
Kiribati	7.2	2006	...	...	3.5	2006	...	...
Palau	6.6	2005/06	...	...	2.6	2005/06	...	...
Samoa	8.2	2008	6.6	2002	2.9	2008	2.7	2002
Solomon Is	7.5	2005/06	...	...	3.5	2005/06	...	...
Tonga	6.3	2009	4.4	2001	2.5	2009	1.9	2001
Tuvalu	6.2	2010	...	...	2.3	2010	...	...
Vanuatu	2.9	2010	5.6	2006	1	2010	3	2006

Source: National Poverty Reports

The low levels of economic growth and increasing levels of hardship experienced in the smaller PICs can be attributed, to a great extent, to the adverse impacts of the global energy, financial and economic crises.²⁴ Like most Small Island Developing States (SIDS), the Pacific economies are very open, making them vulnerable to global economic shocks. When comparing selected countries in the Caribbean and Pacific regions, a large number of people live just above the poverty line and this implies that any shock to the economy can push them into extreme poverty.²⁵

2.1.9 Measures of Inequality

Like the incidence and extent of poverty, the degree of inequality in a society can be measured in many ways. Indeed vulnerability and exclusion are themselves indications of inequality. The most commonly used measure of income inequality is the Gini coefficient.²⁶

It is often argued that a 'reasonable' level of equality would be indicated by a Gini Coefficient between 0.30 and 0.40, the range within which most OECD countries fall. Developing countries tend to experience levels at the higher end of the range, reflecting the greater likelihood of genuine hardship and poverty amongst their populations as a whole.

Based on the HIES data, several PICs have recorded Gini coefficients at the upper end or above this range over the last decade. For example, in Samoa the Gini coefficient is equal to 0.47 (2008 HIES), Kiribati 0.39 (2006 HIES), Fiji 0.41 (2009 HIES), Nauru 0.67 (2006 HIES), Cook Island 0.38 (2005/06 HIES) and Solomon Islands 0.39 (2006 HIES).

²² The Poverty Gap Index (PGI) gives an indication of how poor the poor are and reflects the depth of poverty. The formula calculates the mean distance below the basic-needs poverty line as a proportion of the poverty line where the mean is taken over the whole population, counting the non-poor as having zero poverty gap. The PGI is an important indicator as recognized by its inclusion as a specific indicator in MDG1.

$$\text{Poverty Gap Index} = \frac{1}{N} \sum_{i=1}^m (\text{BNPL} - y_i) / \text{BNPL}$$

where: N = total number of households, m = number of households below basic needs poverty line; and y_i = expenditure of each household.

²³ Through the process of squaring the index the SPGI gives greater weight to those at the lowest consumption/income levels and thus better reflects the severity of the poverty gap. In both the PGI and SPGI, the higher the index the greater the depth and severity of poverty, respectively.

²⁴ For long run analysis of economic growth in the Pacific see ADB projections, Pacific Economic Monitor (various years).

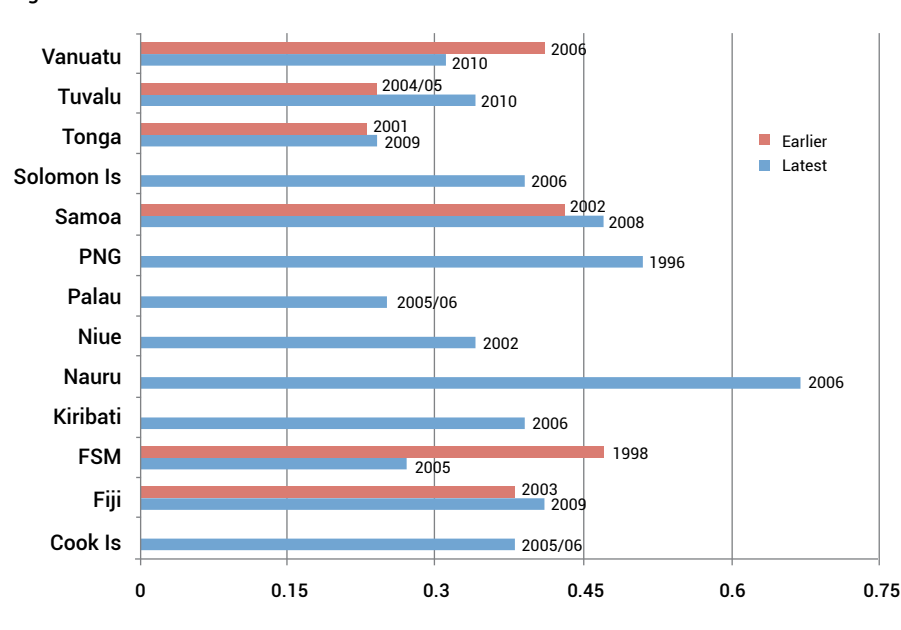
²⁵ Santos-Paulino (2011) Fragility and Vulnerability in Small Island Developing States: Issues and Challenges, First Meeting of the Caribbean Development Round Table, ECLAC, UNCTAD, Port of Spain, p.6.

²⁶ The Gini coefficient is a number between zero and 1, where total equality is equal to zero, and total inequality (one person has everything) is equal to 1.

In Fiji the Gini coefficient was higher in 2009, compared to 2003, despite the decline in the incidence of basic-needs poverty.

The Gini coefficient also increased in Samoa to 0.47 in 2008, up from 0.43 in 2002. Meanwhile, the coefficient declined significantly in Vanuatu from 0.41 in 2006 to 0.31 in 2010. Based on the HIES data from FSM, Palau and Tonga, all were estimated to have very low Gini coefficients (below 0.30) (see Figure 2.4).

Figure 2.4 Gini Coefficient



A second, less complex, method of estimating income inequality is included in the MDG indicators (indicator 1.3) as the share of the poorest quintile in total consumption (see Figure 2.5). A comparison between the proportion of expenditure owned by the lowest and highest quintiles provides a good indication of the degree of inequality. For PICs the share of the poorest quintile in total household consumption ranges from around 6.4 percent in Nauru (2006 HIES) to 10 percent in both Palau (2006 HIES) and Tonga (2010 HIES). In Vanuatu, Tonga and Samoa the share of poorest quintile in total household consumption increased over the last decade marking some improvement in income inequality, which also confirm the changes in the Gini coefficient. In Tuvalu, however, the share of the poorest quintile in total household consumption declined from 10.2 percent (2004) to 8.1 percent (2010). The ratio of the share of the lowest to highest quintiles in total household expenditure ranged from 3.5 percent and 3.4 percent in Palau and Tonga, with the lowest degrees of income inequality amongst PICs, to around 6.9 percent in Solomon Islands.

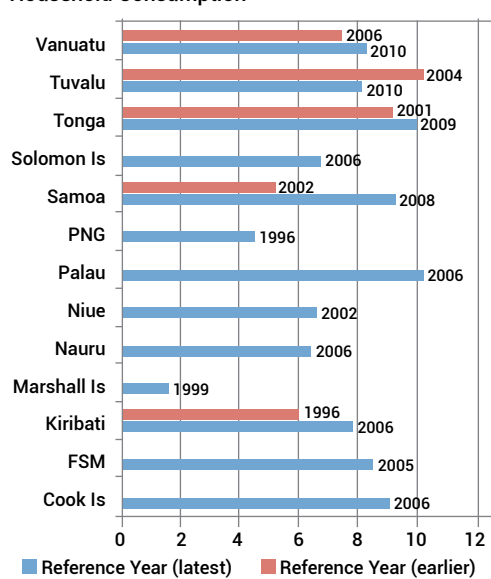
Box 2.2 Negative Impacts of Foreign Investments

Two cases stand out. First, Bougainville where the tensions around the extractive industry and failure to ensure equitable distribution of revenues and investment in human development, particularly in local communities, led to a decade of instability and strife that has still not been resolved. The consequences have been conflict and long periods of hardship, poverty and vulnerability among the people of that island. Second, Nauru, where the decades-long period of phosphate extraction propelled the Island to being among the wealthiest countries in the world during the 1980s. Poor governance, among many other factors, resulted in Nauru becoming an almost failed state in the early part of the current century. Nauru now has some of the highest incidences of food and basic needs poverty, income inequality and the worst human development indicators in the region, especially those relating to health. It has also suffered irreparable environmental damage that provides little opportunity for future long-term sustainable growth.

In many PICs, the contribution of the primary sector to Gross Domestic Product (GDP) has been declining. This illustrates the general weakening of the rural sector where many of the poor and vulnerable are located. However, in some PICs subsistence agriculture has been showing some positive growth, compared to commercial agriculture (e.g. as illustrated in the 2010 Samoa agriculture survey). With poor opportunities for rural employment and falling remittances this can be attributed to the coping strategies of the local population to secure their basic food needs at minimum cost. However, the declining importance of the primary sector is exacerbating the widening level of inequality as rural households struggle to generate the cash income needed to purchase basic-need essentials.

Monetisation and urbanisation increase the need and demand for cash incomes. The increasing incidence of basic-needs hardship and poverty clearly indicates that a significant portion of this increasing demand for monetary income remains unsatisfied within and across PICs. In many PICs, national capacities to create jobs and income generating activities has been growing at a rate that is slower even than the generally low overall rate of economic growth, particularly in rural and remote areas. The balance between urban and rural areas also varies considerably, often depending on the direction of government expenditure and the focus of public and private domestic and foreign investments. These trends have widened the income gaps between the national sub-regions, principally between the urban centres and the rural and outer island areas.

Figure 2.5 Share of Poorest Quintile in Total Household Consumption



The capacity of PICs to attract foreign investment also varies considerably, within and across countries. Those that have tended to do the best have exploitable resources (e.g. PNG, Solomon Islands, Fiji and Vanuatu), or an established market presence (Fiji in tourism for example), or a lower cost of doing business, and a transparent investment climate.

But not all investment is necessarily positive from a sustainable development perspective, or from the perspective of the poor and vulnerable. Much of the foreign investment received by PICs is extractive in nature and has few linkages with the rest of the economy and may have minimal impact on long-term job creation. Further, the capacity of the poor and vulnerable to absorb the inflationary pressures that often accompany this type of investment varies considerably, and many may be left even further behind.

Beyond basic income inequality, there are many other dimensions that can identify groups or individuals who may be disadvantaged by personal, household or geographic factors. The HDI and HPI provide indications of inequality across a spectrum of human development

dimensions. In Samoa, a pilot Village Vulnerability Index has been developed. This index combines characteristics of the poor, as identified in the HIES data, with comprehensive household and village-based information from census data. By varying the inequality and vulnerability criteria to be tested, this index system could be replicated for other PICs to estimate the varying nature of inequality within other countries.

Box 2.3 Income Poverty and Inequality Trends in Vanuatu

Vanuatu's Indicators	National		Port Vila		Luganville		Other Islands	
	2006	2010	2006	2010	2006	2010	2006	2010
1.1 Proportion of population below basic-needs poverty lines percent (Note 2)	13.0	12.7	20.1	18.4	12.2	23.6	11.5	10.0
Proportion of population vulnerable to falling into poverty: per capita adult equivalent expenditure <= 10 percent above BNPL percent	3.0	3.4	5.0	5.3	2.4	6.9	3.0	3.3
1.2 Proportion of households with per capita adult expenditure below the minimum level of dietary energy consumption (FBL) percent	6.0	2.7	4.7	2.2	2.2	6.0	5.1	2.0
1.3 Poverty Gap Index (PGI) – Depth of poverty	5.6	2.9	6.7	5.4	2.9	6.4	4.3	2.3
Squared PGI – Severity of Poverty	3.0	1.0	3.2	2.0	1.2	2.6	2.3	0.8
1.4 Share of poorest quintile (20 percent) in consumption by region percent	7.4	8.3	7.5	10.0	8.2	9.3	7.2	8.4
Ratio of Share of poorest quintile (20 percent) to highest quintile	5.7	4.6	5.4	3.6	4.7	4.1	5.9	4.7
HH Gini coefficient (0 = perfect equality 1 = perfect inequality)	0.41	0.37	0.41	0.25	0.46	0.28	0.40	0.31
Population Gini coefficient	n/a	0.37	n/a	0.34	n/a	0.35	n/a	0.36

NOTE 1: Some indicators have been revised to be consistent with 2010 methodology

NOTE 2: Proportion of population below US\$1(PPP) per day not available

Source: Vanuatu Poverty Report 2013

Vanuatu is one of the few Pacific countries, apart from PNG, that performed relatively well during the period 2003-2011, with an average real GDP growth rate of over 5 percent for the four consecutive years between 2005-2008. Unlike most of the Pacific region, Vanuatu managed to maintain positive GDP growth figures during the peak of the financial crisis in 2008 and 2009. The rate of growth has, however, declined since 2010 illustrating a delayed effect of the financial crisis on the economy. Since 2008, GDP growth has averaged around 2 percent. Maintaining growth during the period of crisis enabled Vanuatu to sustain some small progress in reducing poverty. The relatively strong growth in Vanuatu failed to trickle down to the poorest segments of the population and had very little overall impact on poverty reduction. The incidence of basic-needs poverty at the national level went down slightly from 13 percent in 2006 to 12.7 percent in 2010. The urban centre of Port Vila was the main beneficiary of this improvement with the incidence of basic-needs poverty falling from 20.1 percent in

2006 to 18.4 percent in 2010. This compared to a decline from 11.5 percent to 10.0 percent in the other islands over the same period. Meanwhile, the proportion of the population living under the basic-needs poverty line is estimated to have nearly doubled in Luganville, 23.6 percent in 2010 up from 12.2 percent in 2006.

Furthermore, the proportion of the population vulnerable to falling into poverty (with marginal per capita expenditure that is 10 percent or less above the basic-needs poverty line) rose slightly from 3 percent to 3.4 percent of the population between 2006 and 2010. The small increase in Port Vila and other islands from 5 percent and 3 percent in 2006 to 5.3 percent and 3.3 percent in 2010, respectively, was surpassed by a more substantial increase in Luganville (6.9 percent in 2010 up from 2.4 percent in 2006). While the depth of poverty has declined at the national level as well as in Port Vila and other islands, it rose significantly in Loganville from 2.9 in 2006 to 6.4 in 2010.

The most significant change was in the proportion of people living under the food poverty line, with a 55 percent decline at the national household level (from 6 percent in 2006 to 2.7 percent in 2010). In Luganville, however, the incidence of food poverty at the household level nearly tripled, from 2.2 percent in 2006 to 6 percent in 2010. Income inequality in Vanuatu is primarily geographic, with Luganville being the most disadvantaged. The share of the poorest quintile in total expenditure only improved marginally to 8.3 percent of total expenditure in 2010, up from 7.4 percent in 2006. The gender dimension of poverty in Vanuatu is weaker than most Pacific countries, with only about 12 percent of households in the poorest quintile headed by females. This compares to 14.1 percent of households in the highest quintile, nationwide. In fact proportionately more female-headed households are found in the highest expenditure quintile than in the lowest in Port Vila, Luganville as well as other islands. As expected, households with children are more likely to fall into the lowest per capita expenditure quintiles. Around 3.2 percent and 13.2 percent of all children in Vanuatu live in households under the food and basic needs poverty lines, respectively. An additional 7.8 percent of all children live marginally above the basic-needs poverty line (expenditure of 20 percent above poverty line or less) and are vulnerable to falling into poverty. Along with children, the elderly are also listed as a vulnerable group and appear to be more vulnerable in urban areas than in rural areas.

The Government of Vanuatu has taken a number of steps in recent years to reduce poverty levels and to promote broad based development in Vanuatu. The government has also set a localised target to reduce poverty levels to 2 percent by 2015. Achieving that target would be a challenging task requiring much higher annual growth rates that are also more broadly based and inclusive. What is perhaps most noticeable is that during the period 2006 to 2010 the government underwent a period of significant increases in expenditure. Specific policies and plans include Vanuatu's Priorities and Action Agenda (PAA) 2006-2015, which aims to "raise the welfare of the people of Vanuatu" (PAA, 2006: i). The PAA states this will be achieved by creating higher and sustainable levels of economic growth to create jobs and raise incomes, while conserving resources for the future. Secondly, by ensuring macroeconomic stability to create a stable investment climate; and thirdly, by raising standards of service delivery particularly to the rural and outer regions. Additionally, the government formed the MDG Task Force Working Groups to integrate the MDGs into the implementation plan for the PAA. Further, in an effort to ensure that economic growth is inclusive, rather than exclusive, the government created the Department of Industry and has developed its first industrial policy. The policy is geared towards supporting the private sector and focuses on creating employment and income generating activities for the poorest and the most vulnerable groups.

Source: Government of Vanuatu and UNDP Pacific Centre, Vanuatu Poverty Report 2013

Box 2.4 Income Poverty in Samoa

Following a period of relatively high growth during the late 1990s through 2007, the rate of economic growth in Samoa has been slow for the past six years, with negative growth being experienced in 2008 and 2009 as a result of the global financial and economic crises. In 2010 however, Samoa recorded 2 percent economic growth (constant 2002 prices) (Samoa Bureau of Statistics, online, 16/11/13). Correspondingly, hardship and unemployment had risen significantly. Comparing the 2002 and 2008 Household Income and Expenditure surveys reveals that while food poverty declined from 10.6 percent in 2002 to 4.9 per cent of the total population in 2008, basic needs poverty rose from 22.9 per cent in 2002 to 26.9 percent in 2008 (Samoa Bureau of Statistics & UNDP PC, 2010: 31). The 2013 Regional MDGs Tracking Report highlighted that weak labour markets continue and inflation rates remain high, making it difficult for households to meet daily needs. In response, the Government of Samoa has prioritized reducing hardship (PIFS, 2013: 22). The gender of the head of household appears to play a relatively small role in determining the likelihood of a household being in poverty in Samoa. Females, however, are more likely to be living in poor households and therefore to be potentially disadvantaged (SBS and UNDP PC, 2010: 36).

Income inequality measured by the Gini coefficient rose to 0.47 in 2008 up from 0.43 in 2002 (p34), which is higher than most other countries in the region. At the regional level, Apia had the highest coefficient in 2008 at 0.48, up from 0.40 in 2002. However, all regions showed an increase in the index of inequality since 2002. There has been a growing income disparity between rural and urban areas. This is largely driven by the thriving services sector around urban areas, in contrast with the stagnating rural-based agriculture. It has been noted that poverty and income disparities between the rural and urban areas have worsened. According to the 2008 HIES, the lowest incomes were among skilled agricultural and fishery workers and elementary occupations. This trend has been manifested in geographical disparities, featuring relatively higher poverty in Savaii where agriculture and fishery are the primary (if not the sole) economic activities (HIES 2008). Despite the six years of relatively good economic growth that was achieved in the period between the household surveys of 2002 and 2008, the level of hardship and poverty being experienced by the least well-off in Samoan society has not improved. The increase in the level of inequality, as measured by the Gini coefficient, and the accompanying increase in the depth of poverty as measured by the poverty gap index, (6.6 in 2002 to 8.2 in 2008) suggest that the economic growth did not really benefit the most disadvantaged. The results of this household survey, held in the middle of the global economic slowdown, also reflected the impact of the global situation on the Samoan economy.

Source: Samoa Bureau of Statistics & UNDP Pacific Centre, Samoa Poverty Report 2010.

Box 2.5 Income Poverty and Inequality Trends in Fiji

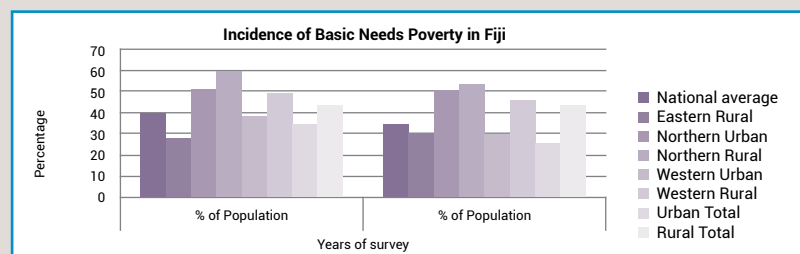
At the national level, poverty in Fiji declined moderately, from 39.8 percent in 2002/03 to 35.2 percent of the population in 2008/09. The reduction in poverty was mainly driven by the achievement of modest rates of economic growth, offset by a brief period of negative growth in 2008 and 2009 due to the impact of the global crises. Even so, it appears that these growth benefits were not distributed evenly across the country. Aggregating the data at the national level hides large sub-national differences. According to the World Bank, urban poverty was reduced significantly from 34.5 percent to 26.2 percent, while rural poverty remained virtually unchanged at 44 percent during the period (World Bank, 2009: 10). Non-agricultural sectors in the urban areas experienced strong growth over the period, and it appears that this was one of the reasons why urban poverty was reduced to such an extent. Such growth did not take place in the agricultural sector, negatively affecting poverty and livelihoods for the poorest and most vulnerable.



Fiji is divided into four administrative divisions, of which the Northern Division is the poorest, followed by the Western Division. The Central Division has the lowest rate of basic-needs poverty at 23.4 percent (2008/09) and outperformed all other divisions in term of poverty reduction during the period 2002/03 to 2008/09. The depth of poverty (measured by the Poverty Gap Index) also declined at the national level (12.2 in 2002 to 03 to 9.9 in 2008 to 09). The decline was more significant in urban areas, from 10.3 to 6.9, compared to a decline from 14.0 to 12.1 in the rural areas over the same period. The geographic dimension of poverty is confirmed by the overall income distribution. Notably, there are also substantial differences across divisions. In the Central Division, for example, where the overall poverty rate was 24 percent, there were provinces with substantially higher poverty rates including Tailevu (30 percent) and Namosi (32 percent).

Inequality, as measured by the Gini coefficient, increased marginally in Fiji from 0.38 in 2003 to 0.41 in 2009. It is generally accepted that a 'reasonable' level of equality would be signified by a Gini coefficient between 0.30 and 0.35, so therefore Fiji is bordering on an unreasonable level of inequality. Supporting the increase in inequality, the share of total expenditure by the bottom quintile declined from 5.9 percent in 2002 to 5.4 percent in 2008/09. Interestingly, while trends in income/expenditure inequality were generally against rural populations, and in favor of urban populations, particularly in the central division, income/expenditure inequality increased within the urban areas, more significantly than within the rural areas. This can be explained by the relative strength of the social networks of kinship, family and clan, as well as the slower rate of monetization, in the rural areas compared to urban areas.

As expected, larger households tend to have a higher incidence of poverty, particularly as the number of children increases. In 2008/09 the average number of children per household in Fiji was two. Of those households with more than two children, almost half were beneath the basic-needs poverty line (UNICEF, 2011:16). There was no apparent gender dimension to poverty, according to the World Bank analysis of the 2002/03 and 2008/09 HIES. Most households (88 percent of total households) reported being male-headed. Furthermore, the World Bank noted some improvement in the poverty status among female headed households between the HIES in 2003 and 2008/09.



Clearly, as economic growth was mainly driven by the service sector, poverty incidence among households headed by workers in this sector was much lower than among other sectors. The agrarian sector, meanwhile, appeared to be the most disadvantaged, accounting for 53 percent (up from 42.6 in 2002/03) of the total poor in the country. Furthermore, the agrarian sector was the only sector that experienced an increase in the incidence of poverty

during the period 2002/03 to 2008/09. Manufacturing and construction, combined, accounted for a little over 14 percent of total poor, while the lowest incidence of poverty (only 3.7 percent of the total poor) was among households headed by workers in the tourism sector. It appears that the sectors in urban areas are more successful, and this has played a significant role in the reduction of poverty in urban areas.

2.2 Political Economy of the Pacific Islands

2.2.1 Transition and Change

The dynamics of Pacific political culture (including understandings of individual entrepreneurship, distribution, transparency and competition) shape the way in which politics and business is conducted in the Pacific. Furthermore, understanding the specific context of each country and diversity at the national level is vital to determining appropriate planning and policy decisions. National development strategies aiming to alleviate hardship and poverty through the achievement of the MDGs, for example, need to recognise these dynamics.

The economies of PICs are in the process of transition from traditional non-market economies to market economies, with mixed consequences for Pacific Islanders. Despite the fact that money has been in use for over a century, it is only in the last 50 years (since PICs began to gain independence) that their leaders committed these new nations to a western economic system.²⁷ Traditionally, the Pacific Islands focused largely on the harvest and handcrafted products of the land and the sea. As already described above, these traditional goods were shared and exchanged within and between communities as part of the traditional social system. Income was only occasionally generated from trading local produce with passing ships.

Since independence, PICs have sought to achieve economic development and growth. These objectives are often in sharp contrast to the community-based systems and practices of the traditional economy. This section aims to discuss the changing political economy of PICs, the challenges and benefits that may follow for each country and the region as a whole; as well as the impact that these changes are having on vulnerability and social exclusion.

The governments and people of the Pacific are faced with what many perceive to be difficult choices between the traditional and market systems. These choices exist in customs and culture, in lifestyles, and in all facets of daily life. Inevitably, however, development and progress mean change. Information, education and travel all introduce new concepts into society, and change threatens traditional values.

Over the generations, growth, development and progress must be accepted as an inherently dynamic and transformational processes. For example, the changes to traditional pre-Christian society brought about by the introduction of religion to Pacific societies in the nineteenth century - now at the heart of much of what is accepted as Pacific tradition and custom - were probably far greater than any changes now taking place as a result of current economic and social reforms.

2.2.2 The Traditional Economy versus the Market Economy

The way in which traditional economies of the region functioned is fundamentally different to the modern market economy. The communal and often strongly hierarchical structure of traditional societies placed different values on land, the concept of work, modes of production, distribution and exchange. However, the traditional system was not simply based on the exchange of gifts and barter. Rather, it was a functioning system of resource allocation, production and distribution that utilised social relationships and the hierarchical structure of traditional societies.

On the basis of reciprocity and individuals' needs, abilities and skills, collective labour was organized, resources allocated, and production and supply levels of needed goods and services were determined and distributed among members of the community. There was little need for a medium of exchange (money) in the normal sense. The value of goods exchanged or gifted was understood in their local value or utility context (use value). Cultural norms, traditions and, often, religion provided the rationale, legitimacy and order needed for the system to function effectively. Accordingly, faith-based organizations (e.g. churches) played, and continue to play, a central role in traditional societies and economies and are also providers of public services such as healthcare and education. The modern cash economy stands in contrast with the traditional land and marine-resource based systems that originally formed the traditional basis of every society in the Pacific.²⁸

In traditional economic systems, factors of production (land and labour) were not considered to be tradable commodities. Particularly in the case of land, there was no sense of individual private ownership, but rather communal entitlements.

Hence, factors of production could not normally be allocated through market mechanisms. But such trade-based mechanisms are necessary for markets to function as a mode of production and distribution of goods and services. Since cultural practices, beliefs and social protection systems are intertwined with the functioning of traditional economies, the transition to market-based economies presents a significant challenge for PICs.

The contrast is clear, for example, in industries such as mining, tourism, logging, agricultural product processing, and manufacturing. These activities are all pursued to promote economic growth and to provide employment and profits. However, many are exploitative in nature and therefore run counter to the traditional economic structures that are based on the careful conservation and utilisation of the physical environment and traditional cultural values.

²⁷ Francis X. Hezel, S.J. (1992) "The Cruel Dilemma: Money Economies in the Pacific." *Journal of Pacific Theology*, Series II, No. 8: 11-22.

²⁸ Ibid.

In the modern context development is leading to the increasing monetisation of societies. This monetisation leads to a greater individualism that in turn leads to both a broadening of horizons and a narrowing and weakening of the ties among family members. While change does need to be towards a fully-fledged market economy, one consequence has been the appearance in many PICs of rising levels of hardship and poverty, increasing degrees of inequality, and growing numbers of the disadvantaged, the vulnerable, and those who have been left behind.

The increasing monetisation of the Pacific economies gives governments and businesses a new and unprecedented position in the societies of all countries. In addition, each country in the Pacific is going through significant demographic changes. The young are mobile, moving from villages to urban centres and, increasingly, overseas, either on some type of working arrangement or to join the ever-increasing Pacific diaspora. Notwithstanding, the potential for generating higher levels of remittances, these population movements, together with monetisation and other changes, are contributing to a gradual weakening of traditional social safety nets at the local level.

Most PIC governments are actively seeking more opportunities for overseas employment for their young people. Such policies help to relieve the pressure on youth unemployment and increase remittances. The attitudes of youth have changed along with the situation. Many are no longer satisfied with the prospect of a traditional Pacific subsistence lifestyle. The migration of young people to urban centres and their enthusiasm for joining the temporary workers schemes in New Zealand and Australia are clear testament to this. The impact of migration on the demographics of PICs is discussed further in Chapter 3.

Demographic changes are manifest in many outer island and rural areas where dependency ratios are rising as more elderly family members are being left to care for their grandchildren while the younger generation move to the urban centres. The elderly, while perhaps no longer always being cared for in the traditional Pacific way, are now becoming increasingly burdened with additional responsibilities. But at the same time there may be an opportunity cost in domestic production foregone and a further weakening in the traditional family structure as young people leave their home islands and countries. As a consequence the Pacific region appears to be experiencing increasing levels of hardship and poverty and the marginalisation of vulnerable groups, such as the elderly.

2.2.3 The Preferred Market Economy

For most families in the Pacific there is sufficient access to food to avoid serious hunger. Adequate levels of food can generally be produced through subsistence production and can generally still be distributed through the mechanisms of the traditional systems. This will continue to work as long as enough land (and labour) remains under the control of the traditional system. This is the main reason for the relatively low levels of extreme/food poverty in many Pacific countries.

During the transition from 'traditional' to 'modern' systems, the two often incompatible systems coexist and run in tandem, undermining the efficiency and effectiveness of each other. The absence of key factors of production from the domain of the market, particularly land, constrains market mechanisms in efficiently allocating resources needed for the production of goods and services based on supply and demand. Price signals are distorted. Investment, profit rates and other market incentives are hindered. Furthermore, the costs of production are inflated and weak, uneven and unstable economic growth may be the result.

In a purely traditional economy, contributions and exchanges are in-kind. They are based on reciprocity, family needs and abilities to contribute. As such, they are generally not perceived as a burden by individuals, households or the community.

But due to the coexistence, and the increasing dominance of the market system, a significant proportion of traditional and customary contributions and exchanges are now monetised, generating a monetary burden and contributing to hardship. Furthermore, goods and services, which are typically used as in-kind contributions and for exchange in the traditional setting, are now also traded through the market system and carry a monetary market price. This creates a monetary opportunity cost, which is now perceived as a burden by individuals and households. The PAH identified the increasing monetisation of traditional responsibilities as a primary source of hardship.²⁹ The difficulty of accessing sufficient cash to meet family obligations to church and community was quoted as being a source of hardship for families across the region.³⁰

²⁹ Priorities of the People; Hardship and Poverty in the Pacific, ADB studies series 2003-05, (Samoa, Kiribati, Tuvalu, Tonga, Fiji, RMI & Vanuatu) ADB, Manila.

³⁰ Ibid.

In general, as the market economy expands, it generates a demand for the cash needed to buy goods and services that are only available through monetary exchange, such as electricity and mobile phone services. The demand for cash is now growing at a much faster rate than the ability of many PIC economies to create employment and monetary income generating opportunities. As a result, poverty, hardship and inequality are growing and traditional systems fail to provide adequate social protection to the population, as they cannot generate sufficient monetary income opportunities.

Despite the persistent belief in the 'subsistence affluence' of the Pacific, and the great resilience of Pacific Islanders to supplement their incomes and diets with subsistence agriculture, families still incur heavy cash-based costs. Many families are unable routinely to meet these costs due to low cash income levels. This makes them vulnerable in times of crisis. Being unable to make the required contributions potentially ostracises them from social circles and therefore pushes families to make sacrifices to make ends meet.

A study by Tayag, Pacific Financial Inclusion programme (PFIP) and ADB (2012)³¹ on the demand for insurance in Fiji, illustrates that people tend to rely on loans from financial institutions, family, friends and moneylenders to manage financial emergencies, such as unexpected funeral costs and to fulfil social obligations. These types of financial obligations significantly affect the ability of low and middle-income households to manage their budgets effectively, making them vulnerable to hardship and poverty.

Rapid urbanisation is also associated with market expansion.³² There has been significant internal migration, mostly from rural to urban areas, as people seek monetary income generating opportunities. As a result, poverty and inequality may rise in urban areas and poor suburban squatter settlements may be formed, as has occurred in Fiji, the Solomon Islands and PNG.

Meanwhile, as the traditional system gradually declines, its capacity to provide social protection and public services weakens, leaving a large gap for the state to fill. Due to lack of capacity and financial resources, as well as the challenging geographic characteristics of PICs, governments have generally failed to fill the gap. The low rankings of PICs in terms of their SPI reflect this. This is the case in rural areas and remote islands in particular, and, consequently, human poverty has increased in those areas even at low levels of income poverty.

2.2.4 Politics and Business

The political and business landscapes of the Pacific are closely intertwined. The positions of power and influence are largely filled by 'big men',³³ which is a remnant of traditional Pacific Island culture. 'Big men' have come to positions of power for many reasons throughout history. They may have been proficient hunters, warriors, orators and political organizers.³⁴ In today's society there are undoubtedly links between those who hold political power and those who have important business interests in the region. Recognising the potential conflicts of interest, many PICs developed leadership and ethics codes for politicians and senior officials, which require disclosure of their business interests.

However, it cannot be said that only people from chiefly families or people from families with higher socio-economic status get to these positions; and it does not necessarily transpire that such positions are always handed down through family connections. 'Big men' positions in society are won through competition and are continuously vied for. Such a culture is often perceived as 'clientelism' or 'corruption' by outsiders and perceived as an impediment to development.³⁵ But others³⁶ argue that a number of the values, norms and expectations of behaviour that shape the way such 'big men' act could be used to encourage positive development outcomes. Any proposed reforms should build on these contextual circumstances.

³¹ Tayag, PFIP & ADB (2012) *Microfinance in Fiji: An evaluation of demand for Insurance*, Suva, Fiji: Pacific Financial Inclusion Programme, UNDP Pacific Centre and the Pacific Private Sector Development Initiative, Asian Development Bank.

³² ADB (2012) *The State of Pacific Towns and Cities: Urbanization in ADBs Pacific Developing Member Countries*.

³³ The term 'big men' derived from a Melanesian perspective, but the general principles apply to the Matai system in Samoa, the Royal Household and nobility in Tonga and similar chiefly systems that exist in various forms in almost all other Pacific societies. The term is not designed to exclude women as a number of such 'big men' are indeed women.

³⁴ Duncan, R. (ed.) (2011) *The Political Economy of Economic Reform in the Pacific*, Asian Development Bank. p.151.

³⁵ Fukuyama (2007) *Observations on State-Building in the Western Pacific*. Washington, D.C.: School of Advanced International Studies, John Hopkins University.

³⁶ Duncan, R. (ed.) (2011) *The Political Economy of Economic Reform in the Pacific*, Asian Development Bank.

Grasping the motivation and the decision-making processes of Pacific leaders is important in understanding how and why some reform processes across the Pacific are successful, and why others are not. A significant proportion of current Pacific Island leaders grew up in pre-independence times and thus the norms and expectations that guide their actions are those of traditional Pacific political culture.³⁷

Resistance to cultural change is natural. However, a return to a fully traditional subsistence economy is not possible, particularly as the governments of PICs are committed to running schools, providing power, water and furnishing other services that Pacific Islanders now expect. Whatever the system, Pacific politicians and business leaders need to determine ways to ensure that schools, hospitals and social welfare systems can be supported by government budgets underpinned by sustainable levels of economic growth. This is leading both to the development of public-private partnerships for the provision of services and in many cases to complete privatisation.

2.3 Growth and Economic Performance in PICs

The low levels of economic growth and increasing levels of hardship and poverty being experienced in the smaller PICs can be attributed, to a great extent, to the adverse impacts of the global energy, financial and economic crises. Like most SIDS, the Pacific economies are very open and are heavily exposed to price fluctuations in international commodities, fuels and other manufactured consumption goods. This vulnerability is exacerbated by a narrow export base, reliance on tourism, remittances and gaps in social protection.

The impact of oil price fluctuations is particularly significant considering that fuel and food price trends are closely linked to transportation costs. Comparing selected countries in the Caribbean and Pacific regions, a large number of people live just above the poverty line. This implies that any shock to the economy can push them into extreme poverty.³⁸

Table 2.2 GDP Real Growth Rates in the Pacific

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Papua New Guinea (1998 constant)	-2.5	-0.0	2.0	4.4	0.6	3.9	2.3	7.2	6.6	6.0	7.4	11.1	9.8	5.5	6.0
Fiji (2005 constant)	-1.7	1.9	3.2	0.8	5.4	-1.3	1.9	-0.9	1.1	-1.3	0.1	1.9	2.2	2.8	2.4
Vanuatu (2006 constant)	5.9	-2.1	-5.0	4.3	4.0	5.3	8.5	5.2	6.5	3.3	1.6	1.4	2.0	3.2	3.4
Solomon Islands (1985 factor cost)	-14.2	-8.0	-2.8	6.5	8.0	5.0	6.1	10.7	7.2	-1.0	6.9	10.6	4.8	2.5	4.0
Melanesian Regional Average	-3.1	-2.1	-0.6	4.0	4.5	3.2	4.7	5.5	5.3	1.7	4.0	6.3	4.7	3.5	4.0
FSM (2004 constant)	4.5	1.7	0.5	1.8	-3.3	2.1	-0.2	-2.0	-2.5	0.9	2.5	2.1	1.4	1.0	1.5
Nauru (2007 constant)						-9.8	-20.3	-10.8	-	-18.6	-11.3	3.8	4.9	4.5	6.0
Kiribati (2006 constant)	5.3	0.7	0.6	4.0	3.2	-0.2	-4.5	7.5	2.8	-0.7	-0.5	3.3	2.5	2.0	2.3
Palau (2005 constant)		5.0	2.8	1.4	4.8	3.5	-1.5	0.7	-6.1	-4.6	-0.4	6.9	6.3	3.0	3.0
Marshall Island (2004 constant)	5.9	5.4	2.6	0.2	-0.0	2.6	1.9	3.2	-1.9	-1.5	5.6	0.8	1.9	2.3	1.5
Micronesian Regional Average	5.2	3.2	1.6	1.8	1.2	-0.4	-4.9	-0.3	-1.9	-4.9	-0.8	3.4	3.4	2.6	2.9
Cook Islands (2006 constant)	13.9	4.1	3.2	4.3	2.2	-1.1	5.0	-0.2	-3.5	1.0	-2.9	1.0	4.6	3.2	3.5
Samoa (2002 constant)	7.0	8.1	3.2	5.6	4.6	5.2	0.5	5.8	4.3	-5.1	0.1	2.3	1.2	0.9	2.0

³⁷ Duncan, R. (ed) (2011) The Political Economy of Economic Reform in the Pacific, Asian Development Bank, p.150.

³⁸ Santos-Paulino (2011) Fragility and Vulnerability in Small Island Developing States: Issues and Challenges, First Meeting of the Caribbean Development Round Table, ECLAC, UNCTAD, Port of Spain, p.6.

Tonga (2010/2011 constant)	-0.8	2.9	3.6	2.1	0.8	1.6	-1.1	-4.5	1.9	3.2	3.3	2.9	0.8	0.5	0.3
Tuvalu (2005 constant)		1.7	8.0	-3.3	-1.5	-3.9	1.9	6.4	11.6	-2.3	-1.4	-0.6	1.2	1.3	1.5
Polynesian Regional Average	6.7	4.2	4.5	2.2	1.5	0.5	1.6	1.9	3.6	-0.8	-0.2	1.4	2.0	1.5	1.8
Pacific Islands Regional Average	2.3	1.8	1.8	2.7	2.4	1.00	0.03	2.2	2.3	-1.6	0.8	3.7	3.4	2.5	2.9

Source: ADB Economic Outlook; Note: 2014 is a projection

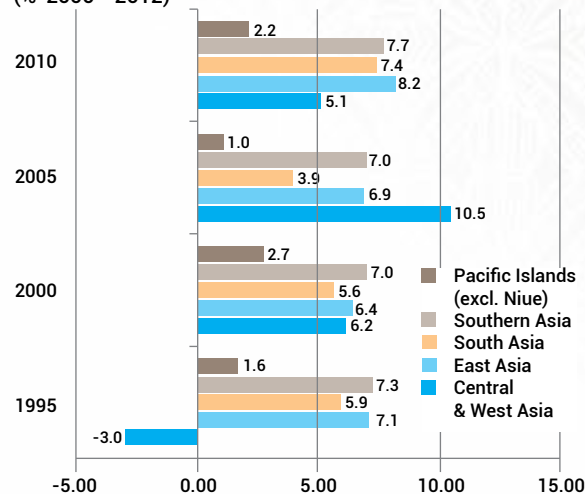
Economic growth rates (Table 2.2), in the smaller PICs (excluding resource-rich PNG) have been generally low, averaging only 1.5 percent per annum between 2008 and 2012,³⁹ which is barely above the average population growth rate.⁴⁰ The growth rate of real GDP was negative in more than half of the Pacific countries in 2009; and in 2010⁴¹ GDP growth became positive again in all the countries except Tonga. In 2011, GDP growth rates increased modestly. Slow economic recovery continued in a few PICs including Fiji, RMI, and Nauru, while growth is weakening in PNG, Vanuatu and Tonga. The economic boom in PNG appears to be slowing and the 2014 government budget has the largest deficit since the 1990s. Foreign investment in PNG declined during 2009 and 2010 for the first time in 15 years, but picked up again in 2011 and 2012.

High volatility of real GDP growth is often the hallmark of poorer countries, including SIDS. For most Caribbean and Pacific Island states, growth remains subdued, averaging less than 4 percent per annum.⁴² A study on the vulnerability of SIDS found that the coefficient of variations for SIDS trade relative to GDP for the period 1980 to 2007 was 10.23, compared with those for all developing countries (7.56) and the least developed countries group (8.80).⁴³ SIDS experience more frequent and severe growth collapses, which may be a result of the interaction of unequal income distribution and high trade specialisation in addition to lack of diversification and small size of the economy.

Economic volatility has significant impacts on poverty. Several studies⁴⁴ show that economic volatility affects vulnerable sections of the population mostly because they do not have adequate coping mechanisms. A lack of well-targeted social protection nets and programmes accentuate the problem. Hence, macroeconomic policies should aim not just at price stability (which is typical) but also at output and employment stabilisation, especially when shocks originate from the supply side.⁴⁵

Even when economic growth rates have been high, as in PNG, there have been few, if any, noticeable reductions in either poverty or inequality. Indeed across the region the most recent data indicates that poverty and inequality have been increasing, with particular impacts being felt on rural communities, where economic opportunities are least available.

Figure 2.6 Average Regional Real GDP Growth (%-2000 - 2012)



Source: ADB Economic outlook 2013 Updated and SPC database

³⁹ ADB Asian Development Outlook 2013.

⁴⁰ ADB (2013) Asia-Pacific Aspirations: Perspectives for a Post-2015 Development Agenda.

⁴¹ Ibid.

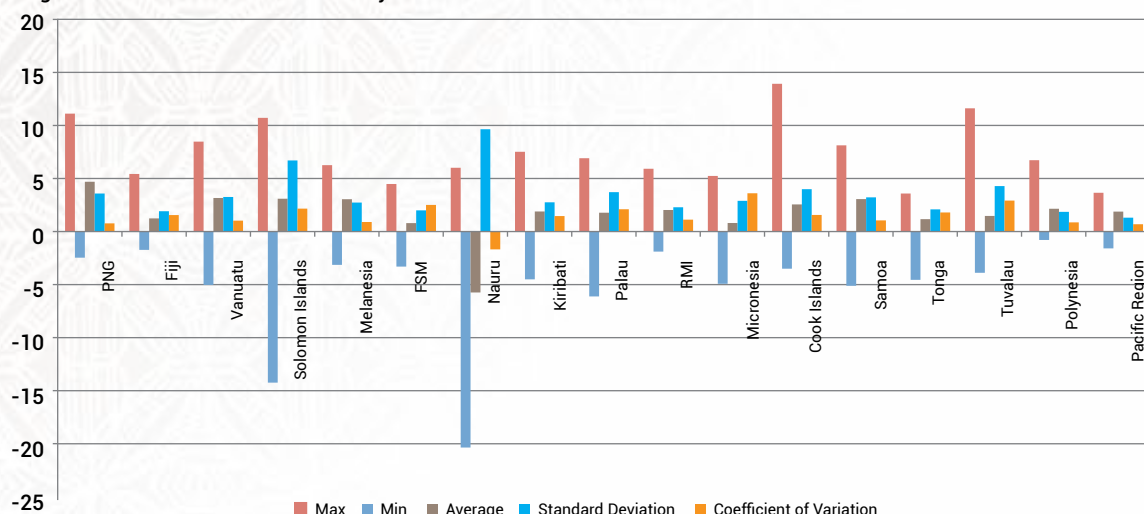
⁴² Santos-Paulino (2011) Fragility and Vulnerability in Small Island Developing States: Issues and Challenges, First Meeting of the Caribbean Development Round Table, ECLAC, UNCTAD, Port of Spain, p.4.

⁴³ McGillivray, Naudé & Santos-Paulino (2010) Vulnerability, Trade, Financial Flows and State Failure in Small Island Developing States, The Journal of Development Studies, 46(5), pp.815-827, p.818.

⁴⁴ For example see Naudé et. al. (2009) Vulnerability in Developing Countries, UNU Press, Tokyo and New York.

⁴⁵ Santos-Paulino (2011) Fragility and Vulnerability in Small Island Developing States: Issues and Challenges, First Meeting of the Caribbean Development Round Table, ECLAC, UNCTAD, Port of Spain, p.6.

Figure 2.7 Real Growth Rates Volatility Indicators



Source: Authors' calculations based on ADB Economic outlook database

Rural-urban migration tends to lead to reductions in commercial agriculture and a concentration of formal economic activity in the urban centres (see Box 2.6 for a Vanuatu case study). Another example can be provided by Samoa, where research has suggested that even a decade ago some 70 percent of GDP was being generated in the greater Apia area.⁴⁶ The migration of young people can become a vicious spiral. Reductions in economic opportunities encourage out-migration, which further reduces economic opportunities. It is perhaps little wonder then that many of those in the rural areas are migrating to urban centres in the hope that they will be able to participate more fully in the formal economic activity of the country. Additionally, traditional systems of social protection and redistribution are challenged by migration, as indicated in the example from PNG earlier.

Although high commodity prices and other external conditions have, to a large extent, had a negative impact on the economies of the PICs (PNG being the main exception), economic growth has also been constrained significantly by domestic factors. These have included political instability, poor macroeconomic management, corruption, poor governance, and a lack of will to implement much-needed public sector and public enterprise reforms.

It is clear that recent economic policies and growth strategies in PICs have not yielded the desired levels of economic growth, nor have they addressed issues of hardship, vulnerability or exclusion. Many countries are having difficulty balancing competing national priorities with severe resource constraints. Countries are struggling to enhance the effectiveness of limited, and in some cases diminishing aid resources. A much stronger pro-poor policy focus and commitment is required if progress is to be achieved in reducing the level of hardship and the extent of vulnerability.

Many such reforms, particularly those seeking to make the investment and regulatory environment more transparent for private sector growth and investment, would yield significant economic growth and poverty reducing gains at a minimum cost to the governments involved - both in terms of foregone revenues and up-front financial costs. Indeed governments would ultimately gain greater tax revenues from new investments and employment creation.

As discussed elsewhere in this report many PICs have sought and received very clear policy prescriptions to improve their business and investment environments.

Frequently though, political unwillingness to challenge vested interests, including the governments' own state-owned enterprises have stopped positive action from being taken.⁴⁷ Lack of action hinders the potential for higher levels of investment, growth and employment creation.

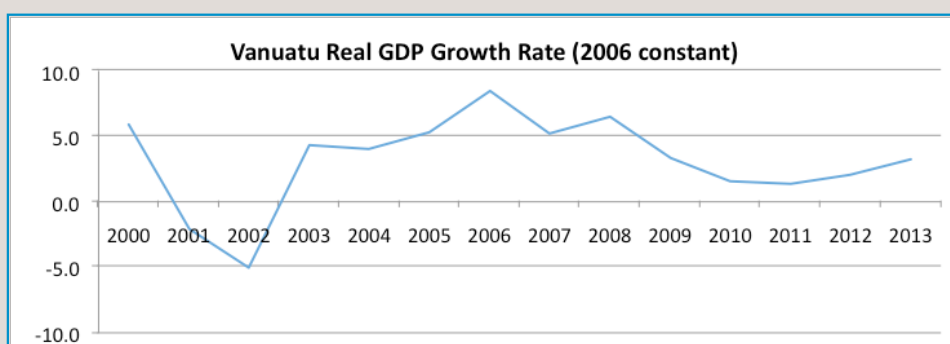
⁴⁶ Apia Urban Management Study, 2001, ADB, Working Paper 6.

⁴⁷ Across the region, governments are variously engaged in operating hotels, printing, building material and retail sales, travel agencies, communications, works and construction activities and all forms of utilities.

The causes of poor economic performance in the region provide the genesis not only for the development of better growth policies, but, more specifically for inclusive and pro-poor policies. Pro-poor policies would help those being increasingly left behind by the uneven distribution of growth. Thus, the future success of the region in achieving sustainable economic growth and improvements in human development, as well as reducing hardship, vulnerability and exclusion depends in large measure on more pro-poor focused policies. This means more employment and private-sector growth-oriented strategies being implemented with greater vigour and commitment. This new paradigm, based on the concept of 'green growth' in the 'blue-economy' of the Pacific, is discussed more fully in Chapter 6.

Box 2.6 Vanuatu's Economic Performance and its Impact on Social and Economic Exclusion

Vanuatu performed relatively well during the period 2003–2010, with an average real GDP growth rate of over 5 percent for four consecutive years (2005–2008). Unlike most of the Pacific region, Vanuatu maintained positive GDP growth during the peak of the global economic crises (2008 and 2009). This has translated into significant increases in real per capita incomes. The tourism and construction sectors were the primary drivers of this growth, but the growth was concentrated in the major urban areas of the country. Gross domestic capital formation averaged over 20 percent of GDP during the period from 2001 to 2011. This was the highest among all PICs. Even so, a possible lag effect of the global economic crises is now occurring in Vanuatu. Most economic indicators deteriorated in 2009, 2010 and 2011. Economic growth from 2006 to 2010 was associated with significant growth in government expenditure (8,973 million Vt in 2010, up from 6,733, 6,728 and 6,843 million Vt in 2004, 2005 and 2006, respectively).



Vanuatu's agriculture, forestry and fishery and manufacturing sectors did not perform well from 2002 to 2011. While there has been an increase in the share of GDP generated by the non-agricultural sectors, the agriculture, fishery and forestry sectors still employ about 61 percent of the total employed population (59 percent and 62 percent of employed males and females, respectively, according to the 2009 Census). Construction, which is relatively labour intensive, recorded the highest growth rates and contributed 5 percent of total employment in 2009 (9 percent of employed males and less than 1 percent of the employed females), and was mainly concentrated in Port Vila. The wholesale and retail trade sector, contributing 8.2 percent of total employment (6.7 percent and 10.2 percent of total males and females employed, respectively) also experienced solid growth during the same period.

These growth sectors provided enough increase in real income (equal or more than the 2006 PGI of 2.9 percent in Port Vila) to lift a small proportion of the population above the basic-needs poverty line. These were the households with per capita expenditure closest to and just below the line. This resulted in a reduction in the incidence of basic needs poverty in the urban centre of Port Vila. The poorer households remained below, but closer to, the basic needs poverty line, and experienced less severe poverty due to their share in economic growth and the increase in household production of food consumed.

Most of the reduction in poverty and the associated improvement in income distribution in the rural areas can be attributed to increasing government expenditure and internal (urban to rural), as well as external remittances. The stagnation of the agriculture, fishery and forestry sector led to poor performance of manufacturing, which relies mostly on agro-processing. This may have also contributed to the increase in poverty and inequality in Luganville, which relies on the agro-processing industries (mainly beef, timber and copra processing and coconut oil production). In addition, the migration from rural areas to the urban area of Luganville contributed to the increasing incidence of poverty there.

The sectors that drove the 2006–2010 growth, particularly construction, have slowed, while the traditional productive sectors continue to stagnate. GDP real growth rates fell to 1.6 percent (2010) and 1.4 percent (2011) but picked up in 2012 and 2013 to 2.0 percent and 3.2 percent, respectively. This compares to an average of over 5 percent annually over the 2006–2010 period. With a relatively high population growth, GDP per capita fell for the first time since 2002, by 0.8 percent (2010) and 0.9 percent (2011).

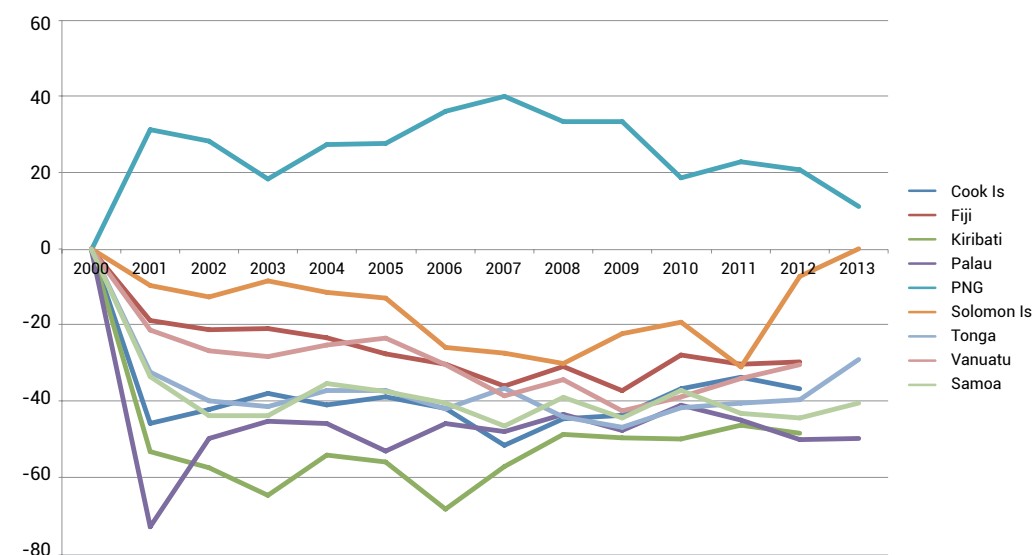
Source: Vanuatu National Poverty Report 2013

2.4 Open Economies and External Shocks

2.4.1 PICs Isolated but still Global

Although PICs often perceive themselves to be isolated from the global economy, in reality they are as fully integrated into the global economy as any other nation. The economies of PICs are very open as illustrated by the value of trade in goods and services relative to GDP. Furthermore, all PICs, with the exception of PNG due to exports of natural gas and minerals, suffer from persistent balance of trade deficits that amount in some cases to over 70 percent of GDP (Figure 2.8).

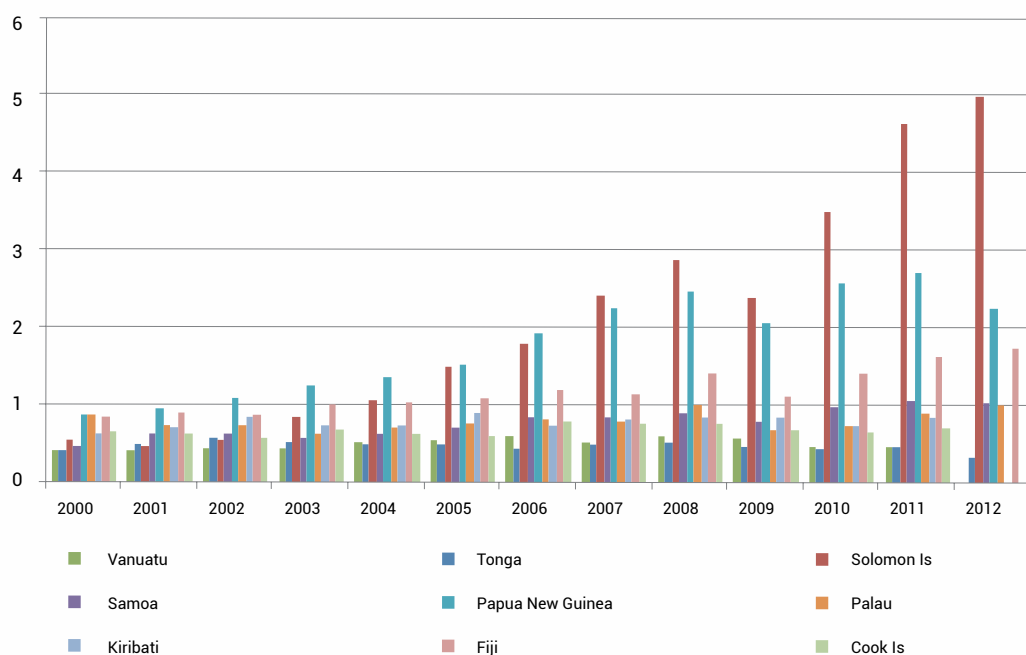
Figure 2.8 Balance of Trade as a Percentage of GDP (2000-2012)



Source: ADB Statistical Database System

PICs are also highly dependent on foreign aid, worker remittances, fishing licence fees, investment earnings and receipts from tourism, all of which are directly and closely linked to the global economy (Figure 2.9).

Figure 2.9 Ratio of Trade to GDP (2000-2012)



Source: ADB Statistical Database System

This leaves them susceptible to the impact of global economic cycles. Furthermore, most PICs are dependent on imported fossil fuel as their main source of energy. This is in addition to a growing dependency on imported food. Consequently, Pacific economies continue to face a wide range of economic and social policy challenges in the aftermath of the global economic and financial crisis. The frequency and intensity of natural disasters adds to these challenges.

2.4.2 Impacts of External Economic Shocks

The low and unstable rates of economic growth in most PICs, together with the tight budget conditions amongst the smaller and resource-poor countries, have been a serious constraint to improving levels of human development in the Pacific.

Many countries in the wider Asia/Pacific region, led by high economic growth rates in India and China, have made substantial progress in recent years towards achieving improved levels of human development. Poverty rates have been falling and the rate of MDG achievement has accelerated. Even so, many PICs appear to be falling behind and are struggling to achieve similar levels of improvement.⁴⁸

The impacts of the global economic and financial crisis and natural disasters have been felt across the economies of PICs at both the macroeconomic and microeconomic levels. Household incomes have been reduced as a consequence of low levels of agricultural exports, stagnant or weakening flows of traditional remittances and low rates of economic growth. Households have also been adversely affected by the rising prices of many food and non-food essentials, meaning household real incomes have declined.⁴⁹

Comparing the most recent two HIES, the change in weekly per capita expenditure of households in the lowest three expenditure deciles and the highest expenditure quintile is illustrated in Table 2.3. In Samoa, Tonga and Tuvalu, per capita expenditure of the poorest 30 percent of households in the rural areas of the three countries rose by less than their respective inflation rates. In contrast urban areas fared better with per capita expenditure increasing by more than the inflation rate. Only in Vanuatu did the estimated rate of rural hardship decline. Luganville was the only region in Vanuatu in which per capita expenditure rose by less than the inflation rate. This translates into an increasing degree of vulnerability and hardship.

These expenditure figures illustrate the increasing concentration of economic growth in the urban centres of these countries. They also elucidate the increasing levels of hardship and poverty being experienced in the rural areas of three of the four countries.

Table 2.3 Change in Average Weekly Expenditure

Samoa: 2002 - 2008			Tonga: 2001 - 2009			Tuvalu: 2004/05 - 2010			Vanuatu: 2006 - 2010		
Region	Lowest Three Deciles	Highest Quintile	Region	Lowest Three Deciles	Highest Quintile	Region	Lowest Three Deciles	Highest Quintile	Region	Lowest Three Deciles	Highest Quintile
National	56.5	73.6	National	54.2	66.6	National	6.8	98.2	National	62.3	23.6
Apia Urban Area	62.2	106.6	Nuku'alofa	88.0	90.1	Funafuti	26.8	101.0	Port Vila	44.9	-8.0
North-west Upolu	99.6	132.9	Rest of Tongatapu	61.2	61.2	Outer islands	-4.8	99.5	Luganville	10.8	-8.3
Rest of Upolu	16.8	6.6	Outer islands	37.9	54.7				Rural areas	81.7	34.2
Savaii	43.7	54.1									
Change in National CPI over period	50.0			86.9			19.5			16.6	

Source: National HIES and Poverty Reports

⁴⁸ ADB (2010) Achieving the Millennium Development Goals in an Era of Global Uncertainty: Asia-Pacific Regional Report 2009/10.

⁴⁹ Ibid.

At the macroeconomic level, government budgets in many of the smaller PICs have suffered as low rates of economic growth, low levels of domestic employment creation, and generally weak consumption expenditure have reduced taxation revenues from income, consumption, trade and profits (see Tables 2.2 GDP and 2.4 Fiscal Balances).

Budget deficits have widened as growth in the economies of the smaller PICs has stagnated. Although investment in infrastructure has boosted GDP in a number of countries, this investment has often been largely in administrative or social, rather than productive assets. Non-productive assets are likely to have high legacy costs that add to the fiscal burden and reduce resources available for wider service delivery. Tourism has recovered in some PICs and extractive industries continue to grow in countries such as PNG. However, agriculture and manufacturing have been declining steadily over the last five years in most Pacific countries. Agricultural and forestry exports declined significantly in 2010 and 2011.

Box 2.7 Picking Apples in New Zealand or Growing Taro in Samoa

Largely as a consequence of the high levels of emigration, the population growth rate in Samoa is 0.6 percent per annum, which is very low by regional standards. This has important implications for a wide range of policy areas including education and health, the labour force and employment. Recently, for example, the Minister for Agriculture, Hon. La Mamea Ropati, spoke about progress in the World Bank financed Samoa Agriculture Competitiveness Enhancement Project, saying: "The seasonal employment schemes in New Zealand and Australia have also taken a toll." Le Mamea said: "...many farmers have left the country for job opportunities in New Zealand and Australia because they offer better money. But this has resulted in limited people to work the plantations."

Source: Samoa Observer 4 March 2013

The impact of international food and commodity price rises, climate change and changes in demography, including the consequences of labour mobility, are all having profound effects on the likely long-term sustainability of some of the smallest PICs. The vulnerability of small isolated outer-island and remote rural communities is exacerbated if dependency ratios are high and there are few able-bodied young people to undertake the necessary work in the village or community environment. These issues therefore set very challenging policy agendas for human development and vulnerability in the Pacific Islands. The policy challenge is highlighted by the example of Samoa quoted in Box 2.7.

2.4.3 Economic Diversity

While all countries in the Pacific aspire to grow their economies, there are clear constraints beyond those of the political economy to achieving rapid economic expansion. SIDS in general face a number of common challenges and a greater risk of marginalisation from global economic activities than other developing countries. The problem results from their small size, remoteness from large markets, and vulnerability to economic and environmental shocks. SIDS are a very diverse group, and beyond economic difference there is wide cultural diversity.⁵⁰

Although strongly linked to the global economy, PICs are a special case in the international economic context, even compared to other SIDS, because of the serious limitations and vulnerabilities that they face (see Box 2.8). In 2006, a study tried to quantify the remoteness of PICs and found "the average Pacific island country is 11,500 km away from any other randomly selected country."⁵¹ The same study found that PICs are not only further away from major economies than other island states - such as those in the Caribbean - but they are also "much further away in terms of airfare-based measures of distance." All PICs are small by international standards, mostly with small and scattered populations.⁵² Few have exploitable natural resources; all are at a significant distance from international markets and are frequently affected by natural disasters. Such characteristics make traditional mechanisms of economic growth, such as export-orientated growth or substantial levels of import substitution, difficult and even unlikely in the smallest PICs.

⁵⁰ Santos-Paulino (2011) *Fragility and Vulnerability in Small Island Developing States: Issues and Challenges*, First Meeting of the Caribbean Development Round Table, ECLAC, UNCTAD, Port of Spain, p.2.

⁵¹ Gibson J, Nero K (2006) *Are Pacific Island Economies Growth Failures? Geo-political Assessments and Perspectives*. Pacifica Interactions project, Institute for Policy Studies, Victoria University of Wellington.

⁵² The only two PICs that do not have populations scattered over a number of islands are Nauru and Niue.

Box 2.8 Unique Characteristics of PICs: A Summary

- **All but one of the 14 Pacific Island countries have a small population of less than one million people and seven of those** nations are home to less than 100,000 people. With small populations, Pacific Island countries have a small domestic market for all goods and services. This limits opportunities for local production and means most island states are heavily reliant on imports. Pacific countries also tend to have higher per-capita public infrastructure and governance costs than more populous countries. Furthermore, many island states have a “very limited pool of specialised and competitive domestic human resources.”
- **Pacific Island countries lack economically significant land area.** While the Melanesian states of the south-west Pacific have quite large landmasses, most of their Micronesian and Polynesian counterparts do not. Solomon Islands for example has a total land area of 28,896 km², while Niue has 260 km², Tuvalu has 26 km², and Nauru has just 21 km². Indeed all of the Micronesian states put together have a landmass less than half that of Guadalcanal (where the Solomon Islands capital Honiara is located). The small size of most Pacific Island countries means they have a very narrow resource base, and consequently exhibit a small suite of potential exports. Many of these countries, however, do have large ocean territories. Kiribati, for example, has a combined land area of just over 800 km², but has claim to more than 3.5 million km² of ocean territory. This potentially gives these countries access to fishing and other underwater resources.
- **Pacific Island countries are distant from external markets, and in many cases have poor transport links with global commercial centres.** Not only are Pacific Island countries far from each other and the rest of the world geographically, many Pacific Islanders face isolation within their countries. People live across widely dispersed islands or in tropical highlands, poorly serviced by road infrastructure. Distance from markets, and consequent transportation costs, means that inputs for production are expensive and export sectors are reliant on limited shipping and airfreight services.
- **Pacific Island countries are uniquely vulnerable to natural disasters.** Strung out as they are across a warm tropical ocean, and along major tectonic plate lines, these countries “rank among the most vulnerable in the world to natural disasters.” In any given year the island states face cyclones, tsunamis, earthquakes, volcanic eruptions, flooding, landslides and droughts. The impact of natural disasters is particularly acute in small states. In Samoa, for example, a cyclone in 1991 caused damage to homes, crops and livelihoods that was measured to be the equivalent of 230 percent of the country's GDP. Samoa also experienced a devastating tsunami in 2009, which killed hundreds of people and caused more than US\$ 40 million in property and infrastructure damage. Recurring natural disasters have been particularly damaging for Samoa's export of traditional root crops. Climate-related disasters, particularly high-intensity cyclones, pose an increasing threat across the Pacific.

Taken together, the unique features of the economies of Pacific Island countries make it difficult for producers and business enterprises to participate competitively in international trade. The United Nations has recognised the trade-related challenges that beset small island states for decades. In 1994, the UN organized a global conference on Small Island Developing States (SIDS) in Barbados that acknowledged the unique vulnerability of small island economies; and, a twenty-year anniversary conference will be held in Samoa in 2014. In recent times, the World Bank has also acknowledged that “there is likely to be a permanent wedge between the cost of production in the Pacific and the world price in both manufacturing and services, making it difficult for the islands to compete in all but a few niche markets.”

Source: UNDP, WHO, UNOHCHR (forthcoming) *Trade and Human Rights in Pacific Island Countries*, Suva, Fiji.

Economic growth, as observed in most developed and developing countries in the world, is transformational in nature. During the growth process, an economy changes structure as it moves from predominantly rural agricultural production to urban industrial production, and then to the production of services. These structural changes are driven and influenced by several factors including the availability of natural resources; the degree of productivity of the factors of production employed by different sectors; income and price elasticity of demand for agricultural and manufactured goods and services; technology, and the degree of mobility of factors of production.

However, “most PICs are unlikely to industrialise to any great extent, and apart from tourism, may struggle to develop their service sectors as export earners”.⁵³ PICs are able to mitigate some of the costs of small size and distance by:

- improving transport links, implementing good telecommunications policies;
- reducing the cost of doing business through harmonization and simplification of regulatory regimes;
- improving infrastructure, and
- reducing the cost of some regional public services by strengthening regional cooperation and cost sharing across the region.

There are nevertheless opportunities for PICs to pursue import substitution through increasing domestic agricultural and fishery production and by encouraging greater consumption of domestic produce. This will only take countries so far and “for many PICs economic growth will have to come from other sources. Some will have access to rent opportunities – in tourism, fisheries, natural resources and geopolitical rents.”⁵⁴

⁵³ Pacific Island Forum Secretariat (2013) *Pacific Plan Review 2013*, p. 59.

⁵⁴ Pacific Island Forum Secretariat (2013) *Pacific Plan Review 2013*, p. 60.

Yet, even in these areas there are often large leakages, such that very little of the value added may remain in the PIC. This is particularly true where foreign investment is concerned and where profits, management fees and other related costs can be moved offshore. For example it has been estimated that globally for developing countries the leakages from tourism gross revenues can reduce value added in domestic economies by between 40 percent and 80 percent. Although comprehensive data is not available for PICs the factors applied in estimating value added in GDP estimates are thought to allow for leakages of around 40 percent to 60 percent.

Despite their commonalities in terms of isolated geography and small size, Pacific nations are surprisingly diverse in their individual economic structures. Most Pacific countries rely on a very narrow economic base, yet some are relatively more diverse, such as Fiji, PNG and Solomon Islands. Although their economies are very open, their levels of engagement across the different sectors of the global economy vary greatly. In general, the transmission mechanisms of the global economy to the developing economies of the Pacific are largely through the following:

- Global demand, commodity prices and export earnings from both commodities and manufactured items (PNG, Samoa, Solomon Islands, Fiji and Vanuatu).
- Climate variability (e.g. El Nino and La Nina events) affecting revenues from fishing licences (Kiribati, Tuvalu, RMI, FSM, Nauru, Fiji, Solomon Islands and PNG).
- International commodity prices with heavy reliance on imports of food, fuel and manufactured items making them subject to volatile exchange rates and commodity markets (all PICs except PNG).
- Fluctuations in the number of visitors/tourists as unemployment and uncertainty in source countries may discourage people from taking expensive overseas holidays (Cook Islands, Fiji, Samoa, Palau, Tonga, Vanuatu).
- Volatility in the value of private remittances from families living overseas who may themselves be experiencing unemployment and economic uncertainty (Samoa, Tonga, Kiribati, Tuvalu, Fiji).
- Demand and competition for temporary seasonal and contract workers, including seafarers, security staff, farm and care workers (Samoa, Tonga, Kiribati, Tuvalu, Solomon Islands, Fiji and Vanuatu).
- Volatility in interest rates and capital market values impacting internationally invested trust and sovereign wealth funds (Kiribati, Tuvalu, FSM, RMI, Palau).
- Generally weak fiscal situations that could be exacerbated by revenue losses from slower or negative economic growth (most PICs).
- Reliance on development assistance flows, which may be adversely affected as donor countries themselves experience tighter fiscal positions and electoral cycles that impact donor priorities (most PICs).

2.5 Vulnerability, Poverty and Monetisation

Along with the changing nature of politics, power structures and cultural and social norms in the Pacific, the nature of redistribution and reciprocity has changed significantly in recent times. Historically, 'subsistence affluence' afforded Pacific Islanders adequate resources and social protection. This was the basis for traditional modes of production, exchange and redistribution.

As PICs have embraced liberal, market-based economic models of development, the economies and societies of the Pacific have become increasingly monetised. The monetisation of Pacific economies has entailed a significant period of social change and transformation, and continues to create structural changes throughout the whole of society.⁵⁵

2.5.1 Monetisation

Fiscal policy and broader economic reforms are contributing to the increasing monetisation of Pacific Island economies and the consequent pressure on household finances. In many cases, economic reforms are contributing directly to the increasing levels of hardship and poverty that are being experienced by many households. The monetisation of traditional, subsistence-based societies inevitably brings with it changes that are often uncomfortable.⁵⁶ Increases in user charges for government services, particularly for health and education also place particular burdens on low-income households.⁵⁷

⁵⁵ Francis X. Hezel, S.J. (1992) "The Cruel Dilemma: Money Economies in the Pacific." *Journal of Pacific Theology*, Series II, No. 8: 11-2.

⁵⁶ For a detailed discussion of these influences, see "Kiribati: Monetisation of an Atoll Economy", 2002, Pacific Studies Series ADB, Manila.

⁵⁷ The ADB study of economic costs of water and sanitation on South Tarawa includes a recommendation that tariffs should be introduced that better reflect 'user pays' principles to ensure improved cost recovery in the delivery of water supply and sanitation services; this in an area where 1-in-5 households and 1-in-4 of the population fall below the basic-needs poverty line.

The result of this general trend towards greater monetisation is that now even families in the most remote rural or outer island villages have to find cash for everyday needs – be it for school fees, transportation, communications (especially mobile phone recharges), utilities, newly essential store goods, social obligations, or church/religious donations.

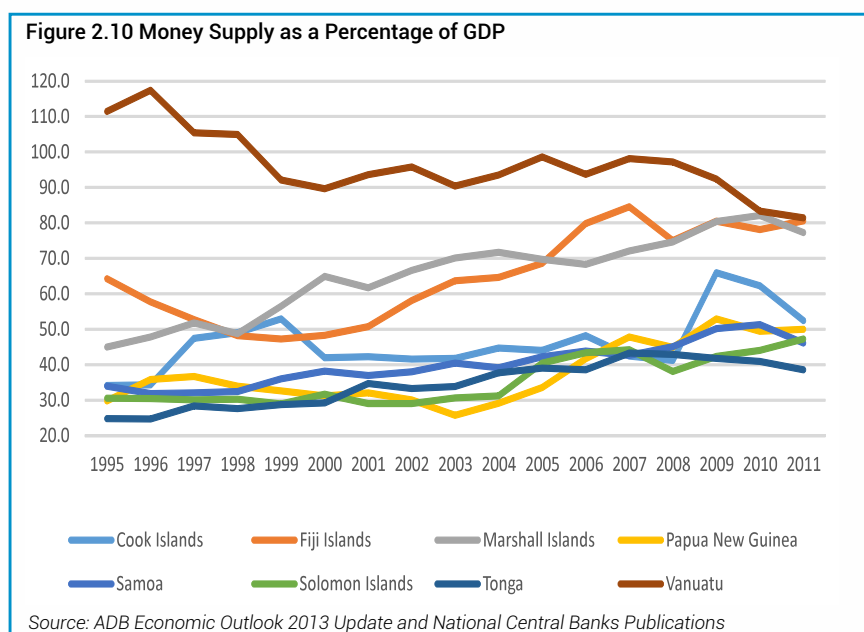
Where social obligations could once have been met with direct labour services, woven mats, traditional food, or other home-produced items, there is now a rising need to make cash or purchased contributions. Home-produced items from subsistence agriculture and fishing, as well as direct labour services, now have market determined monetary value that will be foregone if used as in-kind contributions to meet social obligations. As discussed above, all these add to the financial burdens on families and consequently to their need for economic opportunities.

In recognition that having access to additional cash places a sound financial management burden on recipients (as well as providing obvious benefits, especially where cash has not been readily available previously), building financial literacy skills and providing financial services to those who were previously not in the formal cash economy, is regarded as essential. This will help to ensure that the benefits of remittances are not wasted. The inclusion of financial literacy and entrepreneurship teaching in schools is another initiative that would assist young people to be better equipped for a monetised future.⁵⁸ In Fiji, financial literacy programmes are now compulsory for all students. See also Box 2.9 for a case study from PNG.

Even where education is nominally free, there are often additional costs now imposed by schools for books, materials, plus building and maintenance funds. These additional costs can often weigh heavily on the budgets of low-income households. In Samoa, for example, the 2008 HIES indicates that households in the lowest per capita expenditure quintile spent about 6 percent of their non-food budget on education, for those in the top quintile the proportion was about 1.8 percent.⁵⁹

Taxes and tariffs policies such as introduction of broad-based consumption (or value-added) taxes are regressive for low-income households, unless there are specific exemptions for basic foodstuffs and other 'essentials'. Where incomes are lowest and/or opportunities for employment or other income generation are limited, there will be a tendency to migrate to where opportunities are perceived to be greater. If this leads to rural depopulation, increasing dependency and a reduction in rural production or productivity, the situation becomes a self-perpetuating spiral.

The viability of servicing small, remote communities then poses additional challenges for governments. The provision of education and health services, law and order, transport and communications, as well as safe water supplies becomes extremely costly for the government and uneconomic for the private sector.



⁵⁸ UNDP continues to support programmes for financial inclusion and entrepreneurship development in schools.

⁵⁹ Samoa Poverty Report 2008, Samoa Bureau of Statistics.

The ratio of broad money supply (M2)⁶⁰ to GDP in selected PICs is shown in Figure 2.10. In many of the countries, notably Kiribati, RMI, Solomon Islands and Tonga, the ratio rose significantly in the period from 1995–2002. In Samoa, the ratio fell in the early 1990s as the economy was hit by the cyclones of 1990 and 1991, the taro blight of 1993, and the financial crisis of the national airline in 1994–95. However, in the period since 1995, the ratio has risen as economic and public sector reforms stimulated growth and remittance inflows increased. Solomon Islands saw a decline in this ratio during the tensions surrounding the turn of the 21st century, but the ratio has climbed steadily thanks to a comprehensive recovery programme.

Similarly, Fiji has experienced a decline in the ratio after the 2000 coup, but again the ratio increased as the economy recovered through 2006. Since 2009, expectedly, the slowing of economic growth and reductions in remittances has caused the ratios in many countries to destabilise or even decline. Nonetheless, the general upward trends provide a broad indication of the extent to which societies have become increasingly monetised.

The traditional flow of remittances into some countries are giving rise to what many of the respondents in the PAH termed as laziness or over-dependence on others. This 'easy money' was perceived by many to be a disincentive for young people to actively seek work. According to respondents, this is particularly the case in Kiribati, Samoa, Tonga, Tuvalu, and also Fiji, which is seeing increasing flows from Pacific Islanders working in the global security industry and other sectors (e.g. health).

Samoa and Tonga are two of the highest 10 recipient countries of remittances in the world, when these inflows are measured as a percentage equivalent of GDP.⁶¹ In Tonga and Tuvalu, remittances were equivalent to 48 percent and 38 percent of GDP in 2002 respectively. However with the impact of the global economic situation in 2012, remittances had declined to only about 20 percent of GDP in Tonga and to 7 percent in Tuvalu. Nevertheless, in both countries remittances remained one of the most important sources of foreign exchange revenues and a very important source of income for many families. Similarly in Kiribati and Samoa, in 2012, where remittances were equivalent to about 6 percent and 21.5 percent of GDP respectively. These figures were down from 12 percent of GDP for Kiribati (2001) and virtually unchanged for Samoa (2002).⁶² Remittances to Kiribati and Tuvalu are generated primarily from seafarers working on foreign merchant ships, and are therefore 'factor income' and contribute directly to Gross National Income in both these countries.

For Samoa and Tonga private transfers dominate remittances. These come mainly from family members. The demand for seafarers was badly affected by the slow-down in international trade during the global economic crisis and remittances declined alongside employment. In Samoa and Tonga remittances were adversely affected by the impact of the global situation on remitting family finances, which were often under pressure from unemployment and/or rising prices. The loss of remittance income to families in these countries had an adverse impact on the hardship situation. This has been reflected in the data from the most recent household surveys in all the countries.

Since 2007, the New Zealand Recognised Seasonal Employer Scheme (RSE) and, more recently, the Australian Pacific Worker Pilot Scheme and the US Temporary Worker Initiative, have provided new sources of remittances. Opportunities for regional employment and remittance generation have also been created through the Australian Pacific Technical College programme, as well as country-specific initiatives such as the Kiribati-Australia Nursing Initiative. So far, only the RSE has had a significant impact on employment opportunities. To mid-2013, a total of 7,456 workers had been recruited under this programme.⁶³ Of these, 83 percent (6,187) were from the PICs, with Vanuatu, Tonga and Samoa accounting for 90 percent of the PIC contingent. It has been estimated⁶⁴ that on average workers returning from a period under the RSE save/remit around NZ\$ 5,500 each. Therefore the RSE has contributed around NZ\$ 30 million in additional income for those families participating in the scheme.

⁶⁰ M2 money supply includes: cash and checking deposits (M1) in addition to 'near money', which includes savings deposits, money market mutual funds and other time deposits that are less liquid and, hence, not as suitable as exchange mediums but can be quickly and easily converted into cash or checking deposits.

⁶¹ McGillivray, Naudé & Santos-Paulino (2010) Vulnerability, Trade, Financial Flows and State Failure in Small Island Developing States, *The Journal of Development Studies*, 46(5), pp.815–827, p.820.

⁶² World Bank global database, access April 2014.

⁶³ NZ Ministry of Business, Industry & Employment, <<http://www.dol.govt.nz/initiatives/strategy/rse/information/arrival2012-2013.pdf>>, accessed April 10 2014.

⁶⁴ Development Impacts of Seasonal and Temporary Migration: A Review of Evidence from the Pacific and Southeast Asia; John Gibson, David McKenzie and Halahingano Rohorua, 2013, *Asia & the Pacific Policy Studies*, ANU Wiley.

Box 2.9 Financial Competency in Papua New Guinea

A recent study of the financial competency of low-income houses in Papua New Guinea by Sibley (2013) for the Pacific Financial Inclusion Programme (PFIP) illustrated that there is a deficit in financial competency when it comes to planning for retirement and old age. The most common expected form of financial support for respondents who are no longer working is support from children and family. However, 37 percent of households stated they struggled to meet regular expenses and 21 percent of households stated they were either falling behind with regular expenses or in serious financial difficulty.

Furthermore, of the PNG households with dependent children, approximately 54 percent stated that they had undertaken some form of activity to prepare for their children's future. This is low compared to Solomon Islands, Fiji and Samoa. When compared with HIES data, particularly surrounding the vulnerability of the elderly, the ability of the traditional social structures to support the elderly is drawn into question. There is reason to believe that government policies that encourage long-term saving for retirement and old age should be supported and developed.

Source: Sibley (2013) Financial competency of low-income households in Papua New Guinea, Suva, Fiji: Pacific Financial Inclusion Programme, UNDP Pacific Centre.

Significant demographic changes are being brought about by the need to access cash incomes. These changes are manifest in many outer island and rural areas where dependency ratios are rising as more elderly family members are being left to care for grandchildren when the younger generation move to the urban centres or overseas. The population pyramid charts for Tuvalu illustrate this very clearly (Figure 2.16). Similar patterns may be observed in Cook Islands, Palau and Tokelau and, to a lesser extent, in Kiribati, Fiji and Samoa; demographic change is discussed further in Chapter 3.

2.5.2 Not Everyone is a Loser from Globalisation

Many tend to blame the rising levels of poverty/hardship on increasing monetisation, globalisation and trade liberalisation. These are not of themselves the root causes. Rather they are the inevitable consequences of market-based development promoted by international agencies and desired by governments and people alike. They must be seen as presenting opportunities as well as challenges.

National strategies need to be developed to meet those challenges and to take advantage of those opportunities. Moreover, the reality is that the process of monetisation and globalisation is likely to continue at an accelerating pace. The Pacific region cannot escape. As Domingo (2004) has commented:⁶⁵ "Very soon, no corner of the world, no matter how remote, how backward, and how pristine, can remain as an isolated economic island. As economic, social, and political barriers and boundaries come down, the playing field will be further opened and levelled by powerful technologies that have become more available, accessible, affordable, installable, and portable."

The challenge for governments is to minimise the adverse impacts of global linkages on the poor and most disadvantaged and to maximise the positive benefits for the people and the PIC economies as a whole.

For PICs, although there are certainly both winners and losers, generally globalisation has played a positive role in many countries in the pre global economic crises period. For example, the various sovereign wealth and other trust funds in the region have benefited from the liberalisation of capital markets. Booming international trade has kept the market for Pacific seafarers reasonably buoyant. Tourism has been boosted by instability elsewhere in the world and has also benefitted from greater competition in Pacific air transport.

The creation of new employment opportunities in the global security industry, sports, care-giving and other temporary labour schemes are all part of the globalisation process. Indirectly, the economic growth, which has been generated by globalisation in development-partner countries, has enabled these partners to provide more development assistance to PICs. It has also enabled development partners to absorb more Pacific migrant workers, who subsequently remit significant portions of their income to their families back home. Hence, globalisation has helped to sustain remittance flows and has also resulted in an increase in tourism and family visit travel.

The past two decades have seen an accelerating trend of bilateral and regional trade agreements in the region. These agreements have further integrated PICs into the world economy, helped to liberalise their economies, and have reduced the prices of imported goods.

⁶⁵ Surviving Globalisation, Rene P Domingo, Professor Asian Institute of Management, Businessworldonline.com, Manila, Philippines, Monday, June 21, 2004.

Where major structural reforms have been made, there have usually also been additional foreign investment inflows, and increased exports.

With narrow resource bases and poorly performing economies, PICs are highly dependent on international trade for their development. Imported goods and services as a share of GDP are nearly twice as high in PICs as the rest of the world.⁶⁶ Over the last decade, many PICs have maintained a persistent trade deficit of over 50 percent of GDP. Over the region as a whole, trade deficits average around 25 percent of GDP. Imported foods constitute, on average, 20 percent to 30 percent of total imports in PICs.⁶⁷ These trade deficits are largely balanced by remittances, tourism, fishing licence fees and other economic rents, as well as development assistance flows.

This trend has had profound effects on some PICs, both positive and negative. The relation between trade, trade agreements and health and vulnerability is complex yet compelling. On the one hand, trade benefits can lead to economic growth and more government resources, including for health services. On the other hand, there can be profound changes to lifestyles. Trade and investment agreements can also increase the scope for transnational companies to influence local food environments and policymaking. This has been particularly true of the Pacific region.⁶⁸

Import and excise taxes, as well as consumption taxes on tobacco, alcohol and soft drinks have provided many PIC governments with a significant source of revenue. Pursuing health related objectives might therefore conflict with governments' budget objectives. The impact of changing diets on the health of Pacific Islanders is discussed in Chapter 4.

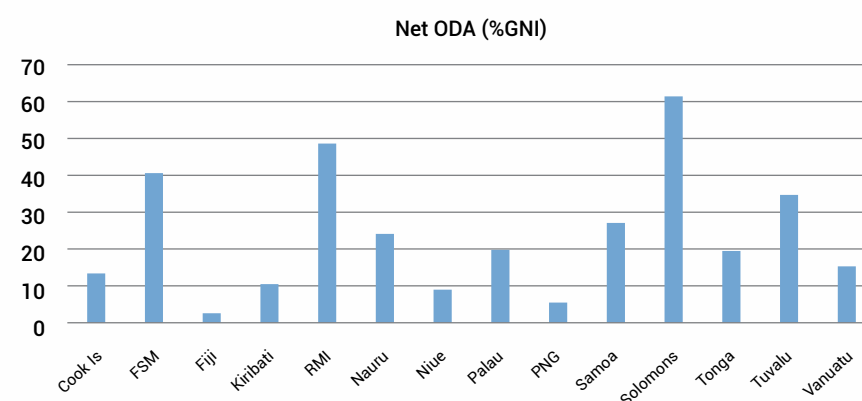
2.6 Growth Compositions and Economic Exclusion in the Pacific

Growth is a necessary, yet not a sufficient condition for development in general and poverty alleviation in particular. It is not uncommon for natural resource induced growth to fail to trickle down to the poorer segments of society. Similar trends have been observed in the Middle East, Africa and Latin America. Furthermore, growth in resource rich countries is often unbalanced and inequitable and associated with accelerated structural changes, such as booming

services and non-tradable sectors and declines in agriculture and industry. As a result, fast growth coupled with inequality lead to rising poverty, both in terms of incidence and depth. The rich in the top income quintile (constituting the largest share of total expenditure) bid up the prices of goods and services, creating a demand-pull inflation. In the absence of investment to enhance productive capacity to address supply constraints, imports rise rapidly increasing the pressure on the balance of payments.

Meanwhile, the fast decline of agricultural and industrial sectors redistributes income away from the segments of society that rely on employment in these sectors. A diminishing middle income class, as it slips under the poverty line, increases the severity of poverty at the lower income quintile and social exclusion are common features of this type of growth.

Figure 2.11 Share of ODA in GNI



Source: SPC online database (note: all figures are for 2010 with exception of Niue and Nauru are for 2009)

⁶⁶ World Bank Database. [<http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS>]

⁶⁷ Ibid.

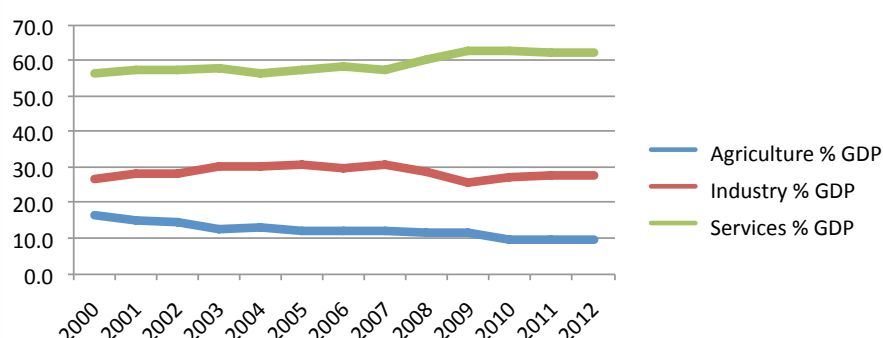
⁶⁸ Thow A.M, Heywood P, Schultz J, Quested C, Jan S, Colagiuri S. Trade and the Nutrition Transition: Strengthening Policy for Health in the Pacific. Ecology of Food and Nutrition 2011, 50:18–42. See also C-POND, SPC, UNDP, WHO. Trade, Trade Agreements and Non-communicable Diseases in the Pacific Islands. Intersections, Lessons Learned, Challenges And Way Forward, Workshop Report. 2013.

In the absence of deliberate government interventions, the benefits of economic growth tend to be distributed to the key drivers of growth. In the Pacific, growth is narrow based and primarily driven by foreign aid (Figure 2.11), remittances, services, particularly tourism, and in few cases extractive industries.

With the exception of Fiji, and to a lesser extent Samoa and Vanuatu, the manufacturing sector's contribution to GDP and its role in employment creation in the Pacific, is quite small (Figures 2.12, 2.13, 2.14). The industrial sector is often dominated by extractive industry, which is capital intensive and relies on foreign investments and expertise. Furthermore, its contribution to GDP is also very low, except in Nauru and PNG. Meanwhile, the share of services sector in GDP averages around 60 percent in most Pacific countries and in Palau and Cook Islands reaches over 80 percent of GDP. Tourism, which comprises most of the services sector in the Pacific is labour intensive and contributes significantly to employment creation. Even so, this is mostly concentrated in urban and coastal areas, which leads to geographic disparities in employment generation and, hence, income distribution. Vanuatu is a clear example of how the structure and composition of growth influence patterns of poverty and inequality, as explained in Box 2.6.

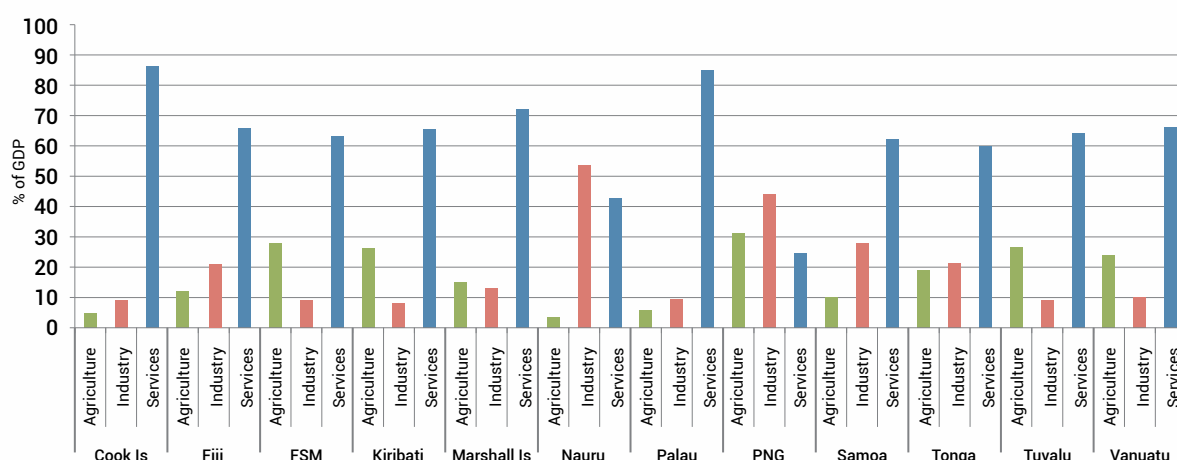
In Samoa and Fiji, as well as Vanuatu, the poverty map reflects to a great extent public and private investments flows and sector growth and concentration. In Samoa, the incidence of basic-needs poverty increased at the national level due to the significant increase in poverty in Savaii and most of Upolu during the period from 2002 to 2008. Meanwhile, basic-needs poverty declined during the same period in the urban areas of Apia and northwest of Upolu where tourism and construction, the key driving sectors of the Samoan economy, are concentrated.

Figure 2.12 Samoa - Economic Sectors as Percentage of GDP



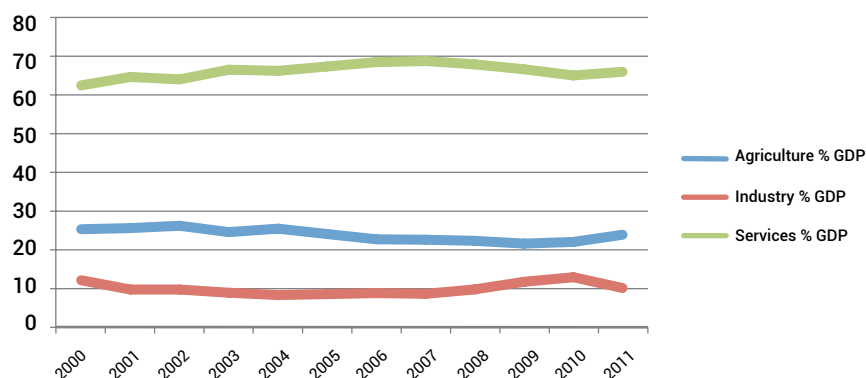
SOURCE: ADB Central Statistical Database. Accessed 7.2.14

Figure 2.13 The Shares of Economic Sectors in GDP (2011)



SOURCE: ADB Central Statistical Database. Accessed 7.2.14

Figure 2.14 Vanuatu - Sectors as a Percentage of GDP

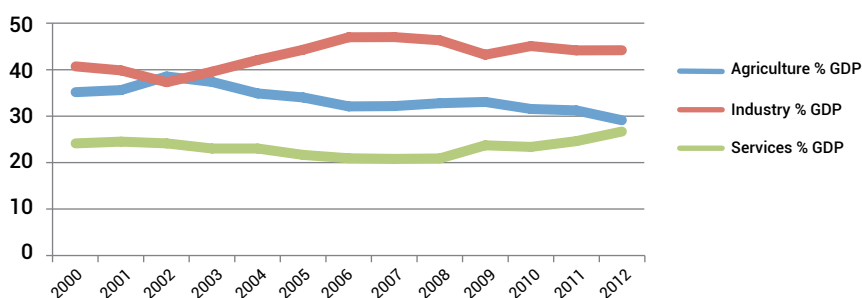


SOURCE: ADB Central Statistical Database. Accessed 7.2.14

In PNG, despite a booming economy, driven by extractive industry, income and human poverty persist and a majority of the population live in rural, isolated areas with little or no access to basic services, such as healthcare, education, sanitation and safe drinking water. The effects of the strong economic growth the country experienced over the last decade have not trickled down to the poorer segments of the population.

Accelerated structural changes and Dutch Disease symptoms led to the redistribution of the benefits of growth to non-tradable sectors and importers, rather than producers of tradable goods in the agricultural, manufacturing and services sectors. This, in turn, deepened the degree of inequality and increased geographic disparities in favour of urban centres, particularly Port Moresby. Moreover, foreign investors and contractors absorbed a large proportion of the benefits of the strong growth the country enjoyed over the last decade.

Figure 2.15 PNG - Sectors as a Percentage of GDP



Source: National Accounts, National Statistics Office of PNG.

The striking disparities between urban and rural incidences of income poverty in PNG mask deeper geographic disparities between urban and rural communities. For instance, the incidence of poverty is significantly higher in the highlands and remote and isolated islands even in comparison to other rural areas. The highest incidences of poverty are among people with no income-generating activities and the self-employed, particularly in the semi-subsistence agricultural sector and market vendors. This highlights the weak link between economic growth and income and employment generation. It is important to note that the poverty map and the characteristics of the poor in PNG have not changed much in the 2009 HIES, compared to 1996. This can also be attributed to the structure and composition of economic growth in the country as well as economic policies. Furthermore, during the period from 2007 to 2010 private sector employment growth slowed down and Liquefied Natural Gas (LNG) project picked up in 2011 and declined again in 2012 and 2013. The trend depicts the construction stages of the LNG project.

2.7 Fiscal Space

Weak fiscal situations and poorly defined budget priorities compound the economic challenges. Budget allocations are not necessarily responsive to the needs of the poorest and most disadvantaged. In the past, budgets have not often been directly linked to national development strategies. In recent years, though, increasing attention has been paid by a number of countries across the region to ensuring budget allocations are better aligned with such plans and strategies. The precarious state of government finances in the Pacific is illustrated in Table 2.4. In 2012, among the PICs, 10 had budget deficits and four of these had deficits greater than 2.5 percent of GDP. For many PICs, their primary sources of revenue are beyond their immediate policy influence or control. Fish licence revenues and income from investments are both uncertain and volatile (albeit these sources of revenue have been quite buoyant in the period 2011 through 2013). Low rates of economic growth are often the result, in part, of declines in foreign exchange income from remittances and tourism.

What is often overlooked is the fact that if domestic consumption expenditure is weak then revenues from consumption taxes will also be weak. Economic growth and increasing levels of domestic employment are key drivers of government revenues. If business profitability declines then corporate taxes will also fall, as will employment and income taxes.

It has also been argued⁶⁹ that declining governance standards are contributing to poor economic performance. At the very least it is clear that political instability and conflict has a negative impact on economic growth, for example in Solomon Islands. Simultaneously, increasing costs of providing healthcare and education services are also putting pressure on government budgets.

Table 2.4 Fiscal Balance of PIC Governments

Country	2008	2009	2010	2011	2012
Cook Islands	3.3	-2.2	0.2	0.7	-2.2
Fiji	0.5	-4.0	-2.1	-1.4	-1.6
Kiribati	-19.6	-12.8	-10.6	-14.2	-20.0
Marshall Islands	3.4	1.3	4.5	3.7	-1.1
Federated States of Micronesia	-1.7	1.6	0.5	0.6	1.2
Nauru	-10.1	0.3	6.0	0.6	-1.2
Palau	-3.7	-6.1	-1.4	-3.5	-3.2
Papua New Guinea	-2.2	0.6	0.7	2.3	-1.2
Samoa	-1.5	-3.1	-6.6	-5.3	-4.5
Solomon Islands	-6.1	-16.1	1.4	5.1	-1.9
Timor-Leste	207.7	170.8	191.6	242.1	136.9
Tonga	3.0	-0.9	-5.3	-7.4	-2.9
Tuvalu	-0.7	-3.1	-30.0	-4.6	7.6
Vanuatu	2.1	1.0	-2.0	-2.3	...
... = no data					

Source: ADB Asian Development Outlook 2013 Update

Those PICs with the deepest structural weaknesses, particularly in their fiscal positions, will find themselves being left further and further behind. Unless renewed policy action is taken with greater commitment to improve their structural economic performance, these countries will find it ever harder to adjust to the external situation. Box 7.1 includes case studies that illustrate how trade liberalisation in PICs has seen more efficient business (normally from larger island economies) displace producers in smaller states.⁷⁰ The longer it takes to implement the required structural adjustments, the greater the overall impact is likely to be. These generally low-cost but potentially high impact policy improvements include adjustments such as: reducing the costs of doing business; improving security of transactions; generally improving the quality of governance; and making a more private-sector-friendly business environment.

⁶⁹ For example in *Hardship and Poverty in the Pacific*, ADB, Nov 2004; & *Governance in the Pacific: Focus for Action 2005 - 09*, ADB 2005.

⁷⁰ UNDP, WHO and UNOHCHR (forthcoming) *Trade and Human Rights in Pacific Island Countries*, Suva, Fiji.

One other feature of the Pacific region is that while most countries have relatively small open economies, the majority also have a high debt to GDP ratio (see Table 2.5). External debt dominates total public debt. Given the heavy reliance of PICs on the external sector (for example, tourism, trade and remittances), external debt sustainability is highly vulnerable to external shocks and leaves the region exposed.

Table 2.5 Debt Levels of Selected PICs

Country	Total Public Debt (% GDP)	Year
Federated States of Micronesia	28.1*	2011
Fiji	54.2	2011
Kiribati	30	2009
Palau	35*	2006
Papua New Guinea	25	2011
Republic of the Marshall Islands	67.4*	2011
Samoa	49.3	2011
Solomon Islands	22	2011
Tonga	42.5	2012
Tuvalu	14.5	2011
Vanuatu	20	2011

*External debt
Source: IMF Article IV Country Reports, IMF Debt Sustainability Analysis Reports.

A high level of public debt weakens the government's ability to achieve its financial stability targets and affects macroeconomic stability. An increase in public debt implies higher debt servicing in the future, which suggests that funds could be allocated away from important development targets. The possibility of debt defaults may also affect a country's capacity to borrow further, possibly deterring potential investments. Yet, if public debt finances are channelled into productive uses, such as investments in infrastructure and education that are necessary for growth, then in the long run such debts may be justified as they will improve economic growth and enable debt repayment.

2.8 Land: A Vital Asset, yet a Continuing Liability Asset

Traditional economies in the Pacific are structured around customary or traditional land title, food gardens and small-scale cash crops (subsistence lifestyles), as well as village or community level structures of redistribution. These traditional economic and social structures have been remarkably resilient and have provided significant protection from economic vulnerability and hardship for many Pacific Islanders.

Customarily land falls outside the market domain and, hence, cannot be sold or used as collateral. This hinders its use and mobility as a factor of production and imposes restrictions on the utilisation of land for productive activities. Markets cannot perform effectively as the dominant system of production and distribution unless factors of production, such as land, can be allocated through the market system with a sufficient degree of flexibility and mobility. In normal market circumstances this will push the factors of production towards productive activities based on the supply and demand for different goods and services.

Most PICs have a mix of private (individually-owned or freehold) and communal or customary (group-owned) land.⁷¹ Land reforms have been undertaken with varying degrees of success. Clearly specified property rights have important equity benefits, particularly for women, the poor and the marginalised.

There is great diversity across the Pacific with regard to land. In some countries, private land is so scarce and so expensive that few can afford to buy it. Thus, those who have no access to communal land need to rent to gain access. In others, such as in Tonga, the Crown or the nobility owns the vast majority of land. Meanwhile, ordinary people can only hope to be allotted land to farm or on which to live.⁷² In liberal market economies, the private ownership of land, which can be used as security for credit,⁷³ is a basic tenet of the economic system.

⁷¹ Patrick D. Nunn (2012) Climate Change and Pacific Island Countries, Asia-Pacific Human Development Report Background Paper Series 2012/07, p. 8.

⁷² Ibid.

⁷³ De Soto, Hernando, 2001, The Mystery of Capital, Random House, London.

The very limited amount of private land available in many PICs is frequently identified as a key hindrance to the growth and development of those economies, (see Table 2.6). Indeed, this was clearly recognised by the people themselves during the participatory assessments on poverty and hardship - one of the most vulnerable groups in society were those identified as having only limited access to land. This group might include those who have moved into a village from elsewhere or those who have migrated to an urban centre where they might only have access to a very small plot of land.

The corollary of this is that those who do have access to traditional land are in many ways more protected against vulnerability, especially as regards to their food security and their potential to grow and sell produce for cash.

The diversity of the Pacific means that reforms to land tenure systems need to serve and protect the interests of all parties in each individual country. Thus, no single compromise or structure is universally appropriate or applicable. On the one hand, a rapid transformation towards a fully-fledged market economy, through fast and abrupt abolishment of customary land, is neither practical nor feasible (nor indeed is it desirable) and would be associated with immense social and political costs and risks. It would undermine social and political cohesion and further promote social and economic exclusion, poverty and food insecurity and could lead to conflict.

The transition from traditional economic structures to a monetised market-based economy involves the introduction of many social and economic reforms. The success of these reforms, including those relating to land ownership, privatisation of government owned enterprises, and labour markets is closely linked to having strong and supportive political leadership, being contextually specific and relevant, as well as having public support.⁷⁴ How the success of these reforms is measured is a highly political issue and one with mixed consequences for those who have relied on the land.

Strategies to promote growth, however, should take account of the dynamic and varied ways in which people from across the Pacific actually organize and lead their lives. Consequently, all economic reforms need to be based on a strong understanding of the changing political economy of the region. Land issues represent more than just an economic commodity or a factor of production. Land issues also encompass social, security, and political issues. Reforms should not attempt to alienate people from their land and heritage, but rather seek to ensure that customary landowners benefit fairly from the wealth generated from their lands. It is also important to ensure that the tenure structure is able to cope with the changing demographics of each country. Land tenure reform in the Pacific needs to be incremental because of the complexity of the social and political issues involved and to ensure that stakeholders have as much ownership as possible of the reform process.

The changing use and role of land in the Pacific is arguably at the centre of the changing political economy. On no other topic is the gap between 'what custom says' and 'what custom does' wider than in the area of land tenure.⁷⁵ The customary ownership of land is deeply embedded in Pacific cultures, and there is a need to reach a compromise between traditional and market-based land tenure systems, so that the needs of all parties are met.⁷⁶

Ideally, land titles need to be registered and systems need to be structured so that it is clear who can enter into land transactions; how land is to be inherited; how disputes are settled; and whether or not chiefs (or similar leaders) can represent their communities in land decisions.

On the other hand, the changes that have already occurred in PICs mean that the social and economic transition towards a market economy is both inevitable and largely irreversible. The market system is increasingly gaining dominance over economic, political and social life.

⁷⁴ Duncan, R. (ed) (2011) *The Political Economy of Economic Reform in the Pacific*, Asian Development Bank.

⁷⁵ Hughes, T. (1998) *A Different Kind of Voyage: Development and Dependence in the Pacific Islands*, Asian Development Bank Pacific Studies Series, p. 106.

⁷⁶ AusAID (2006) *Pacific 2020: Challenges and opportunities for growth*, p.81.

Table 2.6 Land Statistics in Selected PICs

Country	Land Area (sq. km)	Land Registered %	Custom Land Tenure%	State Land Tenure %	Freehold Land Tenure %
Cook Islands	240	Most	100	<1	0
FSM	700	Very Little	100	-	-
Fiji	18,272	Most	83	8	9
Kiribati	726	Most	-	66	-
Nauru	21	Most	-	-	-
Niue	259	-	-	-	-
Palau	487	>10%	-	70	-
PNG	462,000	Very Little	97	2	1
RMI	181	Little	Most customary		
Samoa	2,934	-	81	16	3
Solomon Islands	28,000	12%	95	-	-
Tonga	688	Most	-	-	-
Tuvalu	26	Most	-	-	-
Vanuatu	12,190	Very little	97	-	-

Note: In some cases the figures are indicative only and may involve simplification.

Source: SPC (2001) *Land Issues in the Pacific*, Forum Economic Ministers Meeting, Rarotonga, Cook Islands [Online] Available at: <http://www.forum-sec.org/resources/uploads/attachments/documents/FEMM%202001%20Land%20Issues.pdf>

Integration of Pacific economies into wider regional and global economies is moving ahead at a rapid pace. Therefore, "maintaining customary land systems in their current form will not meet the emerging needs, especially given the fast-changing demographics and aspirations of Pacific citizens."⁷⁷ It is unfortunate that many sensible land reforms, such as simple land registration systems, are opposed and often misrepresented by those with vested interests in the status quo.

The importance of ensuring that land is used as a productive resource is illustrated by the reversal of the iTaukei Land Trust Board (TLTB) policies on renewing land leases in Fiji. A total of 5,318 iTaukei land leases have recently been issued to tenants and farmers around Fiji.⁷⁸ This includes the renewal of 80 percent of expiring sugarcane farm leases. Prior to 2006, the renewal rate was running as low as 40 percent. This coincided with the expiry of the Agricultural Landlord and Tenant Act (ALTA) leases and the return of the land to the landowners.

Following the failure of landowners to utilise their land, which had often been left barren, TLTB reversed its policies on renewal. TLTB now promotes the renewal of leases recognising that land is an important commodity for socio-development in the local community and for the general economy of the country. The Board reported that its focus is on trying to attain an 85 percent of renewal of leases in 2014 to ensure more land is available for cane farming and other agricultural activities.

2.9 Migration: Benefits and Consequences

Migration and urbanisation have already been mentioned in earlier sections of this report. The economic and social consequences of the movement of people have profound impacts across all aspects of life in the Pacific. With the increasing number of overseas employment opportunities and the steady outmigration of people to join an ever-growing Pacific diaspora, this trend will likely continue. This section discusses in more detail the way in which these movements of people are impacting Pacific societies.

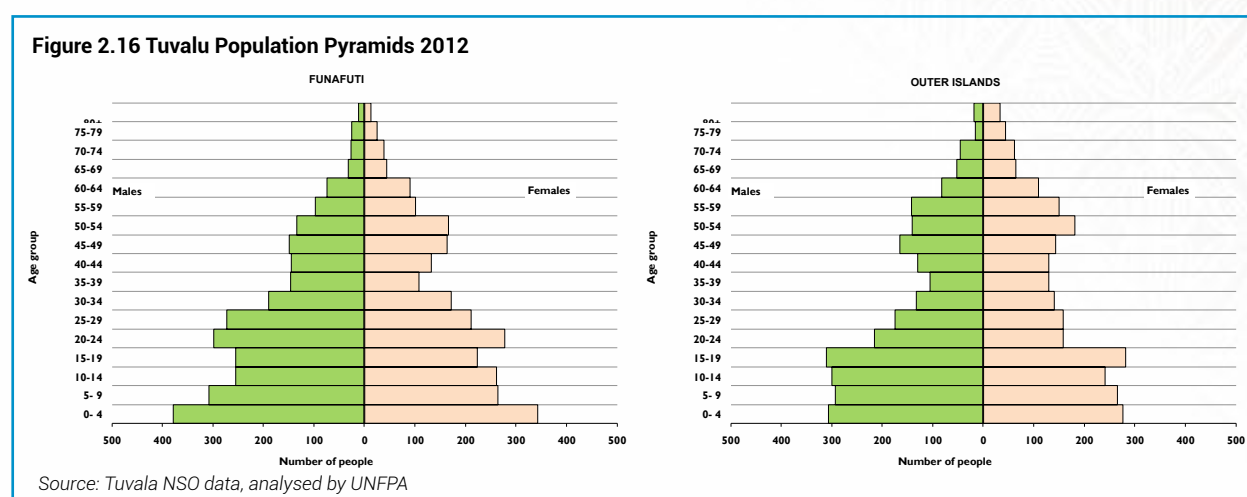
Urban drift, leading to higher levels of urban unemployment and growing numbers of people living in squatter settlements and sub-standard housing conditions, also results in a deteriorating social environment. Many of the poor live in low-quality housing without proper access to water, sanitation or other basic services. It is widely accepted that poor housing conditions lead to poor health, poor employment prospects, and poor education attainment. Children frequently miss school because of ill health, or because school fees have not been paid. Adults are often poorly educated and thus unable to get anything but the lowest-paid and often casual employment, if such employment is even available. The cycle of poverty and vulnerability is therefore perpetuated by urban drift.

⁷⁷ AusAID (2006) *Pacific 2020: Challenges and opportunities for growth*, p.82.

⁷⁸ iTaukei Land Trust Board, Committee for the Better Utilisation of Land, Labasa, 1 April 2014.

Increasing urbanisation is also placing ever-greater burdens on urban infrastructure, basic services and environmental health.⁷⁹ Greater resource allocation is necessary to meet the demands of urban areas. As a consequence, there is a growing inequity of access to basic services between urban and rural areas. This inequality leads to the desire to move to where services are perceived to be better. However, in the urban areas themselves there is a growing gap in service delivery between those in well-established parts of cities and those who are migrating to the fringes of urban areas and to squatter settlements.

Significant demographic changes are being brought about by the need to access cash incomes. These changes are manifest in many outer island and rural areas where dependency ratios are rising as more elderly family members are being left to care for grandchildren when the younger generation move to the urban centres or overseas. The population pyramids for Tuvalu illustrate this very clearly (Figure 2.16). Similar patterns can be observed in Cook Islands, Palau and Tokelau and, to a lesser extent, in Kiribati, Fiji and Samoa. Demographic change is discussed further in the Chapter 3.



Critical human development policy issues for many PICs are emerging in this area. These include: the lack of domestic employment opportunities and increasing youth unemployment (particularly in the Melanesian and some Micronesian countries); together with the growing numbers of people engaged in temporary labour mobility (both domestically and internationally). The increasing proportion of youth in the populations of many countries is weakening the overall social environment. The goal of decent work for all is therefore very relevant to PICs (see Box 2.10).

Box 2.10 What Prospects for Youth Employment?

The problem of youth unemployment is illustrated by the number of young people in each PIC estimated to be entering the labour force each year. Census data indicates that in Tonga and Kiribati around 2,500 young people enter the labour force each year. In Samoa the figure is around 4,500, while in Vanuatu and the Solomon Islands it is around 5,500 and 13,500 respectively. Available employment data from the various census, national provident fund records, and labour force surveys suggest that in the present economic climate only about one-fifth to one-quarter of these young people are likely to find employment in the formal sectors of their domestic economies. Education is key to employment prospects for these young people. A low level of educational attainment is a characteristic of those living in poverty and hardship.

Source: National Census Data and SPC population projections

The positive and negative impacts on vulnerable groups, such as the elderly, women and children and people with disabilities, who are left behind in both rural and urban environments, is adding to the complexity of modernising and monetising Pacific Island countries. This is also true in terms of meeting the needs of the most vulnerable. This is discussed further in Part Two of this report.

⁷⁹ Report Of The Fiji Informal Settlements Scoping Mission, Dr. John Mckinnon, Stuart Whitehead, Dr. Margaret Chung, Lesley Taylor, NZAID, May 2007.

PART 2 SOCIAL DIMENSIONS AND DRIVERS OF EXCLUSION



CHAPTER 3

Demographics, Age, Gender and Vulnerability

3.1 Population, Density and Urbanisation

The rapidly changing demographics of the region and health of its people are playing an increasing role in shaping and defining the extent of poverty, vulnerability and exclusion. Most countries in the Pacific have very small populations, and even the largest countries have small populations by global standards (Table 3.1).

Three countries, PNG, Fiji and the Solomon Islands together account for approximately 90 percent of the total population of all 15 PICs. Six of the PICs have populations of less than 20,000 people. Population growth rates also vary widely. In the Cook Islands for example the population has been declining over a long period. In contrast Solomon Islands, Vanuatu, Kiribati and PNG all have high population growth rates of over 2 percent per annum. In other countries that have a history of outmigration population growth rates are low, e.g. in Tuvalu, Samoa, Tonga, Fiji and the countries of the north Pacific. One consequence of this will be that if current population growth rates are maintained, the population of Solomon Islands will surpass that of Fiji in about 2035.

Small and frequently isolated populations present many logistical challenges for both governments and the private sector. In the primarily atoll-based and other very-small island states of the region (Kiribati, Tuvalu, RMI, FSM, Cook Islands, Nauru, Tokelau, Tonga and Niue) communities are frequently separated by long open-water distances from their nearest neighbours in their own countries, or from nearby neighbouring countries. In the larger countries, primarily in Melanesia, communities are separated both by water and by over-land inaccessibility.

Table 3.1 Estimated PICs Population Sizes

Country	Population size ('000)
PNG	7,578.2
Fiji	847.6
Solomon Islands	611.5
Vanuatu	271.1
FSM	102.8
Kiribati	111.2
Marshall Islands	53.8
Nauru	10.6
Palau	17.7
Cook Islands	15.0
Niue	1.6
Samoa	190.7
Tokelau	1.2
Tonga	104.2
Tuvalu	11.0
TOTAL	9,937.2

Source: UNFPA -PSRO estimates

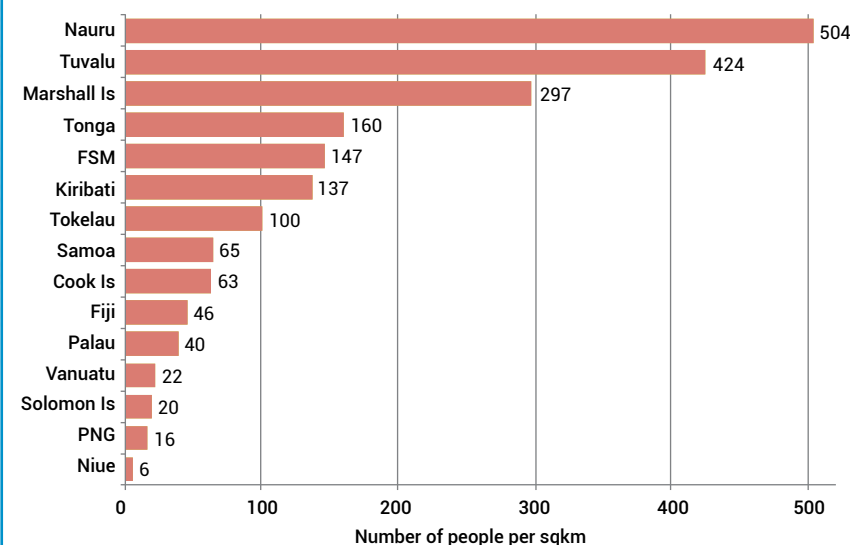
However, despite low population numbers, there are many places in the region that have very high population densities (Figure 3.1). These are primarily the urban centres of the smallest states where rural-to-urban migration has created relatively large squatter-type settlements. Ebeye in RMI is an example, as are South Tarawa in Kiribati and Funafuti in Tuvalu. In fragile atoll environments such as these, high population densities challenge water supply systems, sanitation, and solid waste management and present serious environmental and health risks.

In recent years Fiji has seen a significant increase in the size of its squatter settlements in the urban and peri-urban areas of Suva, Nadi and Lautoka in particular. Many of these squatters originate from their semi-forced relocation from lands leased under the Agriculture Landlord and Tenant Act (ALTA), where they had farmed often for many generations. In many of these over-crowded urban centres the problems of hardship, poverty,

vulnerability and exclusion are worsened by the often weaker family-support systems that exist in such environments. At the same time, vulnerability and exclusion may become inherent in the rural area and outer island areas where dependency ratios increase as the young people leave.

On a more positive note, however, it is often in these squatter settlements that informal enterprises thrive and foster the entrepreneurial energy that is often lacking where the hand of government regulation dampens the spirits of those in the formal sectors.

Figure 3.1 Population Density



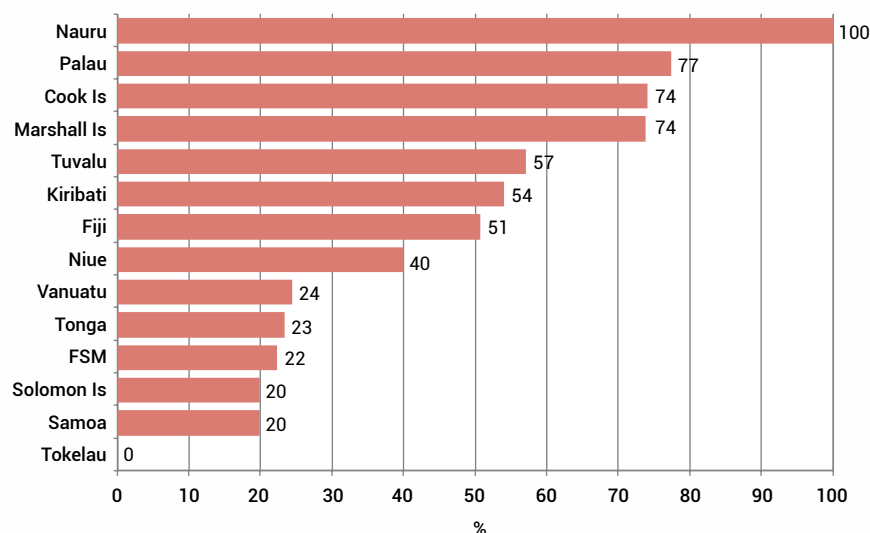
Source: UNFPA-PSRO estimates

3.1.1 Migration

As discussed above, migration has always been a traditional way of life for Pacific Islanders. Present-day migration affects both the growth rate and distribution of Pacific populations. The modern-day dimensions of this include urbanisation, internal migration from the outer islands or rural areas to the urban centres; and migration overseas for temporary work or for permanent migration to join the Pacific diaspora.

The internal migration that is occurring in most Melanesian and Polynesian countries results in urban population growth being much higher than that of the rural population. Most Micronesian countries already have high percentages of their population living in urban areas (Figure 3.2).

Figure 3.2 Proportion of Population Living in Urban Areas

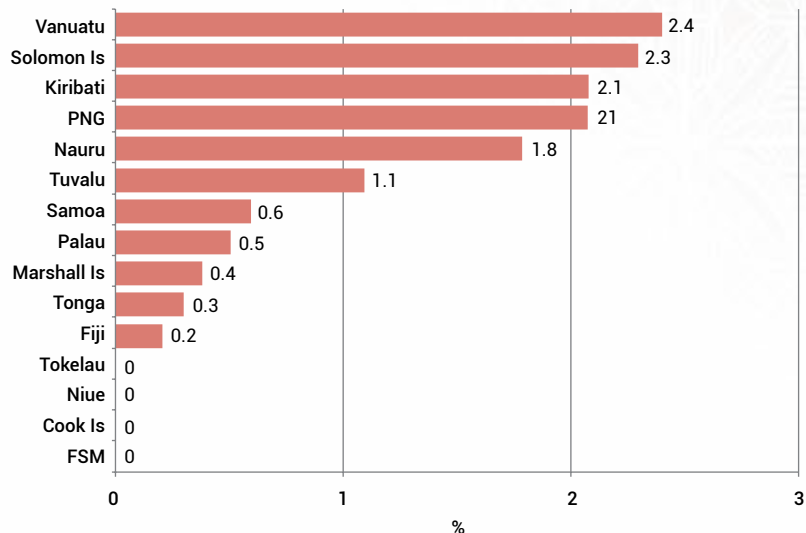


Source: UNFPA-PSRO estimates

International migration is keeping overall population growth in the Pacific relatively low (Figure 3.3). In fact, many of the smaller Pacific countries are concerned about the steady outflow of their population to places such as Australia, New Zealand and the USA (Figure 3.4). It is estimated that in total about 16,000 Pacific Islanders leave their home countries every year. In this context, the migrants are typically of working age and tend to be more skilled. While remittances support family members, on the downside traditional social support mechanisms are threatened and there are opportunity costs to local production. Samoa provides a case study of the demographic impact of out-migration (see Box 3.1). The population pyramids of Tuvalu illustrated above (Figure 2.16) combine the indicators of rural-to-urban migration and the

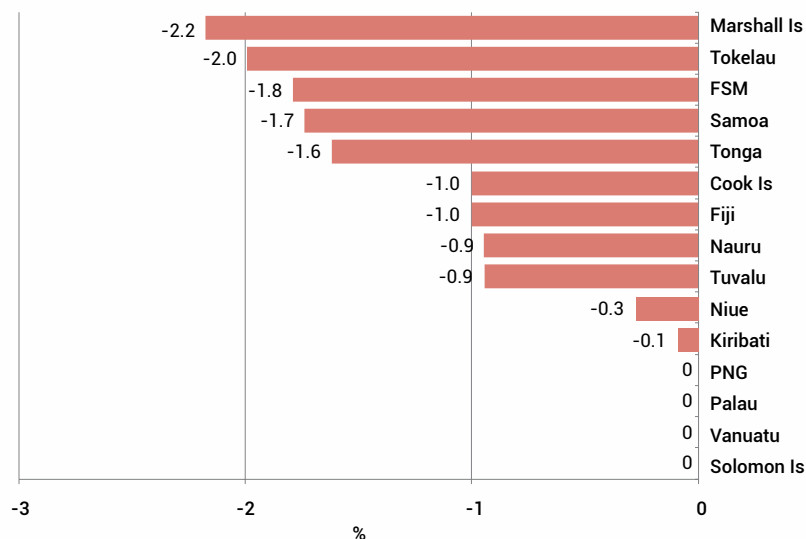
overseas migration that are now common to many countries, and are becoming so even to those that have traditionally not been highly migratory in their outlooks.

Figure 3.3 Annual Rate of Population Growth



Source: UNFPA-PSRO estimates

Figure 3.4 Net Rate of Migration



Source: UNFPA-PSRO estimates

Box 3.1 Migration and the Population of Samoa

Emigration, particularly to New Zealand, has had a major impact on the population of Samoa. Many young Samoans leave for education and work, or to simply join their families. Others are selected under the Samoan Quota Scheme, which provides for up to 1,100 Samoans to be granted residence in New Zealand each year. An analysis of the 1976 and 2011 census data suggests that emigration can amount to around 50 percent of each age cohort by the time members reach their late 30s.

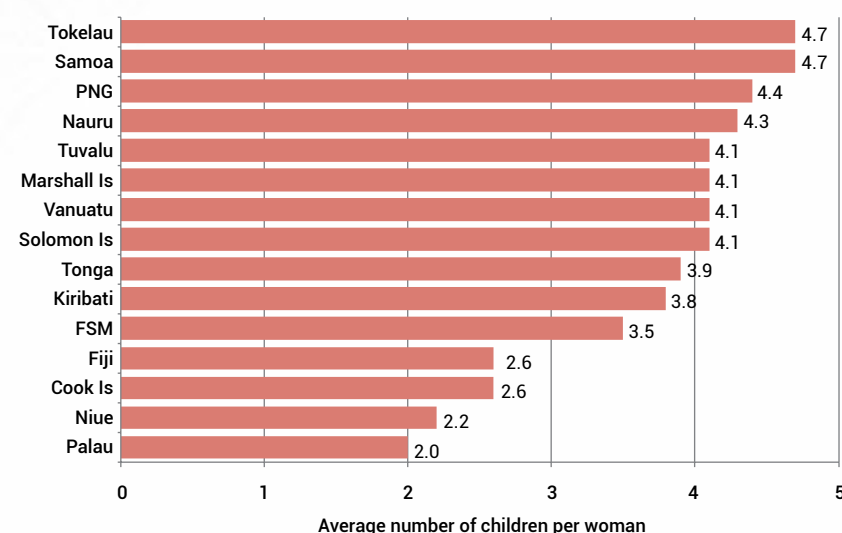
For example, people born between 1972 and 1976 would have been aged between 35 and 39 at the 2011 census. In 1976, there were 24,646 children aged between 0 and 4 living in Samoa. Taking into account the estimated number of natural deaths expected from birth to that age in Samoa, it is estimated that there should have been a population of about 23,300 aged between 35 and 39 at the 2011 census. In fact there were only 10,877 persons recorded in the 35-39 year cohort in the 2011 census, this suggests that around half of the people in the 35-39 age cohort had migrated. Proportionate migration estimates can also be seen from subsequent cohorts in the 1981 and 1986 census suggesting that this is a stable pattern of migration.

Sources: 1976 & 2011 Census of Population, Samoa Bureau of Statistics.

3.1.2 Fertility and Mortality

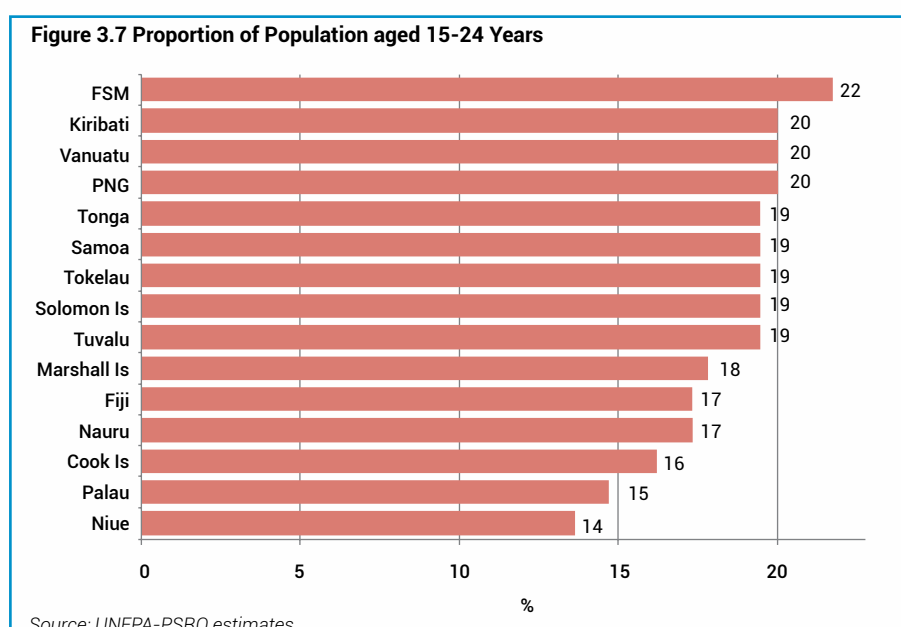
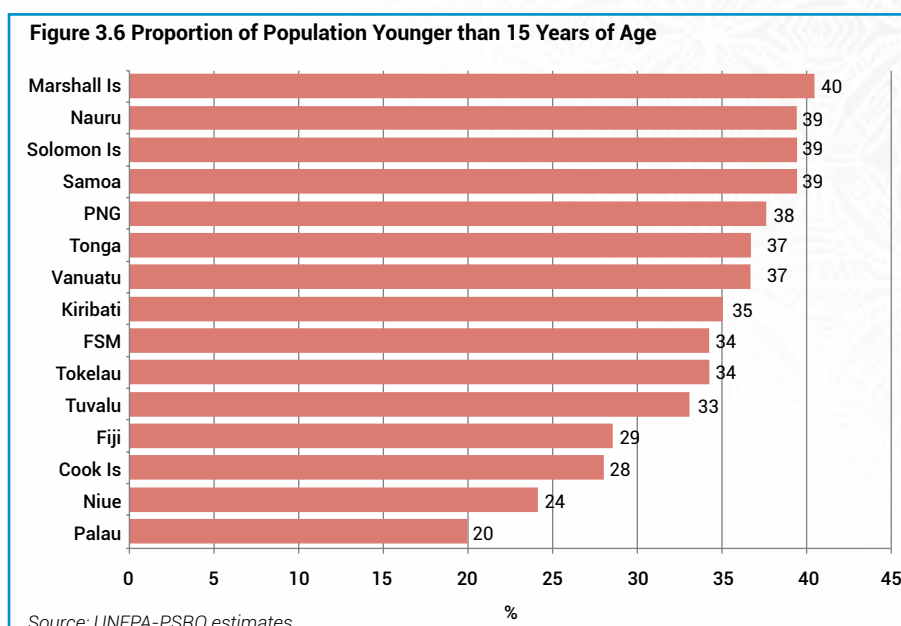
While fertility rates in the Pacific have declined over several decades, they remain relatively high in most Pacific populations (Figure 3.5). A lack of awareness and unmet needs for family planning remains an issue, especially among the young and disadvantaged. Indeed, there are signs that the recent declines in fertility-rates are now levelling-off at around four children per woman. Some analysts believe that this is inspired by the prospects for old-age care. Parents plan that two children will migrate (to send remittances), and two will stay back to take care of their elders.

Figure 3.5 Total Fertility Rate



Source: National population and housing census reports, latest available year

The continued high fertility rates in many PICs results in large numbers and a high proportion of young people in the population who require education and job opportunities (Figures 3.6 and 3.7). Since the rate of job creation does not match the demand, undesirable consequences such as crime and social unrest are often emerge. This is already evident in many countries, especially amongst the Melanesian countries, where overseas migration opportunities are more limited than in Polynesia and Micronesia.



The high adolescent (teenage) fertility rates⁸⁰ and incidence of sexually transmitted infections (STIs) evident in many PICs may be linked to higher poverty and vulnerability through poor education attainment and unemployment (Figure 3.8). The adolescent fertility rate is an indicator of vulnerability in that motherhood at a very young age entails a higher-than-average risk of maternal mortality; and the children of young mothers tend to have higher levels of morbidity and mortality. Because adolescents are physiologically and socially immature, health risks associated with pregnancies and childbearing at a young age tend to be more pronounced than are those among older women.

As well as facing increased risks during pregnancy and childbirth, adolescent women tend to have less information and access to prenatal, delivery and postpartum care as compared with older women. According to United Nations Population Fund (UNFPA),⁸¹ the highest levels of teenage pregnancy are found in the urban centres of RMI (85 per 1,000 teenage girls in the community), Nauru, Vanuatu, PNG and Solomon Islands (all between 60-80 teenage pregnancies per 1,000 girls in the respective populations).

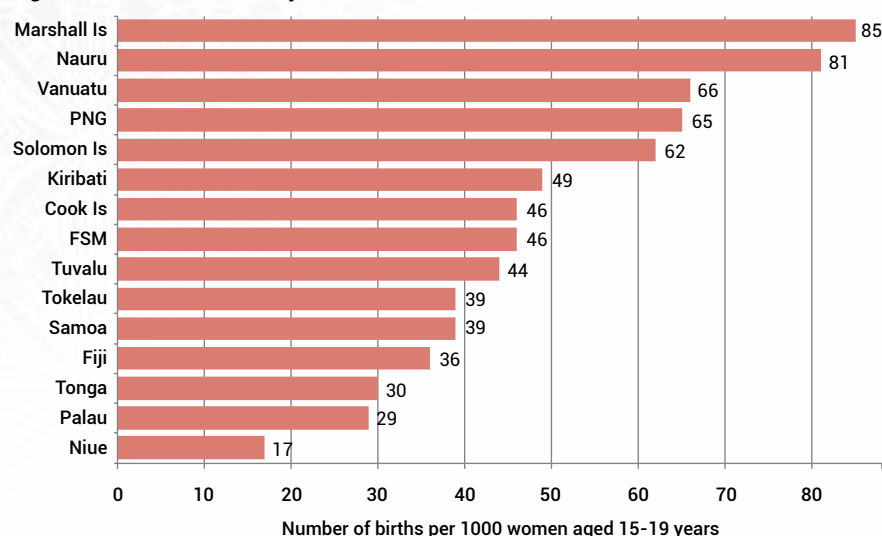
⁸⁰ The Adolescent (or Teenage) Fertility Rate is defined as the number of births per 1000 women aged 15-19 years of age.

⁸¹ UNFPA Pacific Director, Dr Laurent Zessler, quoted on Radio Australia's Pacific Beat, 24 April 2014.

These urban centres are noted as high-risk locations where there has been a high level of in-migration and consequently traditional social protection structures are often weak.

UNFPA also noted that young women could be stigmatised when they become pregnant. Further, if pregnancy occurs at a very young age, this could sometimes lead to abandonment of the child. Emphasis was put on the need for teenage girls to be better educated about reproductive health to stem high rates of pregnancies. It was also necessary to make sure that at the school level and at the college level young women have comprehensive sexuality education. It is also important that in the classroom, professors and teachers explain to them about biology and about reproductive health, so they are fully informed. Unmarried teenage or adolescent mothers were recognised in the PAH as being particularly vulnerable and likely to experience exclusion.

Figure 3.8 Adolescent Fertility Rate

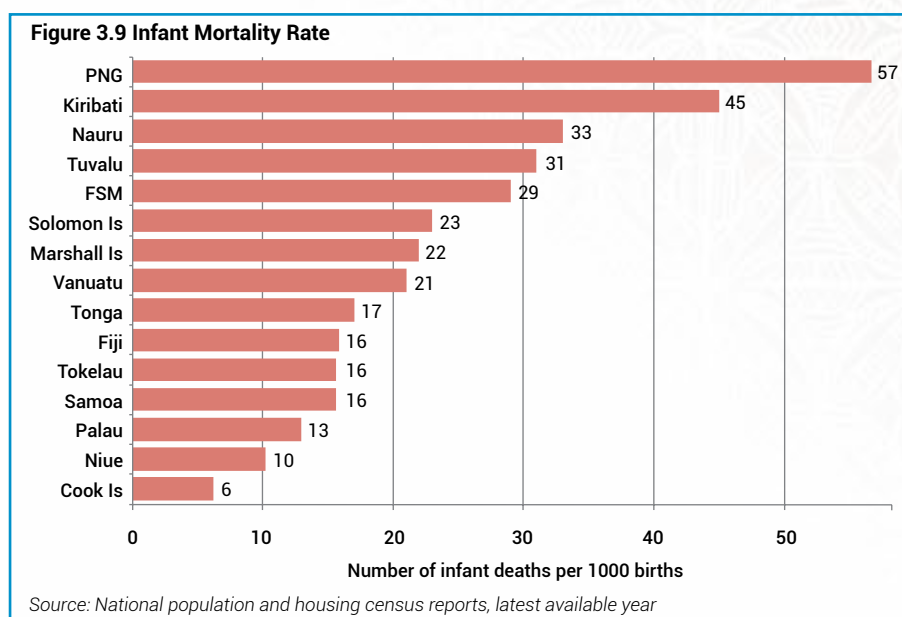


Source: National population and housing census reports, latest available year

The Infant Mortality Rate⁸² (IMR) is a widely used indicator of general health and well being (Figure 3.9). The mortality rate of infants is primarily influenced by factors that affect the health of entire populations. These include: poor nutrition; diet and the general health of women; poverty levels; and the resources allocated to primary health care. Common causes of infant deaths include babies born prematurely and/or with a serious birth defect. Such children are more susceptible to infections and Sudden Infant Death Syndrome. These conditions may be the result of pregnancy complications, or as a result of injuries. In general, high infant mortality rates are also a reflection of poor reproductive health care systems. Kiribati, which has a high IMR, exhibits many of these causal factors.

Measures that should be undertaken to reduce infant mortality rates include improving primary healthcare programmes and emergency obstetric care to decrease neo-natal mortality, while also expanding immunisation programmes.

⁸² Infant mortality is defined as the death of a baby before his or her first birthday, the infant mortality rate is estimated as the number of infant deaths for every 1,000 live births.



The life expectancy at birth is the average number of years a newborn baby can expect to live (Figure 3.10). The adult mortality rate is the probability of dying between the ages of 15 and 60 years of age; or in other words the percentage of 15 year olds who die before their 60th birthday (Figure 3.11). These measures are inversely related to each other, and are derived from a life table, which in turn, is calculated based on the number of registered or estimated number of deaths by age.

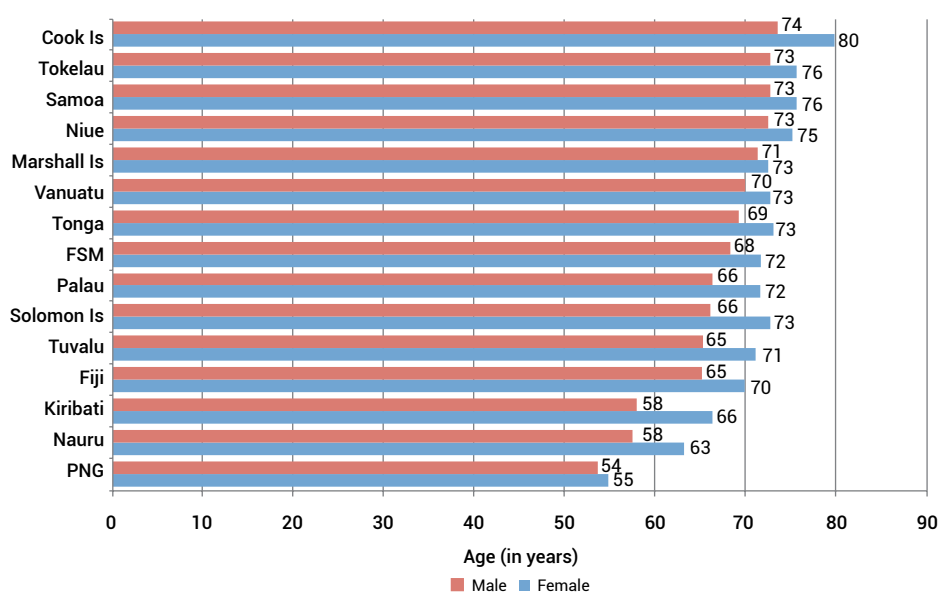
Life expectancy at birth is possibly one of the most important development indicators. It provides a simple measure of the overall health status of a population. Higher life expectancy and lower adult mortality rates indicate that healthier people are living longer lives. Life expectancies in the Pacific (Table 3.2) compare with 78.8 and 82.7 years for males and females in New Zealand and 79.3 and 83.9 years in Australia. Therefore, an average person in New Zealand or Australia can be expected to live about 10 years longer than a person in Vanuatu, and about 20 years longer than a person in Nauru or Kiribati.

The low life expectancy at birth in Nauru and Kiribati is linked to both the high infant mortality rates, and high adult mortality rates in these two countries. These are in turn linked to the high rates of NCDs, and high levels of tobacco and alcohol consumption. The generally high rates of hardship and poverty and overcrowded urban environments in Nauru and Kiribati exacerbate the health risks. Throughout the Pacific there are growing indications that general health standards are under threat from these conditions. Health issues linked to vulnerability and exclusion are discussed further below.

3.1.3 The Elderly

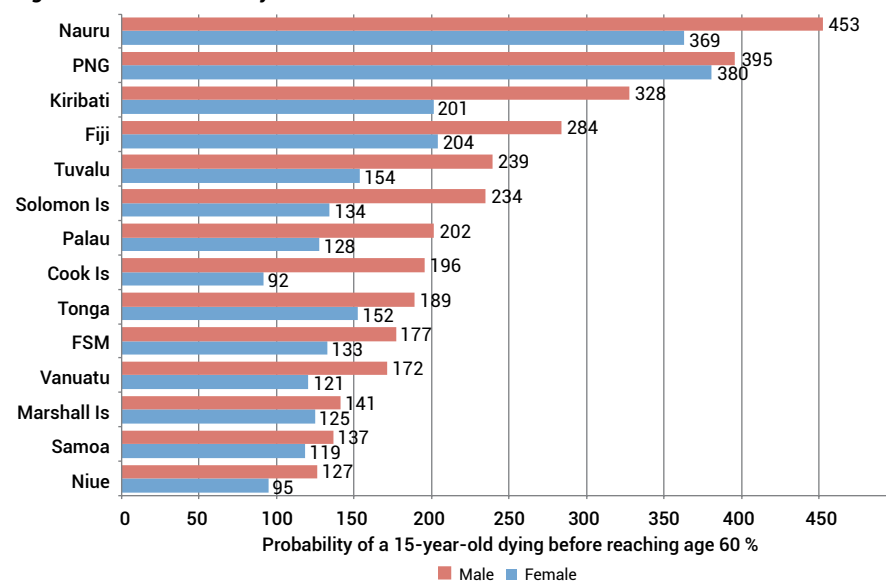
The demographic structures of Pacific Island populations, as illustrated in Figures 3.10 and 3.11 are generally weighted towards the younger age groups, but there are clear signs that the number and proportion of the elderly in the populations is increasing (Figures 3.12 and 3.13). The proportion of people living in PICs aged 60 years and over ranges from 18 percent in Niue to only 4 percent in Nauru, with an average of about 8.5 percent across all PICs, see Figure 3.14. The proportion of over-60s in Nauru is a reflection of the very high rates of obesity and diabetes, which result in an average adult mortality rate of almost 41 percent. This compares to a rate of only 11 percent in Niue.

Figure 3.10 Life Expectancy at Birth



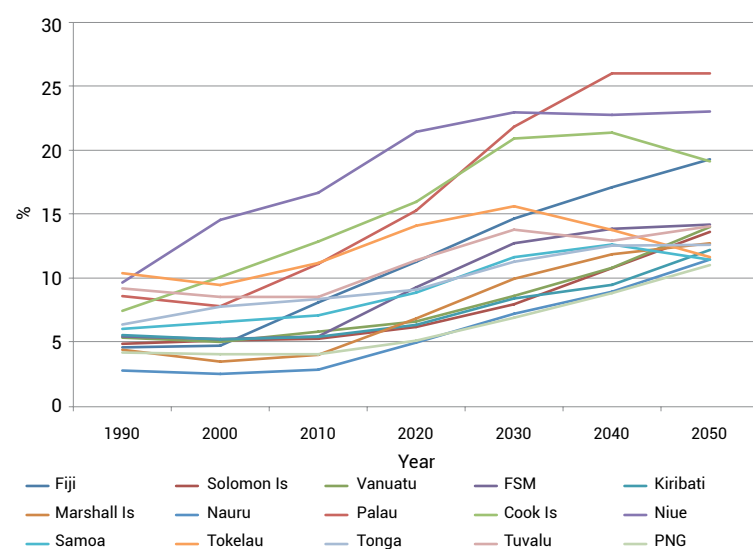
Source: National population and housing census reports, latest available year

Figure 3.11 Adult Mortality Rate



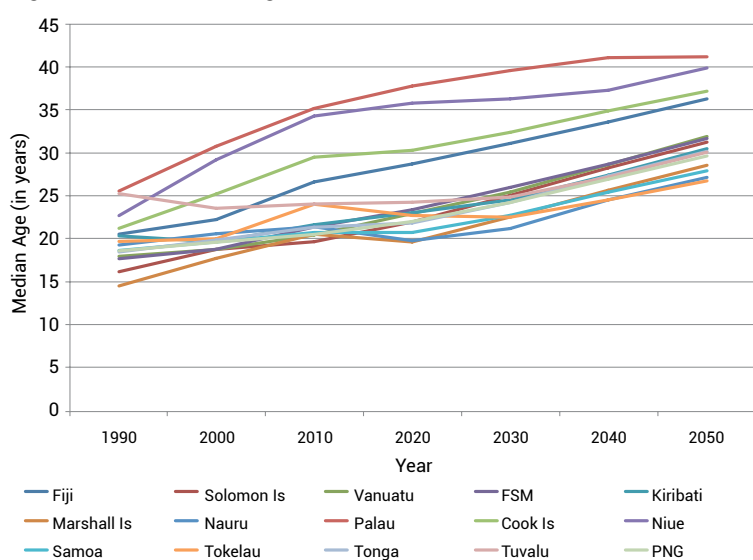
Source: National population and housing census reports, latest available year

Figure 3.12 Proportion of Population Older than 60 Years of Age (1990-2050)



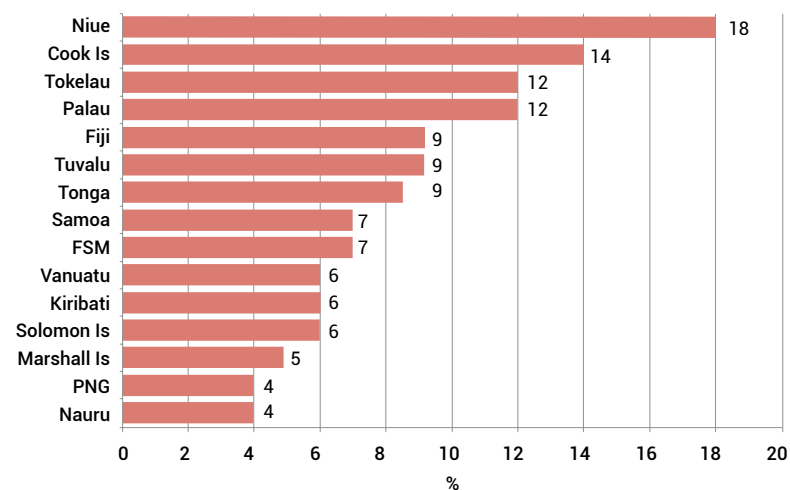
Source: UNFPA-PSRO estimates

Figure 3.13 PICs Median Age



Source: UNFPA-PSRO estimates

Figure 3.14 Proportion of Population 60 Year and Older



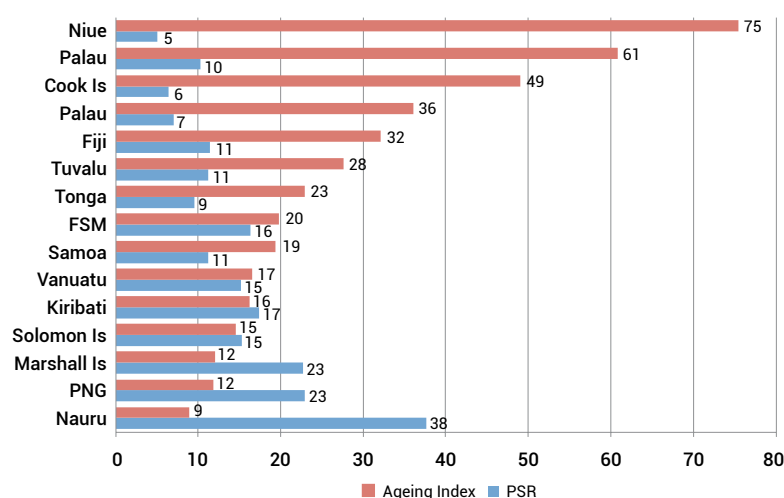
Source: UNFPA-PSRO estimates

The Ageing Index refers to the number of persons aged 60 years and older per 100 persons under the age of 15. An index of 100 means that the number of persons over 60 is equal to the number of children aged 0-14. An index above 100 means that there are more older people in the population than there are children (Figure 3.15).

The Potential Support Ratio (PSR) is inversely related to the Ageing Index and refers to the ratio of population aged 15-64 to the population aged 65 and over (a variant of the standard dependency ratio). The PSR is a measure of the degree to which the population that is working supports the population that is presumably no longer working. A ratio of one means that one person of working age needs to support one elderly person (on average). A falling PSR indicates that the population not working, and aged 65 and over, is rising relative to the population aged 15-64 - thus increasing the burden on the working population (Figure 3.15).

In countries where the Ageing Index is high, the PSR is low, and vice versa. Countries with a high Ageing Index have a high proportion of elderly people, and a high median age.

Figure 3.15 Ageing Index and PSR



Source: UNFPA-PSRO estimates

The elderly are recognised as being among the most poor and vulnerable groups. With increasing migration they are also becoming more vulnerable to exclusion. The extent to which the elderly are vulnerable is illustrated in Table 3.2. This table illustrates the proportion of elderly persons in the bottom two and three deciles of the population (as well as providing the top two deciles for comparison). Only in Samoa and Tonga are the elderly proportionately under-represented in the lower two and three deciles. Kiribati and Tuvalu have the greatest over-representation at the three-decile level with 39.9 percent and 40.4 percent of the elderly in each country being in the bottom three deciles respectively. FSM and Palau follow closely with 39.3 percent and 38.6 percent of their elderly populations in the bottom three deciles.

In all the countries illustrated the proportion of the elderly living in the bottom two and three deciles was greater than the proportion of the population as a whole in those deciles. This suggests that the elderly are poorer, more vulnerable and more likely to experience exclusion.

Table 3.2 Vulnerability of the Elderly: Proportion of the Elderly by Decile

Ranked by pcae/pc HH expenditure deciles	HIES Survey year	Proportion of elderly in population	Proportion of elderly by decile		
			Lowest Quintile	Lowest Three Deciles	Highest Quintile
Fiji	2008/09	7.4	23.4	34.7	20.0
FSM	2005/06	5.4	27.0	39.3	12.9
Kiribati	2006	5.4	28.9	39.9	14.7
Palau	2006	9.6	26.7	38.6	20.8
Samoa	2008	7.6	18.9	29.4	18.8
Solomon Islands	2006	4.1	26.6	37.0	15.7
Tonga	2009	8.7	15.7	25.5	20.0
Tuvalu	2010	9.2	28.0	40.4	12.6
Vanuatu	2010	5.2	23.9	34.5	14.3

Source: National Poverty Reports

In contrast, the elderly are generally under-represented in the top two deciles. Only in Tonga, Fiji and Palau are 20 percent of the elderly found in the top two deciles.

Ageing is a natural demographic phenomenon but it gives rise to a range of socio-economic challenges, both for the individuals concerned and for the institutions that serve them. These needs arise from the fact that an aging population is much more likely to experience sickness, infirmity, or disability. This is especially the case where the incidence of NCDs is high, including in RMI, Samoa, Tonga, Fiji, Nauru, Kiribati and Tuvalu.

Addressing the health, care and livelihood needs of a rapidly ageing population is already beginning to present major challenges for Pacific Island governments, communities and families. The provision of health services and long-term care for the old and/or people living with disabilities - especially for the increasing number of long-term NCD patients and those with NCD related disabilities - will be particularly difficult. This will be especially the case for those living in the rural areas and outer islands. Indeed the need to provide intensive and centralised care and treatments for NCD cases will place a heavy burden on government budgets and the principal hospital facilities. Palau provides a case study of the challenges faced by all governments with an aging population (see Box 3.2).

Box 3.2 Palau: A Case Study for an Aging Population

A study of vulnerable populations in Palau noted that in 2005, there were 2,374 senior citizens (aged 55 years and above) resident in Palau, including 506 seniors over the age of 74. The population of senior citizens was then growing at twice the national average. The report noted that this would pose significant challenges for the future in providing adequate health and social support services for this population. At the time, special services for senior citizens were already provided by the Administration on Aging (within the Ministry of Community and Cultural Affairs) and by the Ministry of Health. A major concern of the Ministry of Health was the increasing number of seniors (estimated 35-40 persons at the time) who healthcare providers believed were at risk of neglect or abuse by their caregivers.

To address the challenges of a growing senior population in an era of economic austerity, the report recommended that services be better targeted to address seniors in need – especially those of advanced age who were in ill-health with limited income support. In addition, stronger preventive health programmes were needed to help seniors “live long and live well.”

Source: Palau Medium-Term Development Strategy Vulnerable Populations, ADB & Government of Palau, 2008

The health services required by children are relatively inexpensive (immunisation and treatment of infections) compared to the services required for the elderly, which might range from amputations, dialysis, hip replacements, to heart surgery and chemotherapy for cancer treatment. In the Pacific, the extended family has traditionally been the main provider of essentially palliative care and social security for the elderly. This will likely remain the case. Although, as noted elsewhere, traditional family structures are weakening, especially in urban areas. Governments will need to develop ways to supplement traditional family care with more formal institutional care as the number of elderly grows.

3.2 Children, Exclusion and Vulnerability

3.2.1 Child Poverty

The consequences of poverty and inequality are very significant for children. There is growing evidence that children experience all forms of poverty more acutely than adults. Children are more vulnerable because of their age and dependency, and because lost opportunities in childhood often have detrimental effects that are largely irreversible. While an adult may fall into poverty temporarily, falling into poverty in childhood can last a lifetime as a child rarely gets a second chance at an education or a healthy start in life.

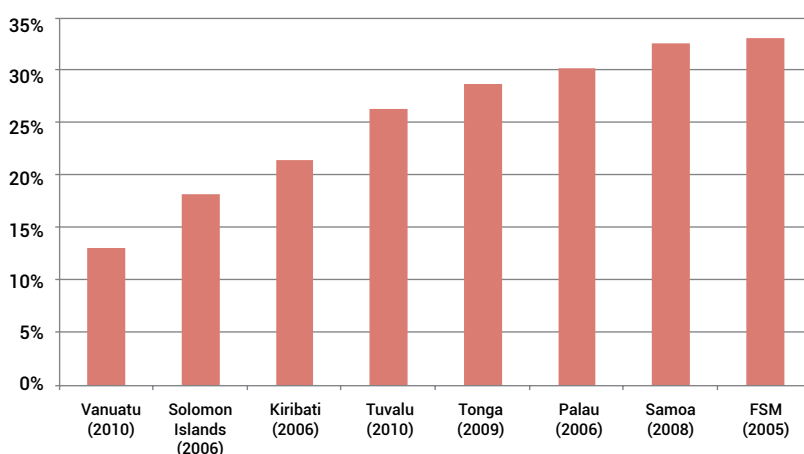
Even short periods of poor nutrition or food deprivation can impact a child's long-term development. If children do not receive adequate nutrition, they grow smaller in size and intellectual capacity; are more vulnerable to life-threatening diseases; perform worse in school; and ultimately are less likely to be productive adults. As such, child poverty threatens not only the individual child, but perpetuates a cycle of poverty across generations, which in turn undermines the growth and development of the nation.

Across the Pacific region, it is estimated that around one quarter of the child population are living in households below the respective national basic-needs poverty lines. The proportions range from 13 percent in Vanuatu to 33 percent in FSM and Samoa (see Figure 3.16). In addition, typically around 40 percent of children are at risk of falling below the poverty line as they live in households whose expenditure level is no more than double the BNPL (see Table 3.3).

Patterns of sub-national geographic disparities are mixed. For example, children living in the urban centres of Vanuatu and Solomon Islands reportedly experience significantly higher poverty rates than their rural peers (approximately two times higher). On the other hand, urban child poverty was somewhat lower than rural child poverty in Palau, Samoa and Tonga.

A recent study by the World Bank⁸³ confirms that poverty rates are substantially higher among households with more children (see Figure 3.17). Across a sample of four countries (Fiji, Kiribati, Vanuatu and Tuvalu), the poverty rate among household with three or more children was found to be 27 percent to 63 percent higher than the respective national averages. Conversely, the poverty rate among households with no children was 17 percent to 50 percent lower than the national averages. As children constitute a large share of the population across the region (43 percent on average), and fertility rates remain relatively high in most PICs, a large numbers of children will continue to grow up in poverty. This is unless they receive greater attention in targeted hardship/poverty reduction policies and programmes, and in more inclusive macro-economic strategies.

Figure 3.16 Percentage of Children (0-14 yrs) Living Below the Basic-Needs Poverty Line



Source: UNICEF Pacific based on data from Household Income and Expenditure Surveys (HIES), analysed by UNDP-PC.

⁸³ Hardship and Vulnerability in Pacific Island Countries, World Bank, Washington, 2014.

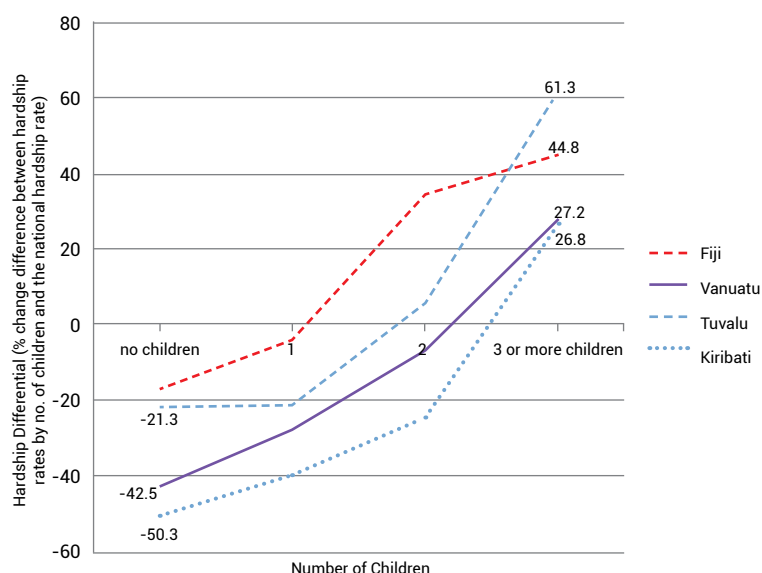
Figure 3.3 Classification of Children (0-14 yrs) by Poverty and Vulnerability

	Children living in poverty (%)		Children vulnerable to falling into poverty (%)				Non-poor children (%)
	Very Poor	Poor	Very vulnerable	Vulnerable	Potentially vulnerable	Total	
FSM (2005)	11	33	9	13	16	38	29
Kiribati (2006)	5	22	13	12	19	43	35
Palau (2006)	0	30	8	21	15	44	26
Samoa (2008)	7	33	11	15	18	43	24
Solomon Islands (2006)	7	18	8	13	18	39	43
Tonga (2009)	4	29	13	14	17	44	28
Tuvalu (2010)	3	26	9	17	16	42	31
Vanuatu (2010)	3	13	8	13	20	41	46

Note: Very Poor (extreme poverty): Households/persons whose per capita adult equivalent weekly expenditure is below the FPL. Poor (basic-needs poverty): Households/persons whose p.c.a.e weekly expenditure is below the BNPL, i.e. the very poor and the poor. Very vulnerable Households/persons whose p.c.a.e which is above the BNPL but less than 20% above the BNPL. Vulnerable Households/persons whose p.c.a.e between 20% and 50% above the BNPL. Potentially vulnerable Households/persons whose p.c.a.e. expenditure between 50% and 100% above the BNPL. Non-poor Households/persons whose p.c.a.e expenditure was equal to or more than 100% above the BNPL.

Source: UNICEF Pacific based on data from Household Income and Expenditure Surveys (HIES), analysed by UNDP-PC.

Figure 3.17 Relationship Between Household Poverty and Number of Children Households



Source: World Bank (2014). *Hardship and Vulnerability in the Pacific Island Countries*

3.2.2 Child Nutrition

Stunting and other forms of under-nutrition increase children's vulnerability to infections and jeopardises their development and cognitive function, especially when it occurs during pregnancy and the first two years of life. Under-nutrition results from inadequate access to the amount or quality of food needed for growth and development. It is also caused by illness, particularly diarrhoea, which drains children's bodies of vital nutrients. Stunting is associated with sub-optimal brain development, which is likely to have long-lasting harmful consequences for cognitive ability, school performance and future earnings. For these reasons, under-nutrition is associated with reduced adult productivity and the intergenerational transmission of poverty. Moreover, stunted children have a greater propensity for developing obesity and other chronic diseases later on in life as adults.

It is estimated that one in three Pacific children under five years of age (33 percent) are stunted (i.e. too short for their age as a result of chronic under-nutrition during the most critical periods of growth and development in early life), see Figure 3.18. However, this regional average hides significant disparities between countries. PNG has the highest rate of stunting (43 percent), followed by Solomon Islands (33 percent), Vanuatu and Nauru (24-26 percent) and Tuvalu (10 percent), see Table 3.4. Stunting is more likely to be observed among children born to mothers with little or no education and living in less wealthy households. Deficiencies of micronutrients (such as vitamin A, iron and zinc) are also common across the

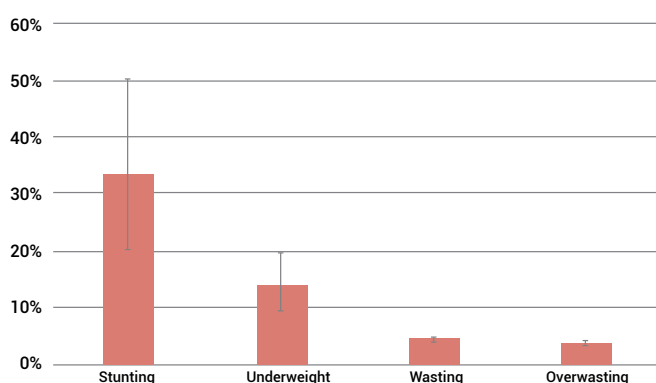
Pacific. For example, Fiji's 2008 Micronutrient Survey found that 34 percent of children surveyed were at risk of vitamin A deficiency. Surveys in Vanuatu (MICS 2007) and Solomon Islands (DHS 2007) revealed high levels of iron deficiency (anaemia) among children 6-59 months old (34 percent and 49 percent respectively).

Prevalence of underweight (low weight-for-age) children is low to moderate in the region, ranging from less than 5 percent in Nauru and Tuvalu to 15-18 percent in Kiribati and PNG. Wasting (low weight-for-height) and overweight (high weight-for-height) are relatively uncommon and typically affect less than 5 percent of young children in the Pacific. There is very little data available on the prevalence of overweight children in the region.⁸⁴ Given the significance and extent of overweight and obese adults in PICs and the NCD crisis, this is a significant data gap.

For many children, nutritional deprivation begins in the womb. Low birth-weight is a public health problem affecting more than one in ten new-borns in at least seven PICs (see Figure 3.19). It stems primarily from poor maternal health and nutrition. Babies born with low birth-weight are at a greatly increased risk of death in the first week and the first year of life. Furthermore, low birth-weight is associated with a number of adverse developmental, educational, behavioural and socio-economic outcomes in childhood, adolescence and later life.

According to the World Health Organization, optimal Infant and Young Child Feeding (IYCF) practices include: initiating breastfeeding within one hour of birth; exclusive breastfeeding for the first six months of life; and continued breastfeeding up to the age of two years and beyond; together with safe, age-appropriate feeding of solid, semi-solid and soft food starting at six months of age. While rates of exclusive breastfeeding vary dramatically between PICs, there is a common trend of low adherence to IYCF practices and only 31-55 percent of infants are fed appropriately (see Table 3.4). Nutrition programming in this area continues to receive insufficient attention, despite the well-established benefits of age-appropriate IYCF practices.

Figure 3.18 Estimated Percentage of Malnourished Children Under Five Years of Age (2011)



Note: Data excludes Australia and New Zealand. Upper and lower bounds refer to the 95 percent uncertainty intervals for the estimates.
Source: UNICEF-WHO-World Bank Joint Child Malnutrition Estimates, 2013

Table 3.4 Infant and Young Child Feeding Practices in Selected Countries

	% of infants 0-5 months who are exclusively breastfed	% of infants 6-23 months who are fed appropriately (with all 3 IYCF practices)	% of children under 5 years who are:			
			Stunted	Underweight	Wasted	Overweight
Kiribati (2009)	69	31	-	15	-	6
Marshall Islands (2007)	27	55	-	-	-	-
Nauru (2007)	67	38	24	5	1	1
PNG (2005)	56	-	43	18	5	3
Samoa (2009)	51	40	-	-	-	-
Solomon Islands (2007)	74	37	33	12	4	1
Tuvalu (2007)	35	33	10	2	3	4
Vanuatu (2007)	40	45	26	11	6	5

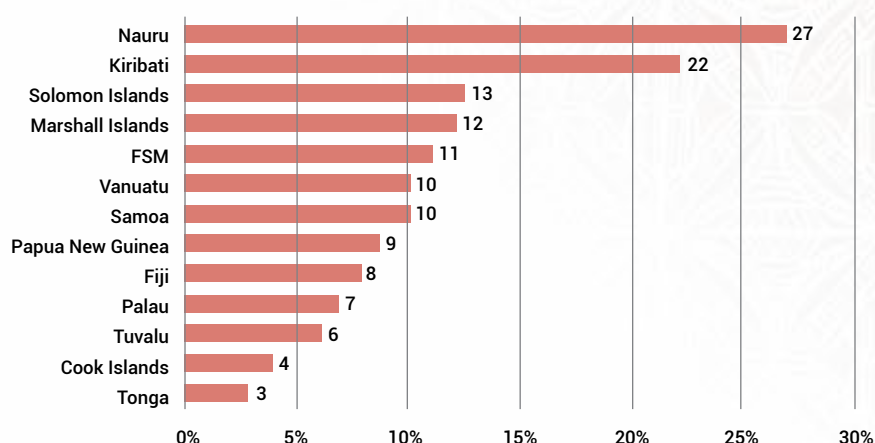
Source: UNICEF Pacific based on data from Demographic and Health Surveys (DHS) and PNG National Micronutrient Survey.

Note: Data refer to the most recent year available during the period 2007-2010.

Source: UNICEF Pacific based on data extracted from SPC National Minimum Development Indicators (NMDI) database, March 2014.

⁸⁴ Grieve, Busch-Hallen & Mellor (2013) Under-nutrition in Pacific Island Countries: an issue requiring further attention, Policy Brief, May, Women and Children's Health Knowledge Hub, Melbourne, Australia.

Figure 3.19 Percentage of Infants Weighing less than 2,500 grams at Birth by Country



Note: Data refer to the most recent year available during the period 2007-2010.

Source: UNICEF Pacific based on data extracted from SPC National Minimum Development Indicators (NMDI) database, March 2014.

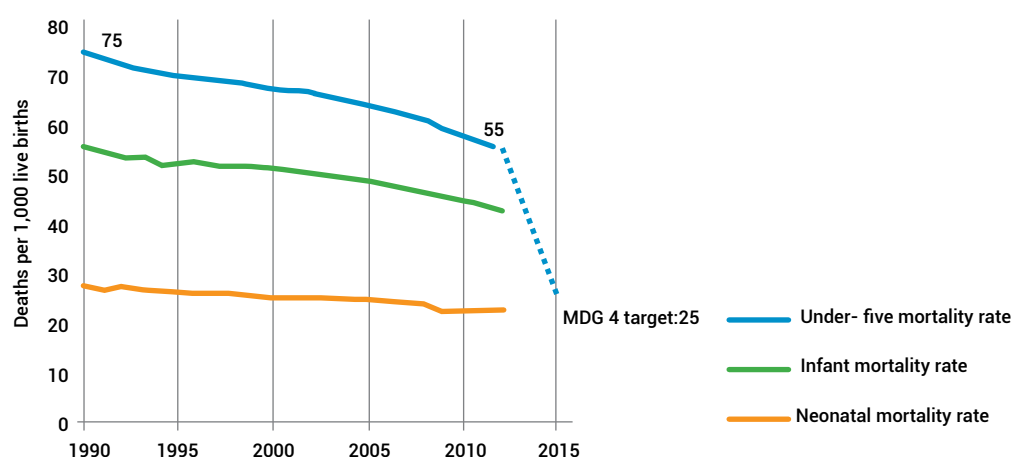
3.2.3 Child Survival and Health

The latest estimates from the UN Inter-agency Group for Child Mortality Estimation (IGME) show that the Pacific region has reduced its under-five mortality rate by 27 percent over the last two decades. This figure had dropped from 75 deaths per 1,000 live births in 1990 to 55 per 1,000 in 2012 (see Figure 3.20). However, wide disparities in child survival exist between and within countries. In 2012, the estimated under-five mortality rate ranges from 11 deaths per 1,000 live births in Cook Islands to 63 deaths per 1,000 in PNG (see Figure 3.21). Evidence from demographic and health surveys confirms that children living in poorer households experience a higher risk of dying before the age of five (see Figure 3.22).

Pneumonia and diarrhoea have long been regarded as diseases of poverty and are closely associated with factors such as poor home environments, under-nutrition and lack of access to essential services. Figure 3.23 shows that childhood deaths due to pneumonia and diarrhoea remain a significant problem in many Pacific countries. Together they account for more than a quarter of under-five deaths in Kiribati, FSM, PNG, Nauru and RMI. The impact of pneumonia and diarrhoea is worst among the poorest and most marginalised children; and among those who lack access to safe drinking water and sanitation (Figure 3.24). Deaths due to these diseases are largely preventable through optimal breastfeeding practices and adequate nutrition, vaccinations, hand-washing with soap, safe drinking water and basic sanitation, among other measures.

Immunisation can be one of the most beneficial and cost-effective public health interventions and globally has saved millions of lives and protected countless children from illness and disability. Complete coverage with three doses of DTP (diphtheria, tetanus and pertussis) containing vaccine (DTP3) is a valuable indicator of countries' performance of routine immunisation and is often considered a useful indicator of access to basic health services. In 2012, coverage of DTP3 was below 85 percent in five PICs, with PNG and Vanuatu lagging behind (see Figure 3.25). PICs face several common challenges to full vaccination coverage. In all PICs - but particularly in the more isolated islands - some children have never been immunised, while others have received only partial immunisation. One major problem is maintenance of the vaccine cold chain, which is the process of handling, storage and delivery that keeps vaccines in optimal condition for use. Health ministries also need donor support to roll out the new vaccines against rotavirus, human papilloma and pneumonia.

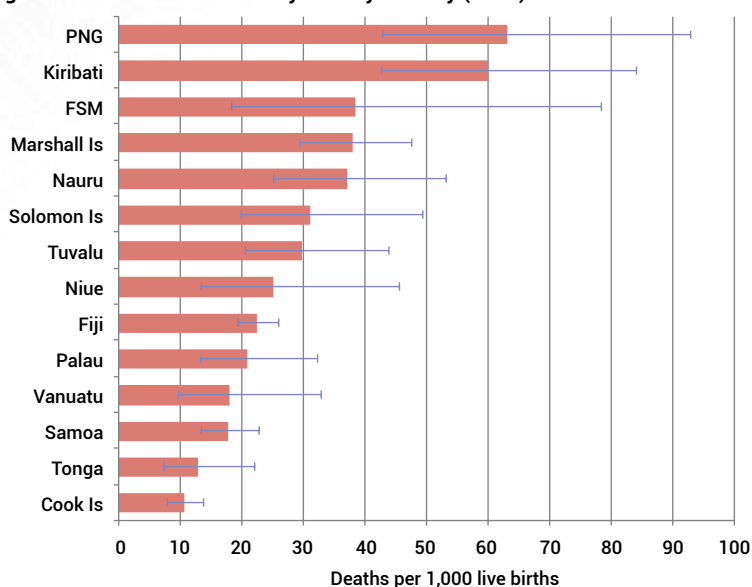
Figure 3.20 Aggregate Under-Five, Infant and Neonatal Mortality Rate



Note: Aggregate data for the region include the following countries: Cook Islands, Fiji, Kiribati, RMI, FSM, Nauru, Niue, Palau, PNG, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.

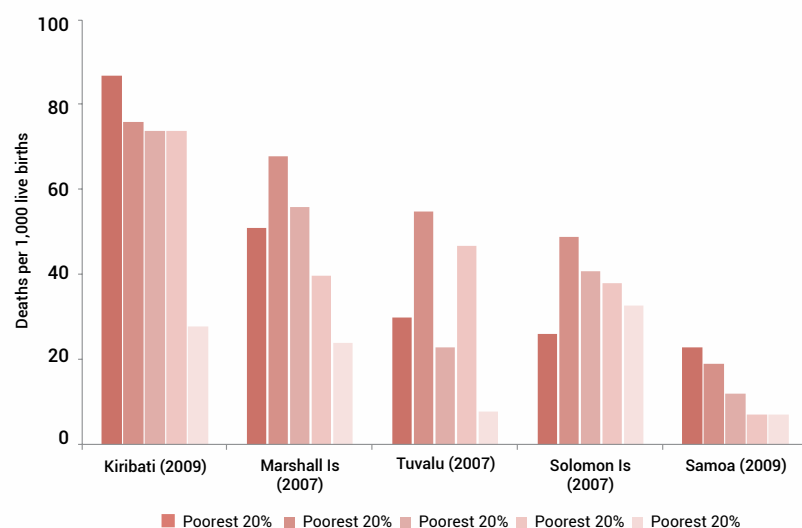
Source: UNICEF Pacific based on data from IGME 2013

Figure 3.21 Under-Five Mortality Rate by Country (2012)



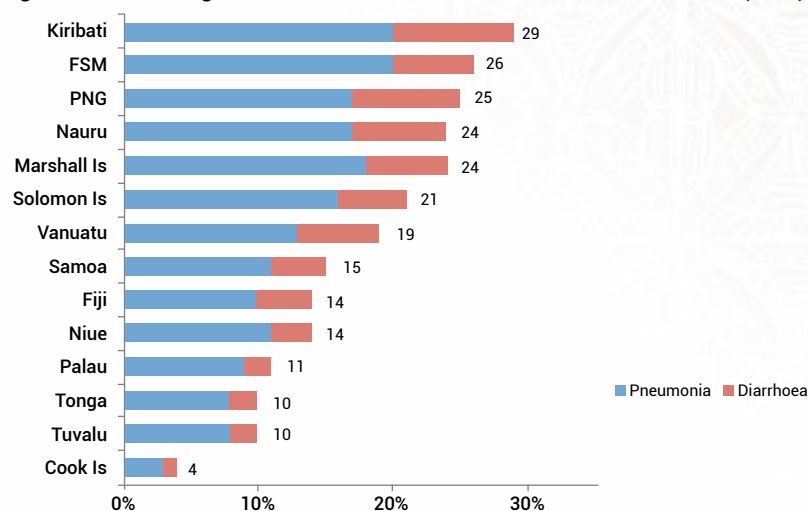
Note: Upper and lower bounds refer to the 90% uncertainty intervals for the estimates. There is wide uncertainty around estimates; therefore estimates should be interpreted with caution.
Source: UNICEF Pacific based on data from IGME 2013

Figure 3.22 Under-Five Mortality Rate by Household Wealth in Selected Countries (2007-2009)



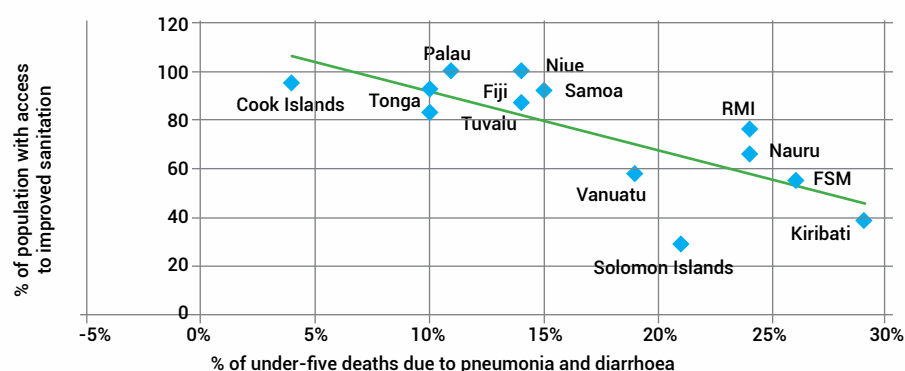
Source: UNICEF Pacific based on data from Demographic and Health Surveys (DHS). Estimates obtained from DHS refer to a ten-year period prior to the survey.

Figure 3.23 Percentage of Under-Five Deaths from Pneumonia and Diarrhoea (2012)



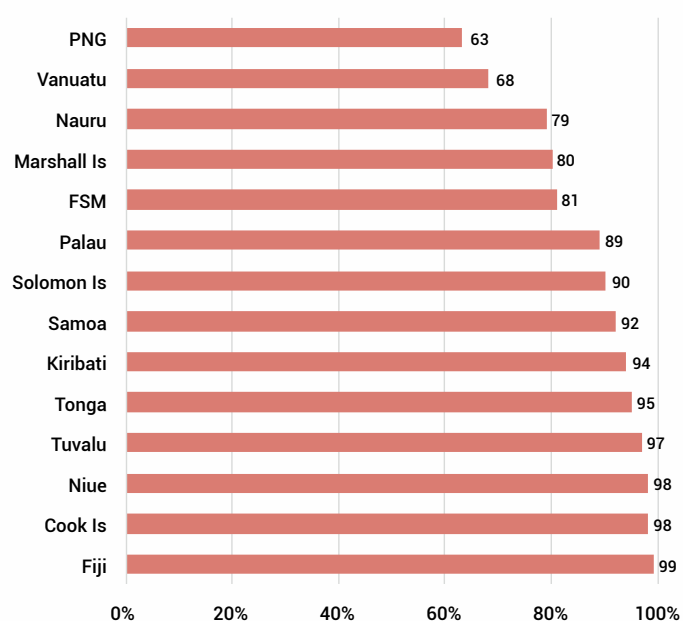
Source: UNICEF (2013) Analysis based on IGME 2013, WHO and CHERG 2013.

Figure 3.24 Impact of Improved Sanitation on Childhood Health in Small PICs



Source: UNICEF Pacific analysis based on UNICEF 2013, WHO and CHERG 2013 & WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation (JMP), 2013.

Figure 3.25 Percentage of Children Receiving Three Doses of DTP Containing DTP3 (2012)

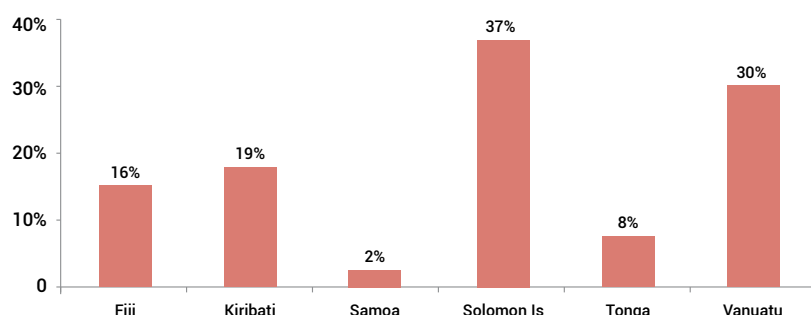


Source: WHO and UNICEF estimates of national immunisation coverage, 2012 revision

3.2.4 Child Sexual Abuse

Vulnerability and exclusion in adult life are often founded in the stigma that can attach to a child who has been abused. The growing number of children in the care of the Samoa Victims Support Group, for example, provides a clear indication of the extent to which abuse is occurring. The estimated prevalence of child sexual abuse⁸⁵ across selected PICs is illustrated in Figure 3.26.

Figure 3.26 Respondents Reported Experiencing Child Sexual Abuse Before the Age of 15



Source: Henriette Jansen, UNFPA, 2013

3.2.5 Access to Education

Studies in several developing countries show links between participation in early child development (ECD) programmes, primary school enrolment and better educational results for at least three to four years. The connections are particularly strong for disadvantaged children. In the Pacific, pre-school attendance rates are generally low with (in most cases) fewer than half of all children benefiting from formal early learning opportunities (Table 3.5). Across the Pacific, there are significant differences in how ECD is integrated into national education systems and how it is funded, resulting in a lack of minimum quality service standards and trained teachers. Also, no country has yet linked education with other sectors, such as health and social services, for more comprehensive support for early childhood development. One consequence is that parental motivation and household income tend to be the main determining factors of whether children attend pre-school or early learning centres.

At the primary school level, enrolment rates are relatively high and most PICs are considered to be on track to achieve the MDG target of universal primary education. Moreover, nine PICs have achieved gender parity in primary education (see Table 3.6), while survey data indicates that disparities based on household wealth are relatively low. This suggests that the expansion of fee-free basic education across the region has been successful in improving access to primary schooling for children from low-income households. Nonetheless, the quality of education remains a concern.

At the secondary school level, disparities based on gender, household wealth and area of residence become much more pronounced. As shown in Table 3.6, few countries have reached gender parity in secondary education. Males are typically disadvantaged compared to females in terms of accessing high school education. Children from the poorest 20 percent of households are significantly less likely to attend secondary school than children from the richest 20 percent of households, according to data from seven PICs (see Figure 3.27). For example, in RMI, children from the richest households are 6.5 times as likely to attend secondary school as children from the poorest households. In Solomon Islands and Tuvalu, the richest children's chances of attending secondary education are four times better than those of the poorest children. This indicates that secondary school fees remain a major barrier for poor families and governments should consider expanding fee-free education to secondary school.

⁸⁵ For source of data see Annex I Table 6.

In some situations poor infrastructure maintenance or absence of facilities may disproportionately impact on girls' access to education, especially in remote rural locations and overcrowded urban schools. In Kiribati and Tuvalu, it has been found that girls miss an average of three school days per month because sanitary pads are unaffordable for many families, and toilets in schools are not equipped with menstrual hygiene facilities, or are not properly maintained.⁸⁶

Other key barriers include: a lack of suitably qualified teachers and inadequate instruction materials, classroom infrastructure and parent-community involvement. Weaknesses in education management and information systems can also result in poor education planning and budgeting. Poorly funded education systems are grappling with an absence of targeted policies for specific issues such as multi-grade and mother-tongue teaching, and lack strategies to meet the educational needs of out-of-school children and youth, and children with disabilities.

Table 3.5 Gross Enrolment Rate in Pre-School (2010-2012)

Country	GER	Source
Kiribati	34%	Kiribati Statistics Digest
Samoa	38%	UNESCO Global Digest
Solomon Islands	46%	SI Performance Assessment Framework
RMI	46%	UNESCO Global Digest
Fiji	57%	Fiji Ministry of Education
Vanuatu	58%	Vanuatu Annual Statistical Report
Nauru	94%	UNESCO Global Digest

Note: Data refer to the most recent year available during the period 2010-2012.

Table 3.6 Gender Parity Index in Primary and Secondary Education (2009-2012)

Gender Parity Index (GPI)		
	Primary	Secondary
Cook Islands	1.02	1.16
Federated States of Micronesia	1.00	1.09
Fiji	0.93	1.08
Kiribati	1.01	1.18
Marshall Islands	1.00	1.13
Nauru	1.06	1.10
Niue	1.00	0.86
Palau	0.92	1.06
Papua New Guinea	0.86	0.71
Samoa	1.03	1.13
Solomon Islands	0.98	0.93
Tonga	0.90	0.99
Tuvalu	1.00	1.51
Vanuatu	0.97	1.10

Legend

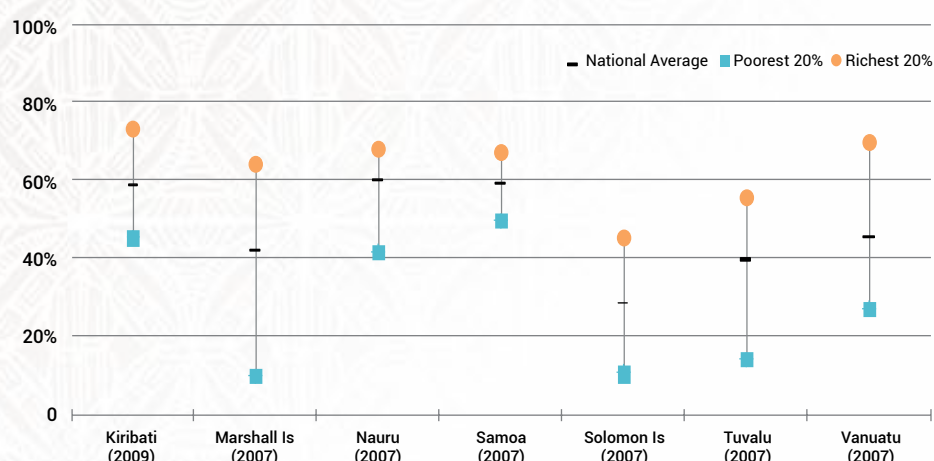
- 0.96 – 1.04 (gender parity)
- Less than 0.96 (girls disadvantaged)
- Greater than 1.041 (boys disadvantaged)

Note: Data refer to the most recent year available during the period 2009-2012.

Source: UNICEF Pacific based on data extracted from SPC National Minimum Development Indicators (NMDI) database, March 2014.

⁸⁶ Human Rights Council, "Report of the Special Rapporteur on the human right to safe drinking water and sanitation, Catarina de Albuquerque," Mission to Kiribati, 23-26 July, 2012, A/HRC/24/22/Add.1, p. 12; Human Rights Council, "Report of the Special Rapporteur on the human right to safe drinking water and sanitation, Catarina de Albuquerque," Mission to Tuvalu, 17-19 July, 2012, A/HRC/24/22/Add.2, p12.

Figure 3.27 Secondary School Net Attendance Ratio by Household Wealth Quintile (2007-2009)



Source: UNICEF Pacific based on Kiribati DHS 2009; Marshall Islands DHS 2007; Tuvalu DHS 2007; Solomon Islands DHS 2006-07; Samoa DHS 2009.

3.3 Youth and Unemployment: Harbingers of Vulnerability and Exclusion

3.3.1 Poor Education, Poor Future

This section discusses issues of education and the impact that this has on children and youth in terms of their ability to find employment and earn an income to give them a decent opportunity in life. Without a decent and appropriate education and without the prospect of gainful employment, young people face a bleak future.

The seeds of hardship and poverty, vulnerability and exclusion are sown at a young age. This section draws attention to the clear links between the lack of education and the experience of poverty. This section illustrates that the low rates of economic growth in many PICs have failed to generate new employment opportunities for those entering the labour force. The result is increasing youth under or un-employment and the increase in levels of hardship and poverty.

Pacific youth are well aware of the challenges that they face in terms of employment prospects and their future well being. The current mood and concerns of Pacific youth are captured in a statement from the Youth as Partners in Sustainable Small Island Development conference held in Fiji in 2013 (see Box 3.3).

Box 3.3 Untapped Potential of Pacific Youth

"Not only a demographic to be saved but a generation to be empowered".

Being young does not mean we are insignificant. It is not easy being young in the labour market today. Pacific youth face the challenge of having limited opportunities for decent work. A gap between capacity and opportunity exists even for young people with qualifications. Failure to provide opportunities perpetuates the vicious cycle of poverty, crime and violence that prevails in our societies today.

We believe that continuous investment in youth development is central to sustainable futures. We call upon the public and private sectors, in both the formal and informal economies, to provide decent work for young people. This includes enabling policy environments to cater for young people of all abilities and to prevent all forms of discrimination. With access to finance, skills-building and training, young people can create their own opportunities for self-employment.

Source: Youth as Partners in Sustainable Small Island Development: Pacific Youth SIDS Conference, Nadi, Fiji, July 2013

These concerns vibrate around the world where global leaders as well as international development partners and agencies are urgently looking for practical ways to address youth issues, notably unemployment. The seriousness of the youth unemployment issue is highlighted by the ILO, which has termed this as potentially creating a 'lost generation'.

With their large numbers and the inherent energy of youth, young people should be seen as key agents of positive change in the Pacific. Despite the challenges faced by youth, including cultural norms that hinder access to voice and decision making, the lack of economic and other meaningful opportunities, and the generally poor quality of and/or irrelevant education outcomes, young people in the Pacific have displayed a strong sense of resilience. Youth have devised coping mechanisms that define them more in positive terms rather than by negative attributes.⁸⁷

⁸⁷ UNDP Strategy for Engaging Pacific Youth in Development 2013-2017.

Although often referred to as future leaders, many are already occupying roles as leaders and role models in their communities and countries. In order to accentuate these positive attributes, youth need to be recognised from an 'asset-based' perspective. In this, youth must become empowered due to their own initiatives. This would counter the widely held deficit-based view that perceives them as negative elements and recognises only outside entities as being capable of empowering youth.⁸⁸ Such an attitudinal change needs both political and cultural leadership from champions of youth.

3.3.2 Education, Unemployment and Poverty

Poor educational attainment is one of the primary causal factors leading to unemployment. And, poor education and lack of employment together constitute one of the primary combinations of factors that lead to hardship/ poverty and ultimately to vulnerability and exclusion. The problem for many PICs is exacerbated by the low rates of economic growth currently being achieved, and the consequent lack of new employment opportunities being created. Moreover, many PIC governments have been reluctant to take the measures necessary to create a genuine investment and employment-enhancing business environment. Often conflicts-of-interest and vested interests in the status quo hinder decision making that would improve business and investment opportunities.

The challenge of creating enough decent work opportunities for youth is therefore a serious one for PICs.⁸⁹ In low-growth-rate environments there is limited capacity of the formal economy to absorb the large numbers of school leavers each year.⁹⁰ The negative impact of this reaches beyond the lack of income security for so many young people. It also impacts on law and order. It can exacerbate urban unrest and social instability, and it can lead to violent crime, including against women and girls.⁹¹ In both PNG and the Solomon Islands, similar problems have arisen from the rising urban drift of unemployed youth who have dropped out of school.⁹²

The scale of the potential youth unemployment problem can be gauged from education, employment, and census data that suggest, in general, that only around one quarter to one third of all those finishing school are likely to be able to find regular work in the formal sector. Youth un- or under-employment, however it may be defined, is one of the most critical issues facing PIC governments.

The importance of education for ensuring that youth are not caught in the poverty trap of poor education, poor prospects, low income and perpetual hardship is illustrated in the following Table 3.7. The data from four national HIES show clearly that higher levels of educational attainment are linked with achieving higher income status.

In all four countries, the proportion of youth falling in the bottom two or three income/ expenditure deciles decline as the level of educational attainment increases. Thus, in Solomon Islands a young person with no schooling has a 50 percent chance of being in the lowest three income/expenditure deciles. For those completing primary schooling the proportion falling in the same three deciles, whilst still high at 42 percent, is nevertheless eight percentage points lower than in the no-school case. The proportion of youth in the lowest three deciles falls another eight percentage points with the attainment of just three years of secondary schooling. From the other perspective, only 8 percent of youths with no schooling make it into the top income/expenditure quintile. With three years of secondary schooling the proportion making to the 'top' increases to 18.4 percent, more than double the no-school rate.

Table 3.7 Status of Youth 15-29 by Highest Educational Attainment

Solomon Islands				
2006 HIES	No School	Primary	Secondary forms 1-3	Secondary forms 4 and 5
1 st Quintile	40.4	29.7	24.7	18.8
Lowest 3 Deciles	50.2	42.0	34.7	27.5
5 th Quintile	8.3	11.5	18.4	24.0
Total persons	9575	66919	40567	21464
% of all youth	6.2	43.2	26.2	13.9

⁸⁸ Boston University School of Social Work (n.d.). Definition of positive youth development. Integrating a Youth Development Perspective into Transition Planning: A Curriculum for Child Welfare Workers. Retrieved from <http://www.stepsumms.org/uploadedFiles/DefinitionsandKeyCharacteristicsofPositiveYouthDevelopmentApproach.pdf>.

⁸⁹ R. Duncan & R. Voigt-Graf (2010) Pacific Labour Market Scenarios, ILO, 39-40; ADB & ILO (2011) Women and Labour Markets in Asia: Rebalancing for Gender Equality, 6.

⁹⁰ PNG Decent Work Programme 2013-2015 (DWCP), 4.

⁹¹ C. Noble, N. Pereira & N. Saune (2012) Urban Youth in the Pacific: Increasing Resilience and Reducing Risk for Involvement in Crime and Violence, PIFS/UNDP.

⁹² Solomon Islands Decent Work Programme, (DWCP) (undated) Draft, 2-3.

Vanuatu				
2010 HIES	No School	Primary	Secondary to year 10	Yr 12 Leaving Certificate
1 st Quintile	29.0	22.2	16.1	10.3
Lowest 3 Deciles	39.5	32.9	25.1	17.6
5 th Quintile	12.2	14.5	19.7	24.3
Total persons	9713	21969	13941	5142
% of all youth	16.8	38.0	24.1	8.9
Kiribati				
2006 HIES	No School	Primary	Junior Secondary	Senior Secondary
1 st Quintile	31.9	34.1	24.6	19.8
Lowest 3 Deciles	45.9	47.0	41.1	27.1
5 th Quintile	5.7	7.0	11.1	14.3
Total persons	1655	4633	5584	9298
% of all youth	7.5	21.1	25.5	42.4
Tuvalu				
2010 HIES	No School	Primary	Secondary	TVT
1 st Quintile	0	35.1	28.9	29.3
Lowest 3 Deciles	0	46.6	40.8	35.8
5 th Quintile	0	5.6	19.7	0.0
Total persons	0	305	1178	50
% of all youth		13.4	51.6	2.2
Source: Latest national HIES Data and poverty Reports				

Urbanisation is both a symptom and a cause of youth unemployment and under-employment (see earlier discussion of migration in Chapter 2 above). In Kiribati, over half the national population resides on South Tarawa. This puts additional pressure on the formal labour market, especially as there is very limited land available for subsistence agriculture. For those who have come from the outer islands and who have no relatives on South Tarawa there may be no access to land to grow or gather food crops at all. The 2006, the Kiribati household survey indicates that 42 percent of youth between the ages of 15 and 29 years were unemployed and only 18.7 percent were in any type of formal employment.

In PNG, unemployment and underemployment in rural areas is a key driver of migration to towns and cities, particularly to Port Moresby. According to a recent National Youth Commission survey (October 2013), of the 318 youth respondents in Port Moresby, 44 percent said they moved to the city in search of a job, though many still remained unemployed after arrival.⁹³

The situation is also particularly bad in countries such as RMI, Kiribati and Solomon Islands, where rates of youth unemployment are quoted at 62.6 percent, 54 percent and 46 percent respectively.⁹⁴ In Samoa, Tonga⁹⁵ and Vanuatu, young people make up around half of the total unemployed population. In RMI economically active youth are nearly three times as likely to be unemployed as their adult counterparts.⁹⁶ Youth unemployment is also high in PNG where youth are three times more likely to be unemployed than the general population.

Young people make up a significant proportion of Pacific society, and more than half of the population of the Pacific region is under the age of 25. At least one in five people are 'youth' by the narrow UN definition of 15-24 years old, and youth comprise one third of the adult working population⁹⁷ (DESA, 2012, UNICEF and SPC, 2011).

⁹³ Setepano, N (2013) PNG Youth Unhappy With 'Chronic Unemployment': Survey. Available at <http://pidp.eastwestcenter.org/pireport/2013/October/10-11-14.htm>, accessed 2 February 2014.

⁹⁴ SPC (2013), National Minimum Development Indicators, available at <http://www.spc.int/nmdi/MdiSummary2.aspx?minorGroup=8>, accessed 2 February 2014.

⁹⁵ Issues relating to definition are illustrated by the example of Tonga. The Labour Force Survey of 2003 recorded a youth unemployment rate of 11.9% (43% of total unemployment), whereas the 2006 census recorded youth unemployment at 2.3%, as stated on the SPC website, National Minimum Development Indicators (<http://www.spc.int/nmdi/MdiSummary2.aspx?minorGroup=8>, accessed 2 February 2014).

⁹⁶ Republic of the Marshall Islands, Economic Policy, Planning and Statistics Office: The RMI 2011 Census of Population and Housing: Summary and Highlights Only (Feb. 2012); Samoa Bureau of Statistics: Population and Housing Census 2011: Tabulation Report v.1 (July 2012); and Vanuatu National Statistics Office: 2009 National Census of Population and Housing: Summary Release (Aug. 2010).

⁹⁷ In PNG 76% of the population is 35-years old.

Average youth unemployment rates in the Pacific are very high at 23 percent (ILO, 2013) compared to a global average of 12.6 percent and young people in the region are 6 times less likely to secure jobs than older workers (ILO, 2013). Youth unemployment rates range from 62 percent in RMI, 46 percent in Solomon Islands and 8.9 percent in Vanuatu. (SPC). For young men in the Pacific, the unemployment challenge is especially severe. In PNG the unemployment rate for young people aged 15-24 was 6 percent overall, but a much higher 18.1 percent for urban male youth.

For young men in the Pacific Islands, the unemployment challenge is especially severe. In PNG the unemployment rate for young people aged 15 to 24 was 6 percent overall, but for urban male youth the figure is much higher at 18.1 percent. In RMI youth unemployment was 11 percent, with higher rates for young men (12.2 percent) compared to young women (8.7 percent).⁹⁸

In Vanuatu, the 2010 household survey recorded 11.6 percent youth unemployment with a further 34.4 percent of youth either not active or engaged in domestic duties. The same survey indicates that 28.9 percent of youth were engaged in subsistence farming, either for sale or own consumption, but only 21.8 percent were formally employed either full or part-time.

Although youth unemployment was not defined in the 2008 Samoa household survey, the survey indicates that only 21.6 percent of youth were employed with a further 18.4 percent engaged in subsistence activities. However, 29.7 percent were recorded as being inactive or engaged in domestic duties with a further 31.1 percent still studying. In addition young men in Samoa accounted for more than one third of the total unemployed population and young women accounted for around one fifth (ILO, 2013).

In its 2006 household survey the Solomon Islands reported 16.4 percent youth unemployment, with only 7.2 percent of youth employed. In addition the survey recorded 62.1 percent of youth as being inactive or engaged in domestic duties.

The situation of economic and employment opportunities for women in PICs is equally serious (ILO, 2013). Non-agriculture employment participation rates for women range between 30-50 percent of all women throughout the region. Gender discrimination in terms of wage and work conditions is still prevalent in many countries. While Cook Islands, RMI, Niue, Tonga, Tuvalu and Vanuatu have shown progress in expanding female employment, in Fiji the rate has declined, partially due to the reduction in employment in the garment industry. Unemployment among women is typically higher in rural and remote outer islands for nearly all Pacific Island countries.

Even among those young people in PICs who are able to find work, many are often employed in poor quality jobs with limited earnings, security or employment protection. In Samoa, for example, there were 3.5 times more youth informally employed than unemployed.

Box 3.4 Fiji: Some Facts on Youth

- In Fiji, each year over 17,000 new entrants join the labour market; of this approximately 10,000 are mainly secondary school leavers.
- 30,000 people registered at the National Employment Centre, slightly more than 1000 are degree holders and 11,000 have some form of tertiary qualification. (Fiji Times 2014).
- In 2012 youths not in the labour force comprised 44.3 percent (i.e. 156,692 with a total youth population of 353,444). 59.6 percent of unemployed youths were female.
- More than 40 percent of the unemployed youth had been unemployed for three years or longer (Fiji Times 17 May 2012, quoting Ministry of Youth and Sports).
- Of the 1,493 offenders admitted to prison in Fiji, approximately 50 percent are youth. (Fiji live 3 March 2014)
- Of the 493 cases of latest HIV/AIDS figures and 1,741 sexually transmitted infections, the majority of victims are youth. (Fiji Live 3 March 2014)
- Violence in schools, including sexual related violence and bullying, increased from 188 to 287 between 2009 and 2011.

Box 3.5 Samoa: Some Facts on Youth

In 1976 it was estimated that only 27,000 Samoans lived outside the country. By 1991 this figure had grown to over 85,000, and current estimates place the number of Samoans abroad as a little over 124,000. In fact, the number of Samoans abroad is almost equal to 68 percent of the population that lives in Samoa (Ratha et al, 2011).

According to the 2006 census, 41 percent of the Samoan population is below the age of 15 years and over 60 percent are under 30. The Government's Division of Youth report states that 35 percent of young people aged 15-19 were not at school, while an average of 5,000 young people leaves school system annually. Young adults (15- 29 years) make up 34 percent of the workforce and a third was employed in agriculture sector. The 20-29 year age group remains the most vulnerable, having accounted for 43 percent of those imprisoned by the District court for 2005-6 and 50 percent of those imprisoned by the Supreme Court. According to the Demographic and Health survey 2009, sexually transmitted infections were 40.9 percent of prevalence rate amongst the age category of 15-24 and 18.1 percent for the age range of 25-49. In addition, teenage pregnancy rates are increasing among young women in the age group of 15-29 years.

⁹⁸ Papua New Guinea National Statistical Office: 2009-2010 Papua New Guinea Household Income and Expenditure Survey: Summary Tables (Port Moresby, 2012); Republic of the Marshall Islands, Economic Policy, Planning and Statistics Office: The RMI 2011 Census of Population and Housing: Summary and Highlights Only (Feb. 2012).

In total, more than two in three young Samoan workers were engaged in informal jobs⁹⁹. Poor job quality and widespread vulnerability in the labour market hinders progress in poverty reduction and social development.

In Fiji, it has been reported that around one-in-five workers still earn too little to escape US\$ 2 per day poverty line. A further two-in-five workers live just above the poverty line and remain highly vulnerable to falling back into poverty in the context of a sudden economic, social or environmental crisis.¹⁰⁰ Recognising that there were many working poor, the Fiji government increased the minimum wage to F\$2 per hour early in 2014.

As already discussed, in many PICs the current 'policy of choice' is to push hard for an increase in out-migration opportunities for young people to join temporary worker schemes, such as those in Australia and New Zealand. While increasing the potential flow of remittances, these programmes have an opportunity cost for the domestic economies.

3.3.3 Who is Unemployed: Defining Unemployment

Although there is no question that un- and under-employment present serious challenges to PIC governments, there are, nevertheless, difficulties in defining what actually constitutes unemployment and therefore its extent in Pacific Island societies. In official terms,¹⁰¹ a person active in the subsistence economy is classed as being economically active and thus 'employed'. But, such a person could also claim to be 'unemployed' in that he/she is seeking work in the formal economy. It is in this category that young people working in the village/ subsistence environment are often deemed to be 'unemployed' in the sense that they do not have formal jobs, but they are actually employed according to the official definitions.

There is no consistency across the region in the way the data on unemployment is reported. For example, in their recent national censuses and household surveys, Kiribati, Samoa, and Vanuatu all reported relatively low levels of youth unemployment, but high rates of youth engaged in unpaid family activities or as not economically active. In contrast, RMI and FSM both reported high levels of unemployment (i.e. over 60 percent in RMI and 35 percent in FSM). In the latter, the rate was reported as being 50 percent in Chuuk, the largest state.

However, with low economic growth rates and increasing urbanisation, the core of genuinely unemployed youth is certainly growing. This is particularly the case among those young people who have migrated to urban centres for education and who have failed to find work after finishing or quitting school (dropouts and push-outs). The variations in the way unemployment is defined and reported among PICs presents a major challenge to understanding and addressing the underlying problems. While the official unemployment figures are reported to be relatively low in many countries, the issue tends to get a low policy priority. Putting in place a policy environment to encourage investment and employment creation is fundamental to helping reduce the under-utilisation of youth in wealth and income generating economic activity.

The State of Pacific Youth Report 2011¹⁰² discussed and explored the various reasons for such divergence in youth unemployment figures across the Pacific. In the consultations for the report, youth unemployment was raised as one of the primary concerns of youth. The report noted that there is frequently a significant divergence in unemployment figures between the age groups of 20-24 and 25-29 year olds, as illustrated by the Domestic Household Surveys of Solomon Islands (2007), Kiribati (2009), Marshall Islands (2007), Nauru (2007), Samoa (2009) and Tuvalu (2007). Older age groups have even higher rates of employment. Thus although the total percentage of youth unemployment varied significantly across the region (due to definitional differences, as already discussed), young cohorts appear to be consistently struggling to find paid employment. There are a number of inferences that can be drawn, as outlined by the consultations. They include:

- that young people are not working or studying;
- that frictional unemployment is occurring as youth have a long wait as they try to search for a job; thirdly,
- that because of the youth bulge, young people are finding it increasingly hard to find a job because the market is not growing at a corresponding rate; and finally,
- that young people are increasingly dependent on older generations.

⁹⁹ Samoa Bureau of Statistics: Samoa 2012 Labour Force Survey (forthcoming).

¹⁰⁰ ILO: Key Indicators of the Labour Market, 8th Edition (Geneva, 2013), table 18b.

¹⁰¹ Unpaid family workers are deemed to be employed if they work at least one-third of the normal working hours.

¹⁰² UNICEF (2011) The State of Pacific Youth: Challenges and Obstacles, Secretariat of the Pacific Community, Noumea. p.14

Traditionally, those unable to find work in the formal sector would have returned to the village. There they would have become economically active in rural agriculture or fishing, either for home consumption or for sale in the local market. They would have been unemployed in the sense of not having a formal job, though willing to take work if it were available. Nevertheless, they actively contributed to national output. This may no longer be the norm.

3.3.4 Changing Attitudes to Traditional Obligations

In recent years there has been a change in attitudes towards subsistence or traditional agriculture as a preferred lifestyle choice, or even an accepted inevitability. Rising rural dependency ratios and declining populations in some of the more remote regions of many PICs provide evidence to support this. Although it may be true that some young people are "taking life easy" on the back of remittances (or living with working relatives) there are, nonetheless, many others who are genuinely un- or under-employed and should therefore be becoming a serious policy concern for governments.

Demographic and migration trends suggest that youth are reluctant to return to the traditional village environment because they have less freedom. Many prefer to have low-paid urban work, but which at least gives them cash for themselves, and frequently for their own young families.

In the village situation they would likely have to work as unpaid family workers and would be reliant on occasional ad-hoc cash payments from relatives. There may also be a small number who perhaps prefer to be unemployed in urban centres and live off relatives, thus placing an additional burden on their families. Hanging around urban areas, drifting into petty crime, drugs, and alcohol, these young people are the social problems of today and the poor of the future. Their contribution to national output is probably negative. Rural safety nets are threatened; urban safety nets frequently do not exist.

Many of these young people are experiencing changed attitudes to traditional roles and responsibilities. For example, the exposure to 'outside influences' including cash, 'western values' and mores in social relations; the easier availability of alcohol and drugs; access to internet and TV showing antisocial behaviour that many then take to be the norm. On the more positive side, access to information and knowledge through the Internet is providing greater opportunities for understanding the place of the Pacific in the global context.

Cumulatively, however, these influences are perceived to be leading to a weakening in traditional family ties and discipline within the family environment. This may be especially true where children live away from their parents with relatives in order to attend school. Or when they drift to the urban centres in search of work and join the growing numbers of unemployed youth. In the wider context there are increasing concerns for the impact on social cohesion and the increase in domestic tensions and violence within households.

In the PAH, the people and the youth themselves were fully aware of the dangers. They placed high priority on the need for more organized youth facilities and activities and for acquiring more technical skills. They also placed high priority on the creation of new jobs or economic opportunities to actively engage the growing numbers of young people in the formal economy and to give them opportunities for advancement.

"Without a major investment in young people, they may well flounder as a generation, undermining the capacity of Pacific Island countries and territories to escape aid dependence, develop economically and, in some cases, even survive as viable societies."

Source: *State of Pacific Youth 2011 Report*,
UNICEF & SPC

3.3.5 What can be done: Policy Options

Given their demographic dominance, energy and growing presence in society, not only will young people themselves benefit from empowerment initiatives, but Pacific societies as a whole will become the beneficiaries of positive engagements with young people across all development paradigms. Studies have shown that return on investments in youth range from 200 to 1,000 percent in terms of improved educational outcomes, crime prevention, healthier lifestyles, and more.¹⁰³ Empowering Pacific youth through building capacity and creating access to opportunities is an effective development strategy for the region.

¹⁰³ Anton, P.A. and Temple, J. (2007), *Analysing the Social Return on Investment in Youth Mentoring Programs*. Wilder Research. Saint Paul.

There is a link between the wider societal issues and challenges and those of concern to the youth sector. The State of Pacific Youth 2011 report lists the cost of inaction to governments of not responding to youth issues as including “having to employ and pay more police officers, court officials and medical staff, as well as to provide bigger jails.” It also notes the negative economic impact of youth crime and violence on markets and foreign investment.¹⁰⁴ The projected 25 percent increase in the Pacific youth population by 2020 is envisaged to put further strain on resources and public services such as education, health, and infrastructure. But, young Pacific Islanders are not a demographic “to be saved”, but rather a generation that if further empowered will help bring about improvements in governance, development and equality throughout the region. Even so, it is clear from the demographics, employment and poverty data, that the youth issues faced by PICs, whilst common in some respects, are very different in others.

The high rates of population growth make the challenges for the Melanesian and some Micronesian countries much more difficult than for those largely Polynesian and north-Pacific Micronesian countries where population growth rates are much lower and out-migration of youth is much more common.

Increases in the number of job opportunities can only occur sustainably in a dynamic and growing economy. This can only be achieved through sound economic policies and the creation of a business and investment-conducive environment. This in turn needs to be underpinned by appropriate education services and skill training to provide young people with the skills to take advantage of the opportunities that might be created.

It is necessary to reverse the trend away from agriculture. The employment base must be broadened by creating more paid, low-skilled employment in agriculture, tourism, or industry. The ability of countries to achieve this is dependent on the implementation of structural reforms already outlined. Without a more market-oriented and investment friendly economic structure the sustained and sustainable growth rates of most PICs will remain very limited.

In the short-term this should enable households to increase their number of employed persons. It is then necessary to deepen the employment base by strengthening vocational and technical training to raise skill levels so more young people have the skills and knowledge to create their own enterprises or could move to higher-skilled, higher-paid employment. This is becoming an increasingly important issue with the growing availability of opportunities for working overseas on temporary labour schemes. In reality, the preferred choice would likely be a combination of broadening and deepening the employment base to satisfy both needs.

It may be argued that the creation of more opportunities for the acquisition of technical and vocational skills is a form of social protection for youth; a preventative measure against possible future vulnerability and/or unemployment, compared to a curative measure to address the unemployment once it is experienced.

Programmes that promote trade skills including small engine maintenance and repair, plumbing, electrical work, carpentry and building, joinery, catering and more ‘scientific agriculture’, floriculture, mari-culture and aquaculture can all be useful in both the formal and informal sectors. The availability of these skills will help to foster the development of small and micro-level enterprises as advocated above.

Many Pacific Islands have made significant investments in their education systems and there is no doubt that youth are better educated than their parents’ generation. Unfortunately, many of these better-educated youth are often queuing for ‘good jobs’, either in the civil service or as waged workers. But, Pacific economies are generally not creating enough of such jobs. As illustrated in Figure 3.28, the share of wage employment in total employment has fallen in recent years in many PICs, including in Fiji and Samoa.

Moreover, while the educational attainment for girls has been improving in many PICs, the performance of boys has been deteriorating. Paradoxically it has been suggested that the better education and achievement of girls can in fact lead to greater vulnerability from less well educated, vulnerable and socially excluded males, particularly in cultural contexts where masculinity is revered.

¹⁰⁴ UNICEF and SPC (2011), *The State of the Pacific Youth 2011*. Noumea. SPC and UNICEF.

With slow economic growth, and the increasing youth population in the Pacific, a high dependency ratio has been created contributing to significant financial and care burdens on the relatively small populations and economies of the Pacific (SPC, 2011).

Supporting the growth of wage jobs or jobs in the formal economy is a key priority for many PICs. In addition to providing opportunities to the young women and men who enter the labour market each year in search of wage jobs, such jobs can also provide opportunities for workers in the informal economy to move into better jobs in the formal sectors.

In this regard, a focus on the dynamic sectors of an economy is warranted. Tourism has been widely recognised as a sector that can contribute to economic development, employment growth and poverty reduction. With the advances

in information technology, which mitigate the constraints of geographical distance, sectors such as business process outsourcing (e.g. call centres and data entry and processing) could also be explored.

In addition, more concerted efforts are required to integrate the often dualistic nature of PIC economies. This means forging closer links and greater value-added processing between the monetised, largely urban economy on the one hand, and of a largely subsistence-based rural economy on the other.

In Samoa, for example, the lack of upstream value-added-chains from agriculture and fishing, such as processing facilities, inevitably implies a loss of economic and

Figure 3.28 Share of Wage Employment in Total Employment



Note: For Fiji, 2006 data refers to 2004/05.

Source: Samoa Bureau of Statistics: Population and Housing Census 2006 and 2011; Fiji Bureau of Statistics: Employment and Unemployment Survey 2004/5 and 2010/2011.

job opportunities.¹⁰⁵ Stimulating broad-based increases in agricultural productivity, coupled with investment in labour-intensive industries (including tourism), underpinned by significant investments in skills development that meet the requirements of the labour market is required.

Creative solutions are required to solve this escalating problem. Some initiatives are underway, but more actions are needed on the ground. Most Pacific Island countries have a National Youth Policy and some have specific youth issues included in national development plans.¹⁰⁶

These initiatives need to be supported by both national budgets and development partners. A regionally focused Pacific Youth Strategy (PYS) 2010 was also drafted to be the guiding document for all youth work. However, the PYS did not evolve into meaningful programmatic interventions due mainly to insufficient monitoring and evaluation mechanisms; lack of funding for implementation; low levels of awareness and buy-in to the strategy; and inadequate capacities to operationalize the envisaged activities.

A review of the strategy concluded that the national actors in youth development in the region could benefit from a structured guiding document and a new Pacific Youth Development Framework (PYDF) has been proposed.

¹⁰⁵ P. Ronnas and K. B. Kim, Samoa employment situation analysis (forthcoming, ILO).

¹⁰⁶ For example, in the PNG Vision 2050 National Planning Document human capital development, gender, youth and people empowerment are one of the seven strategic areas. National Strategic Plan Taskforce Papua New Guinea (2010), Papua New Guinea Vision 2050. Government of Papua New Guinea. Port Moresby.

The Framework “will serve to add value and inform national efforts to address current and future challenges in youth development while providing guidance and direction to regional cooperation efforts to advance youth development in the context of social and economic development in the Pacific region.”¹⁰⁷

Another critical alignment is with the Pacific Leaders who discussed youth employment and the need for practical solutions at their meeting in 2011¹⁰⁸, and in their 2011 Pacific Islands Forum Communiqué “acknowledged the need for greater action in mainstreaming youth issues nationally and regionally, increasing employment and other meaningful opportunities for youth, and including the voice of youth in decision making.”¹⁰⁹ Leaders also endorsed the Key Guiding Principles contained in the UNDP/PIFS Urban Youth in the Pacific report on youth crime and violence.

Pacific Ministers for Youth subsequently met in December 2013 and endorsed the ten-year Pacific Youth Development Framework (PYDF), developed after some two years of consultation with young people and government representatives.¹¹⁰ The main concern of Pacific youth was found to be securing decent employment. This became the first priority under the PYDF.

Using the PYDF as a starting point, many agencies including the ILO, the Commonwealth Youth Programme and the Pacific Youth Council, are currently developing a package of Pacific Youth Employment Strategies.¹¹¹ At the national level, the ILO is assisting Kiribati and Vanuatu to finalise their national action plans on youth employment, which operationalizes the regional and national priorities on youth employment.

Another innovative project is a Youth Enterprise Development Project, which focuses on entrepreneurship education in schools and technical and vocational institutions, providing teachers with training and teaching materials in Know About Business (KAB). In 2007, KAB was introduced in PNG in partnership with the Small Business Development Corporation. Since its commencement, approximately 29,000 young people have received training, 67 high schools have been involved and 300 teachers have gone through the train-the-trainer programme.

In Fiji, KAB phase 1 (2013-14) is envisaged to target 2,000 young people in 20 vocational schools. In Kiribati, KAB is being adapted to the local context and, in partnership with the Australian-funded TVET Sector Strengthening Project, will be offered to students at the Kiribati Institute of Technology. In addition, ILO's Start and Improve Your Business targeting out of school youths has been adapted to the Pacific context and is currently being delivered by certified local trainers through employers' organizations, government ministries/ subsidiaries and private training providers.

However, challenges remain, including the need to create a business-enabling environment to support and sustain youth-led small businesses. This should include access to capital, business development services, mentorship and youth entrepreneurship networks in the Pacific for sharing of lessons learned and best practices.

3.3.6 Emerging Opportunities

Youth employment strategies and investment can draw inspiration from less traditional areas like sport, and the cultural and creative industries including the performing and visual arts (music, drama, dance, fashion and design, craft production, tattooing) where there is an abundance of talent and interest among Pacific youth, and proven potential for offshore employment and earnings. This was well highlighted at the recent Pacific Youth and Sports Conference in Noumea, New Caledonia in December 2013, where the potential of increasing the employability of young people and securing decent employment through engagement with sports was a focus.

Reflecting a global trend of rapid growth, Pacific cultural and creative industries have an estimated annual growth rate of around 7 percent.¹¹² Youth employment in these areas can have both economic and social benefits: helping to strengthen key industries like tourism (eco, cultural and heritage tourism);

¹⁰⁷ SPC (2012), Terms of Reference: Pacific Youth Development Framework. Noumea.

¹⁰⁸ Pacific Islands Forum Secretariat Communiqué (2011). Available at <http://www.forumsec.org/pages.cfm/newsroom/press-statements/2011/forum-communique-42nd-pif-auckland-new-zealand.html>, accessed 2 February 2014.

¹⁰⁹ ILO News release (December 2013): Youth employment is a major challenge for young people in the Pacific. Available at http://www.ilo.org/suva/information-resources/public-information/press-releases/WCMS_232215/lang--en/index.htm.

¹¹⁰ Pacific Plan Progress Report (2012) 11.

¹¹¹ Pacific Plan Progress Report (2012) 11.

¹¹² PricewaterhouseCoopers (PwC), 2008, cited in ESCAP (March 2013) ‘The importance of culture in achieving sustainable development’, Sustainable Development Brief No. 23.

and reinforcing cultural identities and a sense of confidence and belonging. In this regard, there may also be a silver lining in the hazards of climate change: opportunities for more young people to be actively involved (and employed) in reviving traditional sustainable development practices and knowledge such as sustainable agriculture, forestry, fisheries and coastal management.

As Pacific countries shift towards more climate change-resilient and greener economies,¹¹³ new opportunities are also emerging for innovative entrepreneurship and small business development based on investment in natural capital, the production and use of green goods and services, reliance on green energy, and the creation of green jobs. In this context, the youth bulge can be seen less as a liability than as an employment opportunity. Youth employment strategies and national action plans should be developed with such possibilities in mind. Similarly, the green economy can provide a focal point for the entrepreneurship training and vocational skill development necessary to improve employment prospects and earning potential for school age and out-of-school youth, including youth living with disabilities and young women, especially in countries such as PNG, Vanuatu and Kiribati.

However, if they are to be sustainable, green small and medium enterprises will require enabling regulatory environments and (green) entrepreneurial training opportunities (that are inclusive of youth) as well as smaller carbon footprints.¹¹⁴ Further, since green jobs need to be aligned to the definition of decent work and to assist in promoting poverty reduction, governments should encourage compliance with international labour standards including living wages, non-discrimination and, where necessary, embargos on child labour exploitation. There will also be a need for regional markets for PIC produce, notably Australia and New Zealand, to be more accommodating and responsive to market access concerns. There are examples over many years where development partners have supported 'green' activities in developing agricultural produce and products, but then exporters have faced bio-security, and other non-tariff barriers to their exports. These include for example ginger in Fiji, and passion fruit and bananas in Tonga.

Pacific youth could also benefit from earlier exposure to international human rights and labour conventions as part of civic education programmes. This would have a number of long-term benefits:

- improving understanding of the purpose and value of international labour (and other human rights) standards;
- building capacity of labour administrations (responsible for law reform and implementation);
- breaking down the persistent prejudice to worker rights; and,
- bolstering demand for Decent Work Agendas (the ILO's key tool for ensuring work that provides adequate income and social protection, protects workers and gives workers a say in decisions that will affect their lives).

3.4 Gender, Vulnerability and Exclusion

3.4.1 Gender Perspectives are Slow to Change

As discussed throughout the report, the importance of family, kinship and community provide great strength and resilience in the Pacific. Women have always been valued for their essential roles in home and community life - as mothers, wives, caregivers, food providers, and treasurers of traditional knowledge and skills, and as decision makers in the household.¹¹⁵ But within all cultures, roles are often assumed according to gender-defined norms and standards. As cultures transform and change, so do gender roles and the expectations and opportunities for men, women, boys and girls.

There is a growing understanding that freeing both men and women from the constraints of narrow gender stereotypes, and from patterns and structures of disadvantage that have prevented women, in particular, from using their full capacities, has a multitude of positive benefits. Indeed, it is recognised that gender stereotyping has negative effects on all members of society.

Through regional declarations and commitments and the adoption of international norms and standards, and through ratification and domestication of CEDAW, CRPD and CRC by Pacific Islands states, women's human rights, child protection and the rights of persons with disability (regardless of age and sex) are informing national policies and programmes.

¹¹³ Rio+20 Pacific Regional Preparatory Joint Ministerial Meeting (July 2011) Apia, Samoa, Outcomes Document.

¹¹⁴ ILO (2013) above n.2.

¹¹⁵ Pacific Islands Forum (2013) 2012 Pacific Regional MDGs Tracking Report, p. 28.

The drivers and causes of gender inequality, exclusion and vulnerability are multiple, diverse and often overlapping. Gender disparities, which result in women's exclusion, exist throughout the Pacific with significant variation within and between countries. Such disparities exist as a result of:

- the typical division of labour assigned to male and female members of society;
- attitudinal and structural barriers to equal participation in decision making;
- obstacles to access to justice inheritance and ownership and, in some parts of the Pacific;
- value systems that link masculinity with authority over women.¹¹⁶

Some countries in the Pacific have made progress towards greater gender equality and the empowerment of women through legal and policy reform, including by making education free and by establishing special measures to support women's participation in politics. However, the pace of change has been slow and inconsistent, and there are still a number of examples where discrimination and exclusion are clearly related to gender norms. For example, women have lower rates of participation in non-agricultural labour despite near gender parity in (and in some cases higher rates of) enrolment and completion by girls in primary and secondary schooling.

As a result, women work mostly in the informal sector and in markets, which are often unprotected, and where labour rights are unprotected and/or there is no social security or welfare. Also, research has revealed that women living with disabilities face greater exclusion and marginalisation than men living with disabilities¹¹⁷ (see Chapter 4 for further discussion). Finally, women and girls experience high rates of gender-based violence in most PICs, and have limited access to comprehensive sexual and reproductive health. Unwanted adolescent pregnancy poses a challenge to young women's health, education and opportunities.¹¹⁸

Empowering women through policies and programmes that reverse disadvantage and marginalisation and advance women's human rights, economic security and rights is correct and necessary and can have a positive multiplier effect on economic development.

Globally and in the region, there is a growing body of evidence that establishes that gender inequality and exclusion not only disadvantage women, but also reduce the growth potential, productivity, and performance of an economy and national sustainable development as a whole.

Box 3.6 Pacific Leaders Gender Equality Declaration

"Leaders understand that gender inequality is imposing a high personal, social and economic cost on Pacific people and nations, and that improved gender equality will make a significant contribution to creating a prosperous, stable and secure Pacific for all current and future generations.

To realise this goal, Leaders commit with renewed energy to ... implement specific national policy actions to progress gender equality in the areas of gender responsive programs and policies, decision making, economic empowerment ending violence against women and health and education."

Source: Extract from the Pacific Leaders Gender Equality Declaration, 30 August 2012, 43rd Pacific Islands Forum, Rarotonga, Cook Islands

By neglecting to address gender-based inequalities, governments risk incurring significant development costs on their societies.¹¹⁹ In contrast, when the inequality gap between men and women narrows, economies tend to grow faster, the poor move more quickly out of poverty, and the wellbeing of men, women, and children is enhanced.¹²⁰ Societies that increase the access of women to education, health care, employment, and credit, and that narrow differences between men and women in economic opportunities, increase the pace of economic development and reduce poverty.¹²¹

Pacific leaders have already acknowledged that gender inequity poses both economic and social constraints on regional and national development. To this end at the Pacific Islands Forum in 2012 a 'Gender Equality Declaration was agreed (see Box 3.6 for a summary of the intent of this Declaration).

¹¹⁶ Ibid.

¹¹⁷ Spratt (2013) A Deeper Silence: the unheard experiences of women with disabilities : sexual and reproductive health and violence against women in Kiribati, Solomon Islands and Tonga, UNFPA, Suva, Fiji, p.11.

¹¹⁸ SPC (2010) Beijing + 15: Review of progress in implementing the Beijing Platform for Action in Pacific Island countries and territories, p. 1

¹¹⁹ World Bank, 2001. Engendering Development: Toward Gender Equality in Rights, Resources, and Voice. World Bank Policy Research Report, Washington DC, for an extensive treatment of the development costs of gender inequality.

¹²⁰ Stotsky, Janet G. 2006. Gender and its Relevance to Macroeconomic Policy: A Survey, IMF Working Paper No. 06/233, Washington DC.

¹²¹ World Bank, 2001; Lundberg, Pollak and Wales, 1997; Murthi, et al. 1995.

This initiative has been taken to the next stage with the development of national gender policies and strategies in, for example, Tuvalu and Nauru.

Underpinning the Declaration is the fact that governments across the Pacific have signed up to a number of international gender-focused development efforts and conventions including CEDAW, BPFA, the Pacific Platform for Action (PPA) and the MDGs. Twelve PICs have ratified CEDAW, and all have adopted the Pacific Platform of Action (localising the Beijing Platform For Action). In some PICs, reviews or the development of National Development Strategies (NDS) have resulted in gender equality being considered across the policy objectives and sectorial programmes. In addition, when national gender policies are adopted and linked to the NDS, mechanisms are put in place for more inclusive planning and gender-responsive budget processes.

However, these gains have mainly been made at the policy level, and implementation remains a challenge, including requiring targeted strengthening of institutional capacity for gender mainstreaming in governments.¹²² In addition, most national legal systems in the region remain, in practice, discriminatory against women, even in situations where gender equality is supposedly enshrined in national constitutions. Women's human rights and gender equality could be also more effectively reflected in national budgeting, development dialogues, programmes, audits and reviews, and women can be more effectively and substantively engaged in governance processes.

3.4.2 Poverty/Hardship and Vulnerability as Drivers of Gender Exclusion

Women are more vulnerable to poverty/hardship than men when structural and attitudinal barriers to gender equality exist. Compared to men, women in the Pacific have a higher risk of falling below the basic needs poverty line.

Data from both census and HIES indicate that women still have lower access to employment and income-generating activities. This is despite gains in achieving gender parity in primary schooling in most PICs. Women work mostly in the informal sector and in markets, which are unprotected.

Table 3.8 Proportion of Households Headed by Females by Decile at National Levels

Ranked by per capita HH expenditure deciles	Samoa	FSM	Kiribati	Palau	Solomon Islands	Tuvalu	Vanuatu	Tonga	Fiji
Average all Households	21.9	20.3	N.A.	26.5	6.5	20.7	12.2	24.9	14.7
Lowest Quintile	17.4	21.6	22.0	17.7	7.7	19.7	11.8	25.0	12.3
Lowest Three Deciles	17.5	22.8	32.4	31.3	7.3	20.4	11.7	23.6	13.1
Highest Quintile	21.8	21.8	21.9	21.3	7.4	22.8	14.1	23.9	18.1

The data from national HIES also reveal that the relationship between female-headed households and poverty/ hardship is not always explicit or strong. That is, the gender of the household head does not appear to be a primary characteristic of poor households. Other characteristics of household heads, and households generally, including age, education, employment and marital status, as well as location, appear to be more strongly indicative of likely hardship and poverty. Nevertheless, although this is generally the case, in some Pacific Island countries, female-headed households are often more disadvantaged and vulnerable than male-headed households, particularly in rural areas.

Using the available HIES data in Pacific countries, data on the proportion of women in the lowest quintile of households compared to the highest quintile, and the representation of female-headed households in total poor households (households below basic needs poverty lines), can be used as proxies for the gender dimension of poverty in the Pacific (see Table 3.8).

¹²² SPC (2012) SPC Stocktakes of Gender Mainstreaming [Online] Available at: <http://www.pacificwomen.org/projects/spc-gender-stocktakes/>, Accessed 9/1/2014.

According to these indicators, female-headed households in Solomon Islands, Palau, Kiribati, FSM, Niue and Cook Islands appear to be more disadvantaged than male-headed households. For instance, in Solomon Islands, female-headed households tend to be more disadvantaged, particularly in rural areas. In rural areas, females headed 20 percent of households in the poorest quintile.

This is higher than the national average of 8.3 percent, and in Honiara (6.7 percent) as well as provincial urban centres (8.2 percent). Furthermore, female-headed households in Palau, particularly those living in rural areas, are disadvantaged. In Palau, an estimated 40.1 percent of all households in the lowest three income deciles in rural areas were headed by females, compared to 29.9 percent of households in the lowest three income deciles in the urban centre. In Kiribati, female-headed households are slightly more likely to be poor than average.

In FSM as a whole, there appears to be only a small gender dimension to poverty. However, in Chuuk women are among the most vulnerable. The 2005 HIES indicates that 43.6 percent of all females were in the lowest three deciles compared to only 14.2 percent in the highest three deciles. The gender dimension of poverty in Cook Islands is also significant. According to the 2005/06 HIES, three out of every 10 of the lowest spending households in Rarotonga and one in four in the Southern Group had a female head of household. In Niue, almost 38 percent of female-headed households are in the lowest quintile. This indicates a relatively significant gender aspect to poverty.

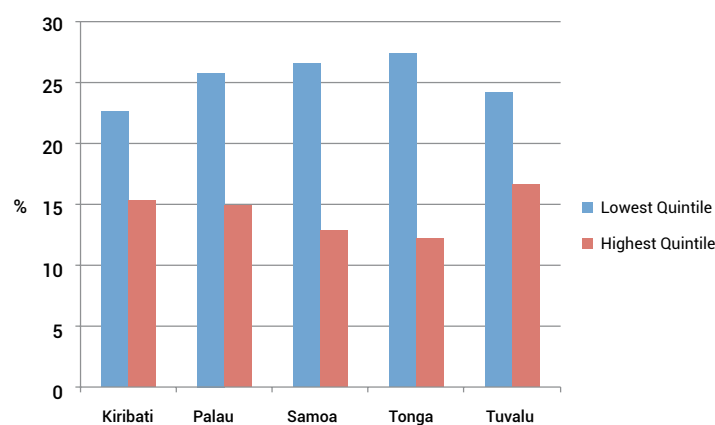
In comparison, there appears to be no clear gender dimension to poverty in the household data from Fiji, Vanuatu, Samoa and Tonga. This does not however dismiss the gender dimension altogether. While at the per capita income/expenditure level there may be approximate gender parity, other manifestations of hardship in terms of female employment, education and opportunity need to be taken into account.

Further, female-headed households are more frequently concentrated in the income/expenditure deciles that lie just above the basic needs poverty line than male-headed households. This means that they are highly vulnerable to falling into poverty in the event of any form of shock, such as death in the family or a natural disaster. Across the Pacific the number of widows far exceeds that of widowers, and widow-headed households tend to be concentrated in the poorest deciles.¹²³ In addition, teenage mothers were acknowledged to be especially vulnerable by the PAH and in some societies they face active discrimination and exclusion.

Female-headed households in the Pacific can also become more vulnerable as an increasing number of men are engaged in overseas work.

This migration may be of a short-term nature (as in the New Zealand and Australian sponsored temporary worker schemes); or it may be on longer-term contracts such as those taken by seafarers, security workers, sports and similar activities.

Figure 3.29 Proportion of Women by 1st and 5th Quintiles



Migration, discussed more fully in Chapter 2, can have both positive and negative implications for women and their families left at home. On the one hand, family income is more assured from the remittances received. But on the other hand, family life is disrupted and there are many anecdotal reports of marriage breakdowns as a consequence of prolonged periods of separation. In addition, being a recipient of remittances, some women may face pressure to share these household resources with other family members, thus leaving them and their immediate families no better off than before.

¹²³ Abbott (2010) Summary Report of Poverty Analysis Consultant for 2010 Review of Social Protection in Pacific Island Countries.

Since an increasing number households rely on temporary overseas workers sending home remittances, women should have greater access to adequate financial literacy training to enable them to manage the household resources received, and to secure access to land and property at home. This includes being able to resist pressure from other family members for handouts, which might deprive the recipient of her own basic-needs.

Women are more vulnerable to hardship and poverty due to socio-cultural contexts, labour force discrimination, migration, a lack of property rights, and heavy responsibilities with regard to the household and the community and, particularly in Melanesia, subsistence farming. Thus, if a woman finds herself excluded from traditional social protection systems, she faces additional structural challenges for supporting herself and her dependents.

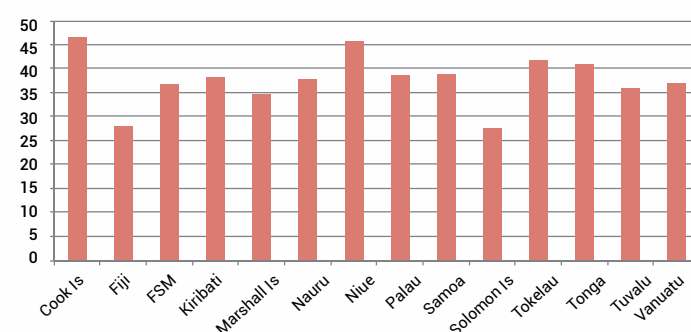
Women with disabilities are particularly vulnerable to hardship/ poverty, and according to a number of indicators they are socially and economically excluded. Women and girls living with disabilities face discrimination both because of their gender and their disabilities. "Data, research and anecdotal evidence illustrates that, despite some helpful laws, policies and systems of practice in some countries, compared to men living with disabilities or female peers, women living with disabilities: are less educated, experience higher rates of unemployment, are more likely to be abused, are poorer, are more isolated, experience worse health outcomes, generally have a lower social status."¹²⁴

A study entitled: 'A Deeper Silence', carried out in Tonga, Solomon Islands and Kiribati found that "women and girls with disabilities are two to three times more likely to be victims of physical and sexual abuse than women with no disabilities. This abuse can happen in the family, the community or institutions where the perpetrators can be other patients or care givers. Their access to reproductive health care is minimal and as a result they suffer greater vulnerability to reproductive health problems. There is a lack of awareness regarding women with disabilities and reproductive health needs. More often than not it is assumed that they do not form part of reproductive health target groups because living with a disability is associated with being sexless. The consequences are particularly severe for women who are also subject to social, cultural and economic disadvantages due to gender discrimination."¹²⁵

3.4.3 Role of Pacific Women in the Labour Market

Women in the Pacific are overrepresented in informal, un-regulated, low-wage and low-skilled jobs, often in sectors most vulnerable to global economic shocks.¹²⁶ Subsistence, small-scale agriculture and informal activities provide a living for 65 to 85 percent of the female population in Pacific island countries as a whole. More than 90 percent of women traders operate in the informal sector and provide significant economically productive roles supporting the livelihoods of their families. For example, women constitute 80 percent of market vendors in Fiji.¹²⁷

Figure 3.30 Percentage of Women in Paid Employment



Source: C1-C5: Latest Census for each country C6+C7: Pacific Women in Politics, www.pacwip.org

They trade farm gate, roadside and informal markets as well as the gated and taxed fresh food marketplaces operated by local governments across Melanesia (where high market taxes subsidise local government and city council operations).¹²⁸ Female market vendors endure long hours (often up 10 hours per day) for low profits, and limited access to water, sanitation and transportation. In many cases they also have responsibilities in the household to be attended to on completion of their normal day's work.

¹²⁴ Stubbs & Tawake (2009) Pacific Sisters with Disabilities: at the intersection section of discrimination, Suva, Fiji, UNDP Pacific Centre, p.8.

¹²⁵ Spratt (2013) A Deeper Silence: the unheard experiences of women with disabilities : sexual and reproductive health and violence against women in Kiribati, Solomon Islands and Tonga, UNFPA, Suva, Fiji, p.11.

¹²⁶ AusAID (2012) Social Protection and Gender – a life-cycle approach [Online] Available at: <http://aid.dfat.gov.au/aidissues/foodsecurity/Documents/gender.pdf>, p. 6.

¹²⁷ Ibid.

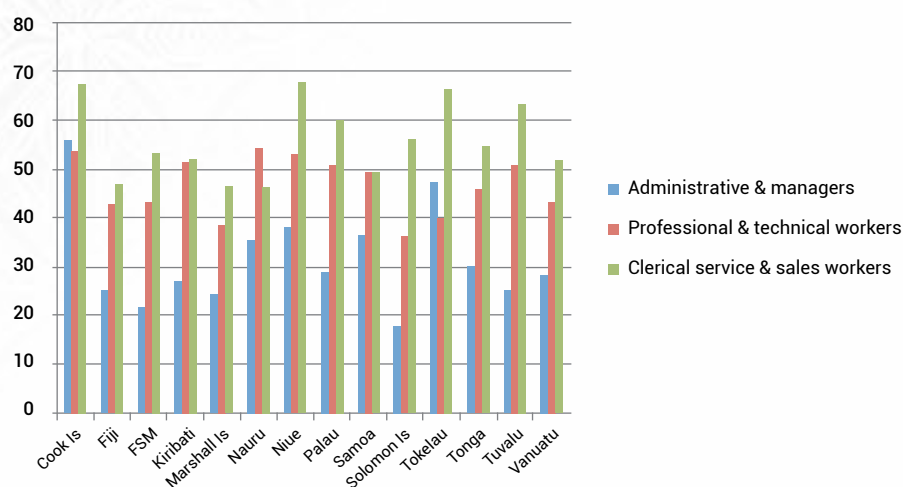
¹²⁸ Ibid.

Women's employment in the non-agricultural sector is around 37 percent across the Pacific region, with levels as low as 14.4 percent and 29.6 percent in FSM and Fiji¹²⁹ respectively. However, in some countries such as Cook Islands and Niue, women are well represented in paid employment and constitute a large proportion of teachers, nurses and other public servants.

Across Melanesian countries in particular, even though women female vendors and others working in the informal economy pay taxes to the local governments and town councils, the markets from where these women operate are overcrowded and fail to provide safety, security, sanitation and hygiene services and facilities.

These markets offer rudimentary or no shelter and benches for vendors, so they sit on the ground, with their produce and earnings, their babies and children. In addition to these conditions, women working in the informal economy suffer other kinds of mistreatment in the markets.

Figure 3.31 Women in Paid Employment by Occupation (% of total)



Box 3.7 A Case Study in Gender Discrimination

In early November 2013 it was reported by Radio New Zealand International (RNZI) that a 13 year-old girl had been raped in the village of Eva, Samoa by "four young boys". Commenting on the situation a village elder is reported to have told RNZI that as a result of this event a decision had been made by the village elders to banish the girl and her family from the village as this "would protect the young men of the village from becoming involved in this kind of behaviour again". The girl was apparently not invited to speak in her own defence.

In the report, the Samoa Victims Support Group are also quoted as saying that the decision made by the village council was "harsh", and that the Group had concerns about a breach of human rights in the girl's banishment, and that of her family.

It was subsequently reported in the Samoa Observer on 14 November 2013 that two teens had been charged over the sexual abuse of the victim.

In PNG, violations of women's rights in market places, reported by NGOs¹³⁰ include threats and violent displacement from the sheltered benches, extortion and theft of women's earnings, sexual harassment and violence against women by young males under the influence of marihuana or alcohol. Opportunists and imposters take advantage of women's marginalisation and powerlessness and harass them for taxes to sell outside the market.

In Solomon Islands it has been reported that the local government has shut down peri-urban markets initiated by women, forcing them all to crowd into the central markets without proper facilities. A similar situation currently exists in Samoa where the government pulled down the central market, forcing all the stallholders to find other roadside or privately owned locations from which to sell their produce. This has led to regular confrontations between stallholders and the authorities, over blocked footpaths and other forms of harassment.

¹²⁹ NMDI, SPC <http://www.spc.int/nmdi/MdiSummary2.aspx?minorGroup=7>.

¹³⁰ For example HELP Resources, Annual Report, 2002.

Nevertheless equality of economic opportunity is itself not without risks for women. According to a report by the International Women's Development Agency (IWDA) as some Melanesian women start to reap the benefits of economic empowerment, they are also becoming more vulnerable to falling victim to jealousy from men. The IWDA has stated: "sometimes women who've experience opportunities for empowerment, like access to increased skills, or knowledge, or money, that can sometimes change the power dynamics in families, and the men in families may sometimes feel threatened and they might respond to that by increasing their use of power and control and sometimes that's through violence".¹³¹

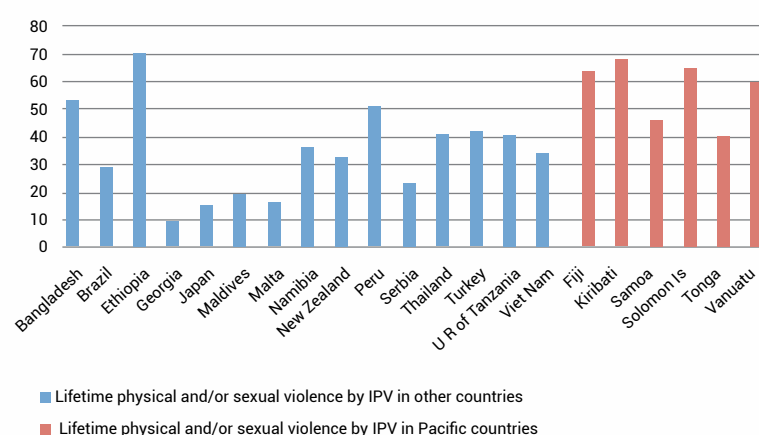
3.4.4 Gender-based Violence

Gender-based discrimination that can lead to exclusion and vulnerability manifests itself, *inter alia*, in violence inflicted upon another person because of that person's gender. Gender-based violence, infringing a person's basic human rights, can result in serious mental and physical harm for victims. In addition it can result in direct and indirect costs for both victims and society as a whole. Gender-based discrimination can thus contribute to entrenched poverty and vulnerability of victims, as well as limiting the advance of human development across countries as a whole. Violence against women is common across the Pacific but is often denied by community, religious, and political leaders and by communities themselves. Many cases of such violence go largely unreported. Intimate partner violence is the most common form of violence in women's lives as identified in relevant studies in the Pacific. High levels of sexual violence committed against women, alongside migration and extreme poverty, contribute to PNG's generalised and feminised HIV epidemic (5 percent infection). There are also strong links between alcohol abuse and violence/higher risk sexual behaviour in the Pacific. This has been observed in the study: 'Situational analysis of drug and alcohol issues and responses in the Pacific 2008-9'.¹³²

The relatively high levels of violence against women in the Pacific compared to other regions are clearly illustrated in Figure 3.32. The incidence of violence against women is particularly high in PNG. Recent statistics suggest that the chance of a woman being assaulted in PNG is as likely as if that of women were living in a war zone where rape is used as a weapon. Across the country, 68 percent of women are reported to experienced physical or sexual violence and one third have been raped. In some Highland regions, as many as 98 percent of women report being sexually abused.¹³³

Of serious and immediate concern is trafficking, transactional sex and the underground commercial sex trade in a number of PICs, exploiting local women and both female and male children. As a symptom of increasing levels of hardship and lack of economic opportunities, increasing numbers of poor Pacific women and girls resort to selling sex for food or cash and young women are trafficked for child marriages and sexual exploitation. This has been noted especially in poor overcrowded urban communities and in rural areas with large-scale mining, logging and fisheries projects.¹³⁴ In some countries there are also concerns regarding the trafficking of women from Asia.

Figure 3.32 Violence Against Women Comparison ¹³⁵



¹³¹ Reported on RNZI on 24 March 2014.

¹³² (http://www.ancd.org.au/images/PDF/Researchpapers/rp21_situational_analysis.pdf?phpMyAdmin=rGQ2XkO0sKjMp24r2sFwuVc5ibb.

¹³³ http://www.oxfam.org.nz/what-we-do/where-we-work/papua-new-guinea/gender-justice/escaping-violence?utm_source=eupdate&utm_campaign=may2014-eneus&utm_medium=email#sthash.3skHH51p.dpuf.

¹³⁴ UNDP (2012) Gender and Economic Policy Management Initiative – Asia and the Pacific: Gender and Poverty, p. 15.

¹³⁵ UNICEF, Intersection of Links between Violence Against Women and Children in the Pacific (2014).

There is a particular prevalence of sexual exploitation in the logging, fishing and mining industries in countries such as PNG, Solomon Islands and Kiribati, where the workforces engaged by foreign contractors are often non-Pacific Islanders. In these countries pornography, the sexual abuse of children, teenage pregnancies, and a rise in STIs are being recorded.¹³⁶ Such scenarios also raise significant concern over the vulnerability and exclusion of migrant women, who frequently have no access to the protection of their human rights.¹³⁷

Studies have assessed that the costs generated by gender-based violence on nations as a whole can amount to several percentage points of annual GDP. For victims themselves, the cost of gender-based violence can amount to a significant proportion of monthly expenditure.¹³⁸

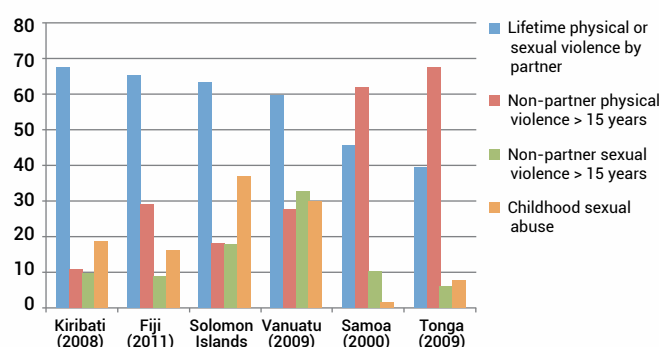
Direct costs resulting from gender-based violence (provision of additional health care; criminal justice system response; social services; legal aid; counselling; etc) affect government budgets and impose costs on individuals. Likewise, indirect costs (reduced productivity; loss of wages or employment; reduced performance; negative impact on career achievement; etc.) may deprive a victim of opportunities to lift themselves out of poverty. Indirectly these costs will also have a negative impact on government's finances.

The well-being, potential and promise of millions of women and girls in the Pacific are further threatened by violence, including within their home. In Kiribati and Solomon Islands respectively 68 percent and 64 percent of ever-partnered women experienced physical and/or sexual violence by an intimate partner. Similarly in Fiji, 64 percent of ever-partnered women aged 18-64 years experienced physical and or sexual violence by their husband or partner in their lifetimes. In Samoa, 46 percent of women experienced one or more kinds of partner abuse and in Tonga, 45 percent of ever-partnered women reported at least one of the three types of violence (physical, sexual and/or emotional violence) in her lifetime, with half (22 percent of ever-partnered women) reporting multiple types of violence by her partner. Two out of every three (68 percent) women in Tonga reported that they had experienced physical violence by someone other than a partner since they were 15 years old. Finally, in Vanuatu, three in five (60 percent) women reported experiencing partner physical and/or sexual violence.

In Palau it has been estimated¹³⁹ that each year on average 40-45 cases of child abuse or neglect and 90 cases of adult abuse or neglect are reported to Victims of Crime Assistance within the Ministry of Health. Issues identified for these abused people include:

- inadequate laws;
- lack of a shelter or other 'respite' services to provide temporary accommodation while cases are investigated and long-term solutions developed; and
- inadequate funding for services.

Figure 3.33 Patterns of Violence Against Women (15-49) in Pacific Island countries



Source: Henriette Jansen, UNFPA, 2013

¹³⁶ UNDP (2012) Gender and Economic Policy Management Initiative – Asia and the Pacific: Gender and Poverty, p. 15.

¹³⁷ SPC (2010) Beijing + 15: Review of progress in implementing the Beijing Platform for Action in Pacific Island countries and territories, p. 3.

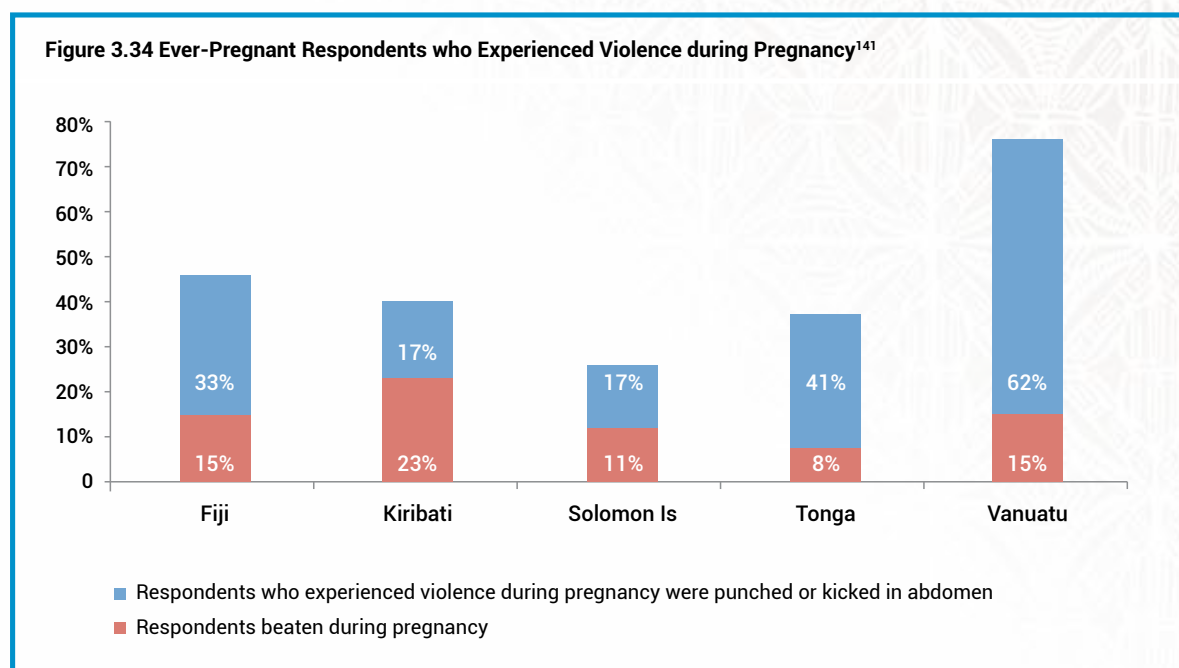
¹³⁸ World Health Organization, "The Economic Dimensions of Interpersonal Violence," Geneva, 2004, summary.

UN Secretary General, "In-depth study on all forms of violence against women," A/61/122/Add. 1, 2006.

UN Women, "The Costs of Violence – Understanding the Costs of Violence against Women and Girls and its Response," 2013, p.19. The publication notes that the costs of violence against women and girls in Viet Nam was assessed to be 1.4 percent of the country's GDP in total direct/indirect costs; 3 percent of GDP in total productivity losses and potential opportunity costs; and in 21 percent of direct costs of women's monthly income. No studies on the cost of gender-based violence have been undertaken in Pacific Island countries. Led by the Pacific Island Forum Secretariat, efforts are underway to assess these costs in Kiribati and the Solomon Islands.

¹³⁹ Palau Medium-Term Development Strategy; Vulnerable Populations, ADB and Government of Palau, 2008.

The prevalence of abuse during pregnancy¹⁴⁰ is illustrated in Figure 3.34.



With the support of UNFPA, five additional countries (Cook Islands, FSM, RMI, Nauru and Palau) will have estimated violence against women prevalence rates by June 2014. To understand the causes and how to eliminate this, the issue of violence against women and girls needs to be viewed beyond the individual women and girls. It needs to be understood in the dynamics of relationships within families, communities and institutions.

By not addressing sexual and reproductive health and rights, including gender-based violence, governments are not ensuring protection for citizens and are paying high economic costs. In Fiji, a costing exercise by the Reserve Bank has estimated the direct and indirect costs of violence in Fiji to be FJ\$ 210 million per year.¹⁴² Similarly, in Vanuatu, UNICEF and partners undertook an economic analysis of child abuse in 2009 to develop sound economic arguments based on the lost economic potential caused by child abuse on societies. The study found that the life-long costs of child abuse amount to around 6.8 percent of annual GDP in Vanuatu.¹⁴³

Recognising the multiple dimensions of vulnerability, initiatives have commenced in RMI, for example, to focus on the needs at the broad family level. This includes mobile teams that deliver a combined package of health, sanitation and nutrition assessment, education and assistance.

Similarly, in respect of domestic and gender violence as well as violence against children, initiatives are now being focused on achieving changes in behaviours, attitudes and practice through a multi-sectorial approach (health, justice, police, social welfare), while drawing together women and child protection programming. With a clear focus on families and their welfare, development policies and programmes should become much better anchored and results more easily monitored and successes more strongly articulated.

¹⁴⁰ UNICEF, *Intersection of Links between Violence Against Women and Children in the Pacific* (2014).

¹⁴¹ Ibid.

¹⁴² The Pacific Islands Cannot Afford the Human and Economic Cost of Violence Against Women 2012, Retrieved from <http://www.worldbank.org/en/news/opinion/2012/11/25/the-human-and-economic-cost-the-pacific-cannot-afford>.

¹⁴³ *Lifting the Financial Burden of Child Abuse, Vanuatu Case Study*, UNICEF, 2009.

3.4.5 Gender, Governance and the Legal Framework

Pacific governance has traditionally been dominated by Matai, Alik, clan chiefs, 'big men' and other customary forms of male leadership. For example, in Samoa, male Matai outnumber female Matai by about 10 to one, a ratio that has remained constant over many years.¹⁴⁴ In many PICs, women have limited opportunities to participate in decision-making processes either as active citizens or elected leaders.

The Pacific region has the lowest proportional representation of women in national parliaments in the world (<2.5 percent). There has been no significant change in this level of representation in the past decade. Typically, the few Pacific women who have been elected to parliaments carry traditional chiefly titles, while others are the widows of male MPs. The number of women entering parliament in their own right is still small. Nauru, Palau, FSM, and Vanuatu currently have no women in their parliaments, while FSM remains one of the three countries in the world that have never elected a woman to parliament.¹⁴⁵

Electoral systems, whilst not actively discriminatory against women, are nevertheless not conducive to the representation of women. Across the region, traditional views that leadership is for men continue to influence electorates. In some Pacific societies cultural norms condemn women's assertiveness as disrespectful inhibiting women from contesting elections, and in some countries there is still a shortage of credible and willing candidates to enter what is perceived as the 'dirty business' of male dominated politics.¹⁴⁶ However, some countries have adopted special measures to support women's political participation. For example, through the electoral reform act of 2013 Samoa has taken active steps to ensure more females enter parliament at the next election. The new legislation provides for a guaranteed minimum of five female members in the parliamentary chamber. In PNG, Vanuatu, Solomon Islands and FSM, processes are underway to establish temporary special measures for female political candidates.

The lack of representation of women in national Parliaments excludes them from directly influencing national development priorities and accessing budget resources for gender-focused policies. Even at the community level, women are also often marginalised in community decision-making fora and may be sidelined in processes that define local level development priorities and access to services.

This local level exclusion often extends to youth who have little opportunity to make their voice heard at the village or community level. Such exclusion tends to encourage youth to seek ways to leave the confines of village life, thereby weakening the traditional social structures.

Women's marginalisation in local fora may mean that their perspectives and role in society is not sufficiently taken into consideration in deciding on community developmental activities, including disaster management.

National Women's Ministries throughout the Pacific vary significantly and range from one-person desks in social ministries to much larger and quite well-placed units, but in almost all cases they are highly marginalised in terms of resources, technical capacity and policy influence.¹⁴⁷ Furthermore, even when policies exist, implementation often lags behind. This exclusion potentially risks increasing their exposure to disasters, in particular in households headed by women when information is not fully transmitted.

Negative notions about gender equality in society at large result in weak legislative, institutional, and policy frameworks to advance gender equality. Inadequate legislative frameworks to advance gender equality in combination with biased justice systems (formal and informal) result in many Pacific women being unable to seek redress, claim their rights, and achieve some degree of economic security. In a number of PICs, inequity exists in laws that exclude women from having the same legal opportunities as men, for example in Tonga where women are excluded from holding land title under the Tongan Constitution.¹⁴⁸ However, to illustrate the diversity across the region, it should be noted that in other places in the Pacific, such as in parts of Solomon Islands, Vanuatu and RMI, land is usually inherited in a matrilineal manner.

¹⁴⁴ Samoa Bureau of Statistics Census data, Samoa Bureau of Statistics, Apia, Samoa.

¹⁴⁵ 2013 Pacific Regional MDG Tracking Report, PIFS, page 36.

¹⁴⁶ Five Pacific countries have no female in parliament. PNG has had special provisions in place for the nomination of two women representatives to each level of government (Parliament, Provincial Assemblies and Local Level Govt.) but these have not been fully or strategically utilised. In Fiji, UNWOMEN and women's rights organizations have advocated with political parties to adopt quotas for women candidate.

¹⁴⁷ SPC (2010) Beijing + 15: Review of progress in implementing the Beijing Platform for Action in Pacific Islands countries and territories, pg. 13.

¹⁴⁸ SPC (2012) Stocktaking of the Gender Mainstreaming Capacity of Pacific Island Governments Kingdom of Tonga [Online] Available at: <http://www.pacificwomen.org/resources/reports/stocktake-of-gender-mainstreaming-in-tonga/>, p. 7

In Palau a matriarchal and matrilineal heritage exists. Women are not generally therefore a disadvantaged group in Palau. According to a 2008 study,¹⁴⁹ in general women enjoy better health and achieve higher levels of education than men. However, while women are less likely to participate in the labour force in Palau, when employed, women reportedly earn more than men. Despite this overall favourable situation, the report notes that health and care service providers identified three categories of women as being vulnerable: (a) pregnant women; (b) single mothers; and (c) women who are caregivers for the chronically ill.

Across all parts of the region, the PICs generally operate two parallel legal systems – the formal legal system and the customary legal system. In practice it is typically the customary system that impacts on the lives of most people at community level. In general, custom law tends to have discriminatory practices against women – for example, in relation to property rights and allocation of resources such as land.

As far as the formal system is concerned, laws that impact women's economic activity, particularly in relation to property rights and employment rights, remain on the statute books. In almost all Pacific Island countries, Civil Codes, Labour Laws and Inheritance Laws have provisions that may be interpreted in a discriminatory way. The laws and regulations that hinder women's full economic participation is summarised in a recent IFC study on 'Gender and Investment Climate Reform Assessment in the Pacific.'¹⁵⁰ These need to be reformed to foster women's greater economic participation and remove obstacles to opportunity.¹⁵¹

In some PICs, women have limited access to justice in weak formal and sometimes gender-discriminatory informal systems. In many outer island and remote communities, access to police and the formal court systems is very limited. In other situations, family, cultural and religious pressures may be applied to victims of domestic or sexual violence and their families to have these offences dealt with in custom and village courts that are presided over by men (chiefs, pastors and nominated village court magistrates).

Frequently in such circumstances, female victims may not be allowed to speak and may not be legally represented (see Box 3.7 above). Improving gender and human rights training for magistrates in village and custom courts is as important as seeking improvements in the formal justice system.¹⁵²

However, alongside guarantees of equality, the Constitutions of PNG, Solomon Islands and Vanuatu enshrine and recognise customary law as part of the national legal systems. This can lead to conflict in interpretation with the equality provisions in the respective national Constitutions and also with national commitments under CEDAW.

The extent of constitutional equality guarantees and their relationship with custom law can be uncertain, and national courts have shown varying degrees of robustness in applying international and constitutional equality provisions to customary law practices.¹⁵³

3.4.6 Legal Empowerment of Women and the Poor

Legal empowerment of the poor can be understood as the process of systemic change through which poor women, in particular, are protected and enabled to use the law to advance their rights and their interests as citizens and economic actors. Strengthening the rule of law in general is an important contributor to the legal empowerment of the poor and particularly for women's security and rights.

Security and empowerment can also help to create an enabling environment for providing sustainable livelihoods and reducing hardship/ poverty through the protection and promotion of labour rights and rights to self-employment and businesses. Initiatives that aim to strengthen identity, voice, representation and security of contracts, as well as helping to reduce transaction costs and uncertainty for the poor, especially for those who toil in the informal economy, are built on a stable society.

¹⁴⁹ Palau Medium-Term Development Strategy; Vulnerable Populations, ADB & Government of Palau, 2008.

¹⁵⁰ IFC in collaboration with AusAid "Gender and Investment Climate Reform Assessment – Pacific Regional", January 2010.

¹⁵¹ Ibid.

¹⁵² Ibid.

¹⁵³ Ibid.

As already described above, most PICs have signed-on to a wide range of many international development efforts and conventions, yet in practice, the commitment of national governments to gender equality and the empowerment of women generally remains weak.

Overall, the regional Pacific Plan and a few of the National Development Strategies (NDSs) of the PICs adequately incorporate gender equality into the priorities for action. The NDSs generally do not expressly provide for the inclusion and participation of women in national planning, budgeting, or development dialogues, consultations, audits and reviews. Most PIC NDSs refer to 'women's issues', rather than gender equality and references are often limited to stereotypical 'women-in-development' activities such as handicrafts, tailoring, microcredit activities that are primarily targeted at women in rural areas and in the community.

More recently, as a result of high-level recognition (in particular by PIC leaders) of the importance of a greater participation of women in decision-making at all levels and the elimination of violence against women, there has been discussion and more attention paid to addressing gender equality in all aspects of development. In some countries, reviews or development of NDSs have resulted in gender equality being integrated across all aspects of plans and national gender policies, which are linked to national NDSs through more inclusive planning and budgetary processes. However, this remains a major challenge and needs to be addressed at all levels through improved governance processes as well targeted strengthening of institutional capacity for gender mainstreaming in governments.

Governments, NGOs and faith-based organizations are responding in various ways. However, there is an urgent need to bring more financial resources and a stronger gender and human rights based framework and greater multi-sectorial coordination and programming into policies and programmes aimed at addressing violence against women. But, overall civil society actors have limited capacity to hold governments accountable with regards to their commitments to advance gender equality.



CHAPTER 4

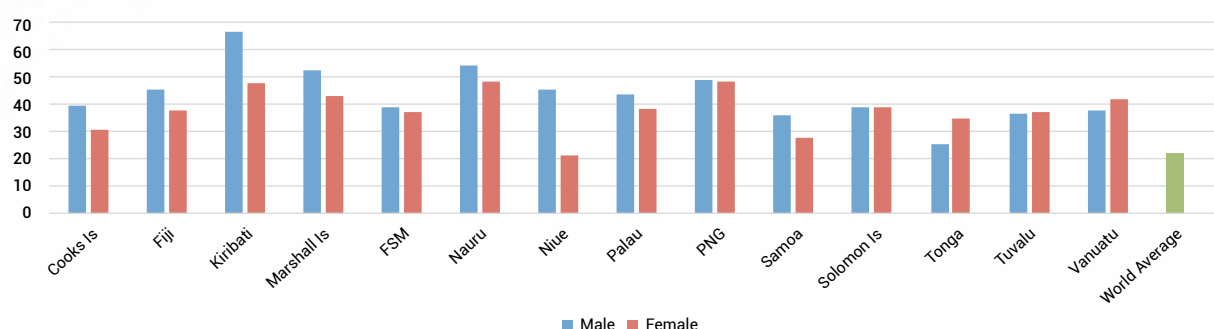
Vulnerability and Exclusion: Health and Access to Basic Services

Most PICs are affected by serious non-communicable diseases (NCD) epidemics, mainly diabetes, chronic respiratory disease, cardiovascular disease and cancer. In many countries the situation is worsening and behavioural risk factors are unequally distributed along socio-economic gradients. Poor health and disability are two of the primary factors leading to the experience of hardship/ poverty, vulnerability and exclusion. Conversely, poverty/ hardship and exclusion are major determinants of poor health outcomes.

Historically, ill-health conditions in the Pacific Islands related primarily to communicable and infectious diseases (e.g. smallpox, influenza, tuberculosis, pneumonia, malaria, and measles) while disability largely stemmed from birth defects and accidents. In the last five decades there has been considerable progress in reducing the burden of communicable diseases through improved disease control, hygiene and sanitation, and immunisation. However, health concerns and the costs of health care have continued to increase.

The primary health concern now for many PICs is the rapidly increasing and earlier onset of NCDs, especially those relating to lifestyle and diets. Coupled with the increasing incidence of NCDs is the build-up of disability resulting from NCD complications (e.g. amputations and blindness from diabetes complications in particular).

Figure 4.1 Rate of Pre-Mature (under 60) NCD-Related Deaths in Selected PICs



NCDs are chronic and often disabling diseases that frequently require lifelong treatment at a considerable cost. Long associated with wealthy countries, the rise of NCDs and their impact in the developing world, especially middle-income countries has been considerable in the past decades.¹⁵⁴ According to WHO surveys, about 40 percent of the population of the Pacific Islands has been diagnosed with an NCD¹⁵⁵ and NCDs account for more than 70 percent of all deaths, a large share of which are premature and preventable (Figure 4.1).¹⁵⁶ In Tonga, life expectancy has fallen as a result of NCD related mortality.¹⁵⁷

Recognising the seriousness of the emerging NCD challenge, Pacific leaders declared a NCD crisis in 2011.¹⁵⁸ The crisis was declared in relation to the scale of the problem, the fact that it comes on top of an unfinished Communicable Diseases agenda and the considerable and increasing impact NCDs are having on national budgets and human development prospects.

¹⁵⁴ Bloom, D.E., Cafiero, E.T., Jané-Llopis, E., Abrahams-Gessel, S., Bloom, L.R., Fathima, S., Feigl, A.B., Gaziano, T., Mowafi, M., Pandya, A., Prettnner, K., Rosenberg, L., Seligman, B., Stein, A.Z., & Weinstein, C. (2011). The Global Economic Burden of Non-communicable Diseases. Geneva: World Economic Forum.

¹⁵⁵ Bulletin of the World Health Organization [http://www.who.int/bulletin/volumes/88/7/10-010710/en/].

¹⁵⁶ Data from WHO Global Health Data Repository. Accessed April 2014. [http://www.who.int/gho/database/en/].

¹⁵⁷ WHO and Ministry of Health, Tonga. Health Service Delivery Profile, Kingdom of Tonga. 2012. [http://www.wpro.who.int/health_services/service_delivery_profile_tonga.pdf]

¹⁵⁸ Honiara Communiqué on The Pacific Non-communicable Disease Crisis. 9th Meeting of Ministers of Health for the Pacific Island Countries. 30 June 2011 [http://www.wpro.who.int/noncommunicable_diseases/honiara_communique.pdf].

While most PICs have prioritised NCDs as a critical health issue, few countries have attempted to properly cost and integrate prevention/ treatment/ palliative care and rehabilitation strategies into the overall budget and development agenda.

Even with the current efforts at improving lifestyle choices to reduce NCD risks, long-term and appropriate health financing strategies need to be considered for those persons already suffering long-term consequences. Solid analysis, experience sharing and both prevention and curative policy options will continue to be needed to ensure that the NCD epidemic in the region gets the attention and resources required for an expanded and multi-sectorial response as called for by the 2011 Political Declaration, and other strategies and commitments.

4.1 Determinants and Impact of Non-Communicable Diseases

NCDs develop from a combination of non-modifiable risk factors such as age, sex, and genetic make-up and modifiable behavioural risk factors, which refer to characteristics that societies or individuals can change to improve health outcomes. Four such behaviours cause the majority of NCDs: poor diet, physical inactivity, tobacco use, and harmful alcohol use. The economic and social significance of NCDs is the result of the complex interaction between health, economic growth and development. In general this is strongly associated with universal trends such as population ageing, rapid unplanned urbanisation and the globalisation of unhealthy lifestyles.¹⁵⁹

As the economies of PICs have become more urbanised, lifestyles more sedentary and diets more westernised, NCDs have become the major cause of premature death in nearly all PICs. The trends observed in successive STEPwise surveys (STEPS) suggest the situation is worsening.

The behavioural risk factors associated with the onset of NCDs are very high across all PICs.¹⁶⁰ More than 50 percent (and up to 90 percent) of the population in at least 10 countries is overweight. Obesity prevalence ranges from more than 30 percent in Fiji to 80 percent among women in American Samoa.¹⁶¹ Tobacco smoking is strongly associated with poverty in the Pacific and an inverse relationship between NCD prevalence and income level and tobacco use has been observed, particularly in the last two decades. While this appears to be a global trend, the Pacific region has one of the highest levels of association.¹⁶²

Studies of lung cancer found a current burden of the disease attributable to smoking in men to be as high as 39 percent to 47 percent (in Tonga, PNG, Samoa, Tuvalu and Nauru). These values are expected to increase to a projected 70 to 84 percent over the coming decade. The predicted increase in the burden of smoking-related lung cancer among women in the region is even more dramatic, rising from a current level of 40 percent to 90 percent in Nauru and 30 percent to 84 percent in Tuvalu.¹⁶³

The high prevalence of tobacco consumption among girls: 62 percent in Palau, 47 percent in Cook islands, 57 percent in Northern Mariana Islands, for example,¹⁶⁴ is of particular concern. Although many PICs prohibit the sale of tobacco (and alcohol) to children there is weak legal/ regulatory/ enforcement environment, despite commitment to the Framework Convention for Tobacco Control (FCTC) in most PICs. Challenges to compliance are posed by industry interference; the presence of domestic manufacturing facilities; concerns about tax revenue losses, and the behaviour of adults who send children on errands.

Tobacco consumption also poses a barrier to economic and social development at household level in a range of ways. Tobacco addiction can result in depriving families of resources for basic necessities such as food, basic health care, or children's education. The health impacts of tobacco use can contribute to households falling into poverty through financially debilitating out-of-pocket medical costs, alongside decreased income due to the possible disability or premature death of wage earners.¹⁶⁵

¹⁵⁹ Global Economic Burden of NCDs, A report by the World Economic Forum and the Harvard School of Public Health. 2011.

¹⁶⁰ NCD Statistics for the Pacific Islands Countries and Territories- SPC 2010.

¹⁶¹ Tenth Pacific Health Ministers Meeting, WHO, SPC, 2013: http://www.wpro.who.int/southpacific/pic_meeting/2013/documents/PHMM_PIC10_6_Mental_Health.pdf.

¹⁶² Non-communicable disease risk factors and socioeconomic inequalities – what are the links? A multi-country analysis of non-communicable disease surveillance data. World Health Organization 2010.

¹⁶³ Cussen and Mc Cool. Asia-Pacific Journal of Public Health 23(1) 70–78 © 2011 APJPHD.

¹⁶⁴ Tobacco smoking prevalence in Pacific Island countries and territories: a review; <http://journal.nzma.org.nz/journal/120-1263/2742/>.

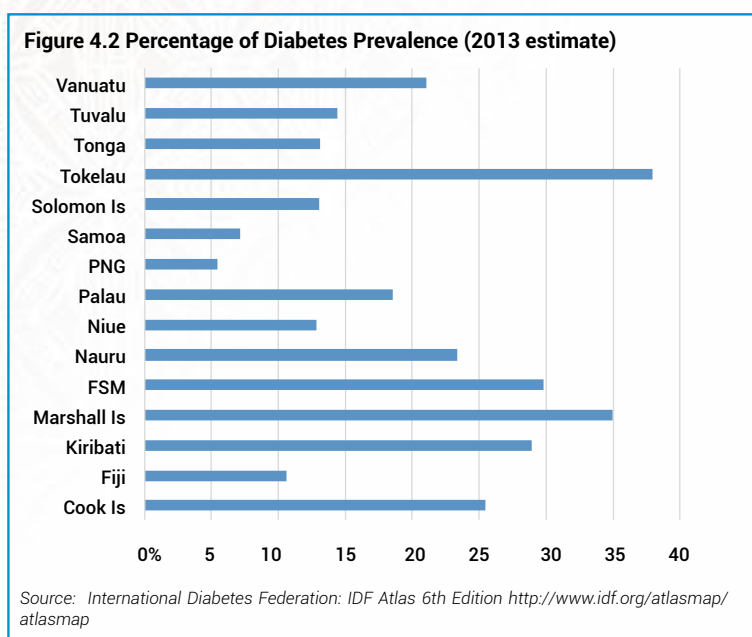
¹⁶⁵ Tobacco control for health and development, Issue Brief, UNDP 2013. <http://www.undp.org/content/undp/en/home/librarypage/hiv-aids/issue-brief--tobacco-control-for-health-and-development/>.

The health implications of passive smoking are also now widely recognised with children in smoker households being particularly at risk.

Behavioural risk factors are unequally distributed across countries and communities. For example, data collected through the NCD STEPS surveys shows marked variations in the associations between risk factors and socio-economic status and gender.

For example, in Fiji, having a tertiary education and living in an urban area is associated with reduced odds of being a smoker (for both men and women). While Fijian men with secondary and tertiary education are more likely to be obese,

Fijian women with secondary and tertiary education are less likely to be obese than those with only primary education.



A similar pattern is observed with diabetes, while it was found to be more prevalent among men with tertiary education, an inverse relationship with educational level is observed for women in Fiji. However, while living in an urban area increased the odds of not consuming enough fruits and vegetables, having a tertiary level education reduced the odds of not consuming the recommended amount of the above (for both men and women).¹⁶⁶

In Nauru, where the urban-rural divide is non-existent, the prevalence of obesity was assessed to be very high for both men and women (36-49 years), with obesity common across all educational levels. However,

diabetes was most prevalent among those with high educational attainment. The prevalence of current smoking was generally higher in women than men across all age groups in Nauru; and smoking was also more prevalent among those with low educational levels.¹⁶⁷

The data above indicates that linkages between risk factors and socio-economic markers, such as education, vary from country to country. They also indicate that health inequities not only derive from inequities in health care but also, and perhaps more importantly, from inequities in environmental, economic and social factors.

Diabetes, a very minor affliction in the 1960s, is now a highly prevalent condition in the Pacific region. Indeed the region exhibits the highest diabetes prevalence in the world, with national prevalence often above 20 percent, and with eight PICs in the top 10 of countries with the highest prevalence.¹⁶⁸ According to the Global Disease Burden study, between 1990 and 2010, diabetes rose from being the ninth to the second leading cause of premature death in PNG.¹⁶⁹ In Samoa, the number of patients undergoing dialysis treatment increased 15 fold from five to 75 patients between 2004 and 2013,¹⁷⁰ with a waiting list of more than 300. Thirty percent of Fiji's population, or 102,000 people above the age of 25, suffer from diabetes. The diabetes prevalence rates amongst PICs are illustrated in Figure 4.2.

In Nauru, 32 percent of the adult population is reported to be suffering from the disease. Similarly, diabetes prevalence among adults in American Samoa is 47 percent (compared to 13 percent in mainland USA). Of particular concern is that people are developing diabetes and cardiovascular disease at an increasingly younger age, reducing from over 50 years traditionally, to under 40 years currently.¹⁷¹

¹⁶⁶ Non-communicable disease risk factors and socioeconomic inequalities – what are the links? A multi-country analysis of non-communicable disease surveillance data. World Health Organization 2010.

¹⁶⁷ Ibid.

¹⁶⁸ International Diabetes Federation <http://www.idf.org/diabetesatlas> (2014).

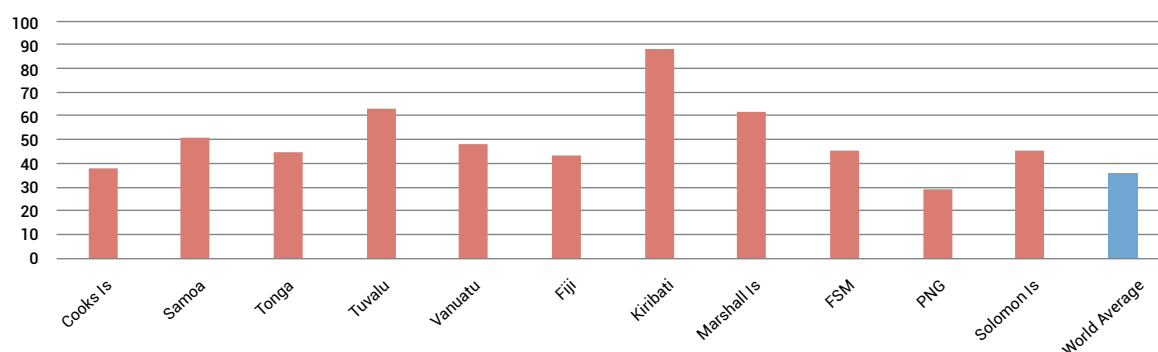
¹⁶⁹ Global Burden of Diseases Study (2010) Country Profile (PNG): [<http://www.healthmetricsandevaluation.org/sites/default/files/country-profiles/GBD%20Country%20Report%20-%20Papua%20New%20Guinea.pdf>].

¹⁷⁰ Report to the Samoa Parliament by Minister for Health, March 2014.

¹⁷¹ WHO Global Status Report on NCD (2010) – Chapter 1 [http://www.who.int/nmh/publications/ncd_report_chapter1.pdf].

The increasing rate of NCD mortality is cancelling many of the gains made through improvements in the treatment of major communicable diseases and/ or improvements in maternal and child health care. The age-standardised death rates from diabetes in PICs is illustrated in Figure 4.3.

Figure 4.3 Age Standardised Death Rates: Diabetes per 100,000



Source: WHO (2004 data)

Box 4.1 Examples of the Human and Financial Toll of Diabetes

In Fiji "amputations as a result of diabetes numbered approximately 400 a year with about 80 percent of the annual F\$120 million health budget going towards NCDs, complications and everything to do with NCD, according to Fiji's Ministry of Health NCD Adviser Dr Isimeli Tukana; (Fiji Times, 23 September 2013).

In the north Pacific the director of the Diabetes Wellness Centre in Majuro has stated that an epidemic of diabetes is raging in the Marshall Islands, with younger islanders developing the sickness (Marianas Variety, 13 February 2012).

"While this disease was almost unheard of in the Marshall Islands 50 years ago," said Denis Yates who directs diabetes prevention programmes in the Marshall Islands, "today many people are borderline diabetic by age 25 and by 40 are fully diabetic ..."

Yates called diabetes the Marshall Islands' greatest crisis. "Nine of 10 people in the hospital are there because of diabetes," he said. "There are 60 to 90 major amputations a year. No war or disease in the history of the Marshall Islands has caused such widespread illness and death."

He went on to say: "a review of patient records for 300 deceased Marshallese, who had diabetes, showed the average cost for providing treatment for these patients during their lifetimes was US\$ 375,000 per patient". This underlines the financial burden diabetes is placing on limited government resources.

Two years ago there were only 1,700 people on the Majuro diabetes registry. "As of 2011, it has jumped to 5,000 and continues to go up," Yates said.

In Vanuatu a recent study indicated: "Pharmaceutical costs jump nearly 15 fold to US\$ 367 per patient per year when insulin and other associated drugs are required..... Progression of diabetes and hypertension to more advanced stages squeezes an already tight health budget. One patient in Vanuatu requiring insulin absorbs the equivalent drug allocation of 76.4 other citizens.... Yet the latest estimates suggest a diabetes prevalence of 22 percent of those aged 20 to 79 years in Vanuatu."

(The costs and affordability of drug treatments for type 2 diabetes and hypertension in Vanuatu, Ian Anderson, Amanda Sanburg, Howard Aru, Len Tarivonda, Susan Ivatts, Rufina Latu, Jacob Kool. Pacific Health Dialog Volume 19: Number 2: 1, September 30, 2013).

The onset of diabetes is closely related to diet and physical inactivity. Surveys in PICs have indicated people's choices of food, including health-compromising foods, are guided primarily by cost and availability, and are relatively unrelated either to food preferences or to perceptions of nutritional value.^{172, 173}

Changing diets, in which traditional foods are replaced by imported and processed foods, are considered a major factor in increasing intake of fats, sugars and salt and associated with increased risks of metabolic syndrome, an underlying characteristic of cardiovascular disease and diabetes.^{174, 175}

¹⁷² Evans M, Sinclair R, Fusimalohi C, Liava'a V. World Health Organization. Globalisation, diet, and health: An example from Tonga. Bulletin of the World Health Organization 2001, 79: 856–862.

¹⁷³ Hughes RG. Diet, food supply and obesity in the Pacific. World Health Organization Regional Office for the Western Pacific: Manila; 2003.

¹⁷⁴ Hughes RG. Diet, food supply and obesity in the Pacific. World Health Organization Regional Office for the Western Pacific: Manila; 2003.

¹⁷⁵ Thow AM, Heywood P, Schultz J, Quested C, Jan S, Colagiuri S. Trade and the Nutrition Transition: Strengthening Policy for Health in the Pacific. Ecology of Food and Nutrition 2011, 50:18–42.

Household expenditure survey data shows that expenditure on imported food is considerable in most countries with the highest values in Kiribati (53 percent) and lowest values in Solomon Islands and Vanuatu (30 percent). Rice, flour and sugar not produced locally have become the largest source of energy,¹⁷⁶ deepening both dietary change towards 'western diets' and imported food dependency.

4.1.1 Economic and Social Impacts of NCDs

NCDs in particular place a tremendous strain on social welfare and health systems as the cost of treating patients admitted for NCDs is generally considerably higher than the cost of treating other patients. The World Bank estimated that the cost of glucose testing strips per patient in Vanuatu alone amounted to more than the total government expenditure on health per capita for other patients. Similarly, the cost of dialysis per patient per year in Samoa was reported as being more than 12 times the GDP per capita of Samoa.¹⁷⁷ Unsurprisingly, the amount of government spending directed toward the treatment of NCDs is very high, varying between 40 percent in Fiji and 60 percent in Tonga,¹⁷⁸ and rising steadily.

A decade ago, the impact on national income expended on, or the production value lost due to NCD conditions was already quite significant, ranging from an estimated 0.8 percent of GDP in Fiji to 6.5 percent of GDP or a loss of US\$732 per capita for each member of the workforce in Nauru. Figures are often significantly undervalued due to the fact that the loss/ cost estimates were only calculated for the economically active population in the formal sector.¹⁷⁹ These estimates did not, for example, take into consideration other social costs such as the additional unpaid care work by family members (mainly women), the cost of pain, suffering and premature death, or of the insecurity associated with a lack of knowledge about one's condition.¹⁸⁰

Indirect costs such as losses to productivity due to absenteeism, prolonged disability and diminished resources within families are likely to be extensive, given evidence from elsewhere. It has also been estimated that half of those who die of chronic NCDs are in the prime of their productive years.¹⁸¹

The double burden caused by CDs and NCDs therefore poses a significant challenge for the development of PICs and undermines the achievement of the MDGs. If not addressed, a human development disaster with lower life expectancy and higher levels of NCD-induced disability will be hard to avert. Efforts towards education on healthy lifestyles and NCD prevention need to continue. Efforts to address the social and structural determinants of NCDs need to be stepped up in the face of increasing burden and far ranging impact caused by these conditions.

PICs need to be further supported in their multi-sectorial response to include national leadership towards better lifestyle choices, improved food and living environments, the promotion of regular testing as well as counselling and support for those who have long-term treatment and care needs. The increasing number of amputations associated with diabetes adds considerably to the extent of vulnerability and to the care burden placed largely on females in the household.

4.2 Mental Health and Suicide: Often-neglected Issues

Mental health is of increasing significance in the PICs and the linkage between mental disorders and both communicable diseases (CDs) and NCDs is well established. The disease and disability burden from mental health is expected to increase greatly in the future. Such a trend is associated with a number of factors that include population ageing, rapid social change and the increasing gap between socio-economic groups,¹⁸² as well as the psychosocial impacts of other health conditions.

¹⁷⁶ Hughes RG. Diet, food supply and obesity in the Pacific. World Health Organization Regional Office for the Western Pacific: Manila; 2003; and National Household Income & Expenditure Surveys.

¹⁷⁷ The economic costs of non-communicable diseases in the Pacific islands. A Rapid Stocktake of the situation in Samoa, Tonga and Vanuatu. The World Bank. November 2012. [<http://www.worldbank.org/content/dam/Worldbank/document/the-economic-costs-of-noncommunicable-diseases-in-the-pacific-islands.pdf>].

¹⁷⁸ Tenth Pacific Health Ministers Meeting, WHO, SPC, 2013.

¹⁷⁹ Szmedra, P. Sharma, K.L. Lifestyle diseases and economic development: the case of Nauru and Kiribati. USP, 2005.

¹⁸⁰ Khaleghian, P. Non-communicable diseases in Pacific Island Countries: disease burden, economic costs and policy options. SPC, 2001.

¹⁸¹ Bloom, D.E., Cafiero, E.T., Jané-Llopis, E., Abrahams-Gessel, S., Bloom, L.R., Fathima, S., Feigl, A.B., Gaziano, T., Mowafi, M., Pandya, A., Prettnier, K., Rosenberg, L., Seligman, B., Stein, A.Z., & Weinstein, C. (2011). The Global Economic Burden of Non-communicable Diseases. Geneva: World Economic Forum.

¹⁸² Tenth Pacific Health Ministers Meeting, WHO, SPC, 2013: [http://www.wpro.who.int/southpacific/pic_meeting/2013/documents/PHMM_PIC10_6_Mental_Health.pdf].

Table 4.1 Median Age of Suicides¹⁸³

Australia	41
Guam	27
Tonga	22
Vanuatu	21

Amputations, loss of vision or mobility and increasing dependency on others resulting from diabetes or stroke, for example, can also be a cause of deteriorating mental health for those concerned or their close relatives who provide care and support.

Suicide is another serious issue related to a range of psychosocial determinants. Rates of suicide in the region are among the highest in the world,¹⁸⁴ with the youth being primarily affected (Table 4.1), and often with great differences along gender lines. For example, rates of suicide among Micronesian men are seven or eight times higher than among Micronesian women.¹⁸⁵ As such, suicidal behaviour among young people has become a major concern.¹⁸⁶

Many of the pressures on young people relate to broad social change, and a lack of opportunities and limited avenues for self-expression and self-realisation. The weakening of the traditional social structures and protection systems, as well as conflicts arising within changing family structures are also often cited as determinants. Young people become caught between the modern systems that they experience when living away from parents or close families, and the traditional concepts of appropriate standards of behaviour in the village or community environment.¹⁸⁷

4.3 Communicable Diseases Have Not Gone Away

While the attention for most PIC health ministries is now on NCDs, communicable diseases and other often neglected tropical diseases remain a serious challenge, particularly affecting the poor. Unsafe water and unimproved sanitation systems, as well as poor hygiene practices, facilitate the spread of infectious and waterborne diseases that particularly affect children. Communicable diseases remain the leading cause of preventable death among children under five years old. Respiratory diseases related to overcrowding are common in urban settlements, while malaria affects the rural populations of Vanuatu, Solomon Islands and PNG, with a particularly severe impact on pregnant women and children. Dengue is another vector-borne diseases of significance, with increasingly more frequent outbreaks across the region and high incidence rates. Dengue mostly affects people living in poor urban settlements with sub-standard waste disposal and poor drainage, which facilitate the breeding of the vector, *Aedes Aegypti*. WHO estimates that despite its importance, dengue prevention and control is insufficient and inadequately funded in many countries.¹⁸⁸

Some neglected tropical diseases can have serious health implications and can contribute to vulnerability and exclusion. In particular, for example, lymphatic filariasis, which can lead to elephantiasis and can cause severe disability. By its nature this disease can result in increased vulnerability and social exclusion.¹⁸⁹

The communicable disease situation in PNG is particularly acute, with both HIV and tuberculosis (TB) reaching epidemic levels. People who are the most socially, economically and politically disadvantaged are the ones at the greatest risk of both TB and HIV infection. Recent studies among commercial sex workers and men who have sex with men in Fiji,¹⁹⁰ Vanuatu,¹⁹¹ PNG,¹⁹² Cook Islands,¹⁹³ Kiribati¹⁹⁴ have all consistently shown much higher HIV and STI exposure risk in these sub-population groups. And, in some, much higher prevalence of HIV or STIs than in the general population, particularly in PNG (Figure 4.4).

¹⁸³ Ibid.

¹⁸⁴ Heather Booth (undated). Pacific Island Suicide in comparative perspective. Working Paper in Demography no. 76. The Australian National University.

¹⁸⁵ Donald H. Rubinstein. Youth Suicide and Social Change in Micronesia. Kagoshima University Research Center for the Pacific Islands. Occasional Papers No. 36. (December 2002).

¹⁸⁶ Tenth Pacific Health Ministers Meeting, WHO, SPC, 2013: [http://www.wpro.who.int/southpacific/pic_meeting/2013/documents/PHMM_PIC10_6_Mental_Health.pdf]

¹⁸⁷ Ibid (24,25,26).

¹⁸⁸ WHO (2014). Emerging Diseases Surveillance and Response. http://www.wpro.who.int/emerging_diseases/Dengue/en/.

¹⁸⁹ "Neglected Tropical Diseases of Oceania: Review of Their Prevalence, Distribution, and Opportunities for Control" <http://www.plosntds.org/article/info%3Adoi%2F10.1371%2Fjournal.pntd.0001755>.

¹⁹⁰ Integrated Biological Behavioral Surveillance Survey and Size Estimation of Sex Workers in Fiji: HIV prevention Project. FNU, Ministry of Health, Survival Advocacy Network, UNAIDS 2014.

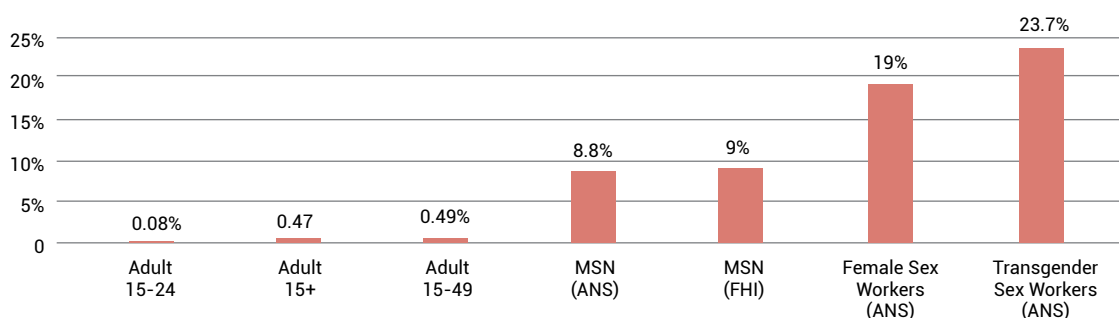
¹⁹¹ Karen McMillan and Heather Worth. Risky Business, Selling Sex in Port Vila. International HIV Research Group School of Public Health and Community Medicine. The University of New South Wales. 2011. [http://www.fsm.ac.fj/pacsrhrc/files/IHRG_Vanuatu_FINAL_2.pdf].

¹⁹² Kelly, A., Kupul, M., Man, W.Y.N., Nosi, S., Lote, N., Rawstorne, P., Halim, G., Ryan, C. & Worth, H. (2011) Askim na save (Ask and understand): People who sell and/or exchange sex in Port Moresby. Key Quantitative Findings. Papua New Guinea Institute of Medical Research and the University of New South Wales: Sydney, Australia.

¹⁹³ Second Generation Surveillance Survey of Akavaine and MSM in Cook Islands 2009. Te Tiare Association of the Cook Islands, Secretariat of the Pacific Community (SPC), Rawstorne P and Global Fund to Fight AIDS, TB and Malaria (2010).

¹⁹⁴ Karen McMillan and Heather Worth. Risky Business Kiribati: HIV prevention amongst women who board foreign fishing vessels to sell sex. International HIV Research Group School of Public Health and Community Medicine, The University of New South Wales. 2010.

Figure 4.4 HIV Prevalence in Select PNG Populations (2013)



Source: WHO PNG Office. National stakeholders' consultation on Trade, intellectual property rights and investment agreements: Safeguarding access to affordable medicines and policy space in Papua New Guinea. 27-28 November 2013, Port Moresby, Papua New Guinea

A high level of stigma and discrimination, as well as inadequate and discriminatory legal frameworks exacerbate the problem. All PICs, except Fiji, FSM, RMI, Niue and Vanuatu, criminalise homosexuality and all criminalise sex work. It is increasingly evident that these discriminatory laws impact on the ability of HIV and prevention services to reach these populations. As a result, people whom most need HIV and TB services frequently do not access them.¹⁹⁵

It is also understood that, as with people living with HIV, those with impaired immunity as a result of diabetes, can also become more susceptible to TB. The risk of developing TB is three times higher for people who have diabetes than people who do not. TB has long been associated with poverty and although the situation in the region is mixed and the burden of TB is relatively small, some countries (e.g. Kiribati, RMI, FSM, Solomon Islands and Vanuatu) experience relatively high rates of TB and three quarters of all cases reported in the PICs.^{196, 197}

Box 4.2 Not Just NCDs: TB and HIV are still Major Health Issues in PNG

PNG is said to be teetering on the brink of a tuberculosis epidemic. There are 15,000 new cases of tuberculosis recorded annually in PNG and WHO says nearly a quarter of those cases prove fatal. UNAIDS PNG coordinator Stuart Watson says there should be automatic testing for both HIV and TB patients. "There's certainly something of a disconnect in most countries, particularly in PNG, between TB programmes and HIV programmes," Mr Watson told Pacific Beat. "One of the issues for us is to try and build more synergy, more connection ... and eventually to have really totally integrated programmes, but we're a long way from that." He said people living with HIV in PNG are most at risk of contracting tuberculosis. "Tuberculosis is a disease of poverty, of overcrowding, of many of the social issues PNG faces. So we have to deal with a whole range of social issues, the drivers of tuberculosis as well as HIV, in order to make a difference and that's a much larger task."

Mr Watson said, worryingly cases of drug resistant and extra-drug resistant TB are increasing in PNG. "The cost of dealing with drug resistant and extra-drug resistant cases is absolutely extraordinary. We need to get control of this before we really have a completely runaway TB epidemic with greater drug resistance. "TB is treatable, TB is something that is preventable, unlike HIV, so this is really quite a tragedy" (Radio Australia, Pacific Beat 26 March 2014).

4.4 Poor Access to Basic Services: Cause and Consequence of Exclusion and Vulnerability

4.4.1 Access to Services

Many disadvantaged groups, particularly those in rural areas, often have only limited access to basic goods and services, such as health and education, communications, electricity, financial services, improved water sources and sanitation facilities. Lack of access to markets and poor knowledge of finance also marginalises income opportunities for rural communities. Geographic impediments, inefficient state-owned enterprises and state-supported monopolies have historically obstructed the private sector from delivering services effectively, particularly in rural areas.

¹⁹⁵ HIV and the Law: Risk Rights and Health. Global Commission on HIV and the Law. 2012 <http://www.hivlawcommission.org/index.php/report>.

¹⁹⁶ Tuberculosis surveillance in the Pacific Island countries and territories. SPC, 2009 Report. [http://www.spc.int/frp/index2.php?option=com_docman&task=doc_view&gid=1698&Itemid=33].

¹⁹⁷ WHO. Tuberculosis (TB) and Leprosy. South Pacific Situation Summary. 2014. [http://www.wpro.who.int/southpacific/programmes/communicable_diseases/tuberculosis/page/en/].

Due to the geographical characteristics of the Pacific region, the costs associated with the provision of basic goods and services are higher than in other parts of the world. On the one hand, remote locations pose significant logistical problems in providing services, and on the other, overcrowded and poorly served urban areas lack the necessary infrastructure, particularly for health and education services. The impact of poor access to basic services is discussed in more detail and by topic area throughout the report.

New technologies are enabling significant cost and time saving measures to be made. An example of this is the Government-to-Person (G2P) social welfare payment transfers in Fiji, which are now paid through mobile phone technology. This saves significant resources for both the government and the recipient. The G2P initiative is estimated to have saved the Fiji government over F\$ 0.2 million, and has provided Fijians with improved access to financial institutions and the ability to save.¹⁹⁸

At a regional level, there are examples to suggest that significant potential benefits can be generated from greater regionalism in relation to service delivery. The University of the South Pacific (USP) provides one such example in tertiary education. As the recent Pacific Plan Review noted, USP has provided “societal benefits across the region that few countries could provide themselves.”¹⁹⁹ The Review also argued for more attempts to be made at regional initiatives for basic service delivery.

4.4.2 Access to Water and Sanitation: Increasing Challenges in Low-Lying Islands

Access to clean water and basic sanitation is still a concern in a number of PICs. Kiribati, which has the highest levels of infant and child mortality in the Pacific, struggles with the provision of improved water sources. As a result, there are recurring outbreaks of water-borne diseases in the country. These are among the main causes for infant and child mortality.²⁰⁰ The country also faces high internal migration and population growth, which has led to overcrowding on the main island and in the capital.

Tackling water losses, increasing rainwater harvesting, and implementing an appropriate tariff system that makes drinking water affordable for all, have been identified as key actions to address the provision of sufficient quantities of drinking water for all in Kiribati. These actions would also help prevent infant and child mortality (see Box 4.3 for a Kiribati case study).

The government has developed wide-ranging policies to address challenges of the water and sanitation sectors, however, implementing agencies have not necessarily seen these or are not aware of key priorities contained in them. The absence of a government body responsible for sanitation and hygiene promotion contributes to the challenges, and results in water quality testing not taking place on a regular basis.²⁰¹

¹⁹⁸ Leonard, M. (2011) G2P Expanding Financial Inclusion in the Pacific Report: Fiji's Transfer of Social Welfare Recipients to Savings-Linked Electronic Payment System, UNCDF and UNDP Pacific Financial Inclusion Programme [Online] http://www.uncdf.org/sites/default/files/Download/PFIP_G2P.pdf, p. 23.

¹⁹⁹ Pacific Plan Review (2013) Report to Pacific Leaders, p. 54.

²⁰⁰ Human Rights Council, “Report of the Special Rapporteur on the human right to safe drinking water and sanitation, Catarina de Albuquerque,” Mission to Kiribati, 23-26 July, 2012, A/HRC/24/22/Add.1, p. 11.

²⁰¹ Ibid Add.1, pp.10-11.

Box 4.3 Kiribati: A Case Study in the Economic Costs of Poor Water and Sanitation

An ADB study²⁰² has estimated that the annual economic costs of poor water and sanitation on South Tarawa, the overcrowded capital of Kiribati, amount to the equivalent of between 2-4 percent of GDP. These costs include:

- **Health expenditures.** These include the costs of preventative and surveillance measures; costs of treatment in the form of medicine, clinics, and hospital staff time; and other recurrent operating costs.
- **Loss in economic productivity.** Costs include loss in productivity and/ or wages due to illness and death caused by water-borne disease and lost time by caregivers.
- **Reduced benefits from tourism.** Dirty and polluted beaches reduce attractiveness of South Tarawa as a tourism destination, which results in reduced tourist revenue and follow-on benefits.
- **Environmental pollution.** Inadequate sewage disposal creates high nutrient and chemical pollution and adversely impacts fisheries.

The report notes that the low-lying atoll has limited freshwater resources, which are easily contaminated, and residents receive piped water for only two hours every two days because of high leakage from the system. In addition, poorly functioning sanitation systems and practices are polluting the groundwater and the marine environment.

Health officials are reported as saying there are about three outbreaks of diarrheal disease every year and this is a cause of high infant mortality rates. Vulnerable groups, especially mothers and children, therefore have the most to gain from money spent on improved water and sanitation services.

The report concludes that if appropriate action is not taken now to address the current risks associated with inadequate water and sanitation, the hidden costs can be expected to grow due to:

- increased population in South Tarawa, on account of high fertility rates and internal migration;
- continued increase in the settlement of people in the catchment area that supports groundwater lens in Bonriki and Bouta, resulting in pollution of the main source of groundwater and higher water treatment costs; and
- of climate change from increased level of rainfall and air temperature, and rise in sea level and to result in increased incidence of flooding and mosquito populations that will ultimately increase the incidence of water- and vector-borne diseases and in ground water salinity.

Source: Economic Costs of Inadequate Water and Sanitation, South Tarawa, Kiribati, ADB Pacific Studies Series, April 2014

In Tuvalu, it has been documented that poorer people have less access to safe drinking water. A large part of the drinking water is harvested from roofs, with bigger houses having greater capacity to harvest water. Poorer people in Tuvalu's capital tend to live in smaller and more overcrowded houses, which is the result of high internal migration and the increase in squatter settlements. Accordingly, poorer families in small houses, typically located in informal settlements, have much less capacity to harvest and access affordable and quality water. Both Tuvalu and Kiribati are highly affected by climate change, which exacerbates the water shortage.

In addition, the maintenance of water tank systems provided by international donors generally falls on individual households, even though some cannot afford the costs of maintenance. The maintenance of guttering is also often a major cost, for example when falling coconuts or coconut fronds damage gutters. However, many households could be more pro-active in keeping gutters clean and nearby trees pruned to minimise damage and maintenance costs.

Poor sanitation also costs the countries large sums of money due to public health costs associated with water-borne diseases. According to a cost-benefit analysis conducted in 2005-2006, poor sanitation costs the national economy of Tuvalu almost A\$ 0.5 million per annum.²⁰³ Poorer people thus are more vulnerable to water-borne diseases and other health problems resulting from poor hygiene.²⁰⁴

4.4.3 Disability, Vulnerability and Exclusion

People with disabilities in PICs are among the poorest and most marginalised members of their communities. People with disabilities have limited access to education, employment and basic social services, which leads to social and economic exclusion and perpetuates poverty. Frequently, people with disabilities suffer from additional forms of discrimination, prejudice and rejection. Thus, persons with disabilities are frequently excluded from the mainstream of society and denied basic human rights.

²⁰² Economic Costs of Inadequate Water and Sanitation, South Tarawa, Kiribati, ADB Pacific Studies Series, April 2014.

²⁰³ Ibid Add.2, p.11.

²⁰⁴ Ibid Add.2, p.9.

The effects of discrimination based on disability have been particularly severe in fields such as education, employment, housing, transport, cultural life and access to public places and services.²⁰⁵ Children with disabilities are consistently excluded from attending school, with less than 10 percent having access to any form of education. Many do not attend school at any time in their life.²⁰⁶ They are also frequently excluded from awareness on reproductive and sexual health, as well as disaster-related interventions. Together, these exclusions have serious health, socio-economic and human rights implications.

Despite some progress in terms of disability, policy and some forms of limited legislation on disability in PICs, such discrimination and exclusion has not been systematically addressed in Pacific society. Unlike NCDs, which have been very much a health and policy priority for most PICs in recent years, disability has often been a relatively low-priority issue for governments. However, it is an issue that has important implications for the lives of people with disabilities and their families, as well as for the education, health and social welfare sectors in many PICs.

One of the basic challenges has been to determine an accepted definition of what constitutes disability. Many PICs include a definition of disability in their national policy and also include questions on disability in their regular population census and their demographic and health surveys. Unfortunately, the definition and nature of the questions used across various census and surveys has not been consistent.

This is not just an issue for the Pacific. The concepts and definition of disability have evolved in recent decades.²⁰⁷ The previous understanding of disability was limited to an impairment such as commonly described as blindness, deafness etc. Today the definition incorporates an understanding that disability is related to the outcome of the interaction between the impairment and the environment (e.g. vision impairment with or without glasses, epilepsy with or without medication, missing toes impacting on walking or not, wheelchair and accessible physical environment). The concept of 'interaction' (of impairment and environment) results in a complexity to defining disability that can be difficult to quantify and measure. It is therefore necessary to use measurement tools that reflect this complexity (e.g. disability as a spectrum, the role and interaction of the person's environment, and attempting to measure functionality rather than simply impairment head counts). The UN Convention on the Rights of Persons with Disabilities was adopted in December 2006 and is now ratified by Australia, Cook Islands, Kiribati, Nauru, New Zealand, Palau, PNG, Tuvalu and Vanuatu and has provided some useful guidelines to PICs in their attempts to define disability.

Linked to the definitional issue, in the Pacific the word disability can have very negative connotations. Families and individuals may feel stigma or shame at identifying themselves as living with a disability. Further, the word 'disability' often implies a very significant condition. Many people might consider that their condition is not severe enough to be identified as a disability. In some circumstances disability may be interpreted relative to some unspecified cultural standard of what is considered normal functioning. This may vary across cultures, age groups, or even income groups. As a consequence, the rates of disability reported across the region vary considerably.

Within the Pacific context there are certain cultural and social barriers that have deterred the full participation of persons with disabilities. Discriminatory practices may be the result of social and cultural norms that have been institutionalised by law.

Thus, changes in the perception and concepts of disability in the Pacific need to be pursued, which will involve both changes in values and increased understanding at all levels of society. Relevant changes in both legislation and government policy are needed to achieve such change, although they are certainly not the only means of social progress.²⁰⁸

²⁰⁵ PIFS (online) Disability in the Pacific, Available at: <http://www.forumsec.org/pages.cfm/strategic-partnerships-coordination/disability/disability-in-pacific.html>, Accessed: 10 April 2014.

²⁰⁶ PIFS (2002) Issues in Basic Education for Children and Youth with Disabilities, paper for 2002 Forum Education Ministers Meeting.

²⁰⁷ Disability Statistics in the Pacific, Bjorn Gelders, Social Policy Specialist, UNICEF, Pauline Kleintz, Technical Officer Disability and Rehabilitation, WHO; SPC Heads of Planning & Statistics Meeting, Noumea 2013.

²⁰⁸ Such interventions could, for example, lead to the decriminalization of homosexual acts; lifting of HIV-related travel bans; enactment of HIV legislation banning HIV-related discrimination; efforts to strengthen access to justice for HIV-related human rights violations; empowerment and engagement of affected communities; and multi-sectoral HIV responses.

Of the 12 PICs for which data was available from recent census and other surveys,²⁰⁹ five PICs reported disability rates of less than 2 percent.²¹⁰ Three others reported significantly higher rates (namely Palau 8 percent (2008), FSM 11 percent (2010), and Vanuatu 12 percent (2009)). Also, without clarity on the precise definition of disability, the Tonga census (2006) reported 5 percent of the population had been identified as having a disability by visual, hearing or sight impairment or physical immobility due to injury or self-inflicted illness across various age groups. This represented about 5,000 individuals across Tonga. In Palau, it was estimated that in 2008 there were 1,098 persons receiving social support services due to disabilities.

These included children receiving special health and/ or education services, those living with a mentally disability and home-bound or wheelchair-bound adults who were getting a disability stipend from the government's general fund or the Social Security Administration. In comparison, Australia and New Zealand reported disability rates of 18.5 percent and 16.6 percent in 2009 and 2006 respectively. According to UNESCAP, an estimated 17 percent of people in the Pacific have a disability.²¹¹

Notwithstanding the various cultural views, disability has long been recognised by Pacific Islanders themselves as one of the primary causes of hardship/ poverty and vulnerability. In the PAH persons with disabilities were identified as among the poorest and most marginalised members of their communities.²¹²

As a consequence of traditional views, people living with disability have often been kept from view and excluded from mainstream society. This has strengthened the link between disability, poverty and social exclusion. Globally, the World Bank estimated that between 15 and 20 percent of those living in poverty are living with a disability.²¹³ On the basis of these global estimates, persons with disabilities are estimated to account for more than three quarters of a million people in the Pacific region. However, with an increasing number of NCD related amputations, incidence of blindness and visual impairments due to diabetes, as well as paralysis due to stroke and heart attack, the number of adults living with a physical disability is likely to increase significantly in the medium-term.

Early identification and intervention services are important as it is estimated that up to 50 percent of disabilities are preventable and directly linked to conditions of hardship and poverty. Specifically, up to 70 percent of blindness in children is either preventable or treatable.²¹⁴ WHO also estimates that around 50 percent of disabling hearing impairments are also preventable.

4.4.4 Access to Care for People Living with Disabilities

Currently it has been estimated that only 2 percent of people living with disabilities in developing countries have access to rehabilitation and appropriate basic services.²¹⁵ Except in a few PICs, the treatment and care for persons with disabilities is often left to civil society organizations, such as the Loto Taumafai group for families with children living with disabilities, and Aoga Fiamalamalama for Children with Intellectual Disabilities in Samoa.

Few PICs have formal social protections systems in place to support families who are impacted in this way. Palau is one PIC that has comprehensive and well-coordinated government provided services for children living with disabilities (see Box 4.4). However, in practice there are very few services for adults living with disabilities. Improving transition services for children approaching adulthood and improving services to adults were identified as priorities for future action. Other than income support for adults living with total disability, through the Disability Fund and the Social Security fund, all services for people living with disability were funded by U.S. federal grants.

²⁰⁹ Source: UNESCAP (2012) Disability at a Glance. Based on data submitted by governments. Data not available for American Samoa, French Polynesia, Guam, Marshall Islands, Niue, CNMI, and Papua New Guinea.

²¹⁰ Tuvalu 1.9 percent (2006), Cook Islands 1.7 percent (2012), Nauru 1.5 percent (2008), Fiji 1.4 percent (2008/09), Samoa 1.2 percent (2006)

²¹¹ UNESCAP (2012) Disability at a Glance, Suva, Fiji.

²¹² ADB Participatory Assessments of Hardship: Priorities of the People.

²¹³ The World Bank, Social Analysis and Disability: A guidance Note incorporating disability-inclusive development into Bank-supported projects, March 2007, page 9.

²¹⁴ The Prevention of Childhood Blindness. WHO, Geneva, 1992. The WHO currently estimates that worldwide there are 110 million people with low vision and 45 million blind people (of whom 1.5 million are children), mainly in Africa and Asia. The main causes of blindness in adults are cataract, infectious diseases (trachoma, onchocerciasis, leprosy), diabetes and degenerative disorders. The main causes in children are corneal scarring (due to vitamin A deficiency, measles, trachoma, neonatal conjunctivitis or harmful traditional eye medicines), cataract, genetic causes, and congenital abnormalities (e.g. rubella).

²¹⁵ Leandro Despouy, 1993, Human Rights and Disabled Persons (Study Series 6), Centre for Human Rights Geneva and UN New York.

Where social protection instruments in the form of contributory and/ or non-contributory pensions have been put in place, these can have a positive effect on households with elderly persons. Other examples of social protection payments for the elderly and people living with disability could include disability pensions and fee waivers for health and education services allowing families to obtain these services at little or no cost.

The cost of transport can be a significant barrier for accessing health and care services for many elderly and those people with disabilities. However, in those PICs where public transport is widely used, many have a waiver or reduced fares for the elderly and persons with disabilities and their assisting persons.

These and other safety nets provide households with a cushion that can prevent otherwise healthy, or indeed children with disabilities from being put to work and can help to ensure that they are able to continue in school.²¹⁶

4.4.5 Empowerment of People Living with Disabilities

Many policy measures, interventions and best practices towards an inclusive, barrier-free and rights-based society for persons with disabilities in Asia and the Pacific, were identified in the Biwako Millennium Framework for Action (BMF) of 2002.²¹⁷ The BMF has become a policy framework used by governments to develop rights-based national policy statements (Box 4.5).

Box 4.4 Palau Case Study: Disability and the Law

The Constitution of Palau (Article 4.5) designates the disabled as a vulnerable group entitled to special consideration by government: "...The government shall take no action to discriminate against any person except for the preferential treatment of citizens, for the protection of minors, elderly, indigent, physically and mentally handicapped, and other similar groups..."

The Handicapped Children's Act of 1989 (PNC 22.4) obliges the national government to: "...provide education services to all children to enable them to live fulfilling and productive lives...(and) to provide full educational opportunities and necessary support services to each handicapped child in order that the child acquires the skills and knowledge necessary to lead a fulfilling and productive life as a citizen of the Republic."

The Act also: (a) designates mainstreaming as the strategy of choice for delivering services to the disabled; (b) establishes the Interagency Task Force on Children with Special Needs; (c) stipulates that if federal funds for special education services phase-out, the OEK will appropriate replacement funds from local revenues that are at least equivalent to those of the previously year's allocation or will increase allocations in the same proportion as the budget for the entire Ministry of Education.

Source: Palau Medium-Term Development Strategy Vulnerable Populations, ADB and Government of Palau, 2008.

The Biwako Declaration subsequently became the basis upon which the Pacific Islands Forum developed its own Pacific Regional Strategy on Disability 2010 to 2015,²¹⁸ which was endorsed by Pacific Ministers in October 2009.

Despite stated policies towards equal opportunities and treatment for all, in practice in many PICs, women with disabilities are thought to be poorer, less educated and to experience higher rates of unemployment. Women with disabilities are also more likely to be abused, more isolated, experience worse health outcomes, and generally have lower social status.²¹⁹ In 2009 a report was published that specifically addressed the gender dimension of disability²²⁰ and although aimed at the gender dimension, the conclusions of the report have wide ranging relevance:

²¹⁶ Social Protection in Asia and the Pacific, T. Palanivel. Unpublished paper for 2010 Human development Report, UNDP 200ti.

²¹⁷ ESCAP High-level Intergovernmental Meeting to Conclude the Asian and Pacific Decade of Disabled Persons, 1993-2002 25-28 October 2002, Otsu City, Shiga, Japan.

²¹⁸ Pacific Regional Strategy On Disability 2010-2015. Forum Disability Ministers' Meeting, Rarotonga, Cook Islands, October 2009.

²¹⁹ UNDP Pacific Centre, 2009, Pacific Sisters with Disabilities: at the Intersection of Discrimination.

²²⁰ Pacific Sisters with Disabilities: at the intersection of discrimination, UNDP Pacific Centre, 2009.

"...comprehensive rights-based responses will be required to change attitudes and cultural practices where they result in discrimination, and to end the poverty, isolation, violence and abuse suffered by many women and girls with disabilities. While governments must take a leadership role, other stakeholders also have important roles to play. In particular, urgent work is needed to: develop and implement laws, policies and programmes that advance the rights of women and girls with disabilities; raise the educational attainment of girls with disabilities; increase access to comprehensive and quality health care for women and girls with disabilities; reduce of unemployment of women with disability; and improve access to all buildings and transportation. This can best be done with a series of measures that promote the mainstreaming of support and activities for women and girls with disabilities together with a series of targeted actions. Such work must be complemented with continuous awareness raising to change negative attitudes towards them."

Box 4.5 Disability in the Pacific

The Biwako Declaration

Disability limits access to education and employment and other basic social services and often leads to economic and social exclusion. The link between disability, poverty and social exclusion is direct and strong in the Pacific, and throughout the world.

The assessment of achievements made by PICs during the first Asian and Pacific Decade (1993 – 2002), showed that PICs lagged behind in the implementation of the Decade's Agenda for Action. The poor progress was attributed to lack of information; distance and cost of travel; poorly performing economies; lack of commitment by governments; as well as lack of engagement with NGOs and DPOs. In response to this overall poor performance, the Biwako Millennium Framework for Action (BMF) towards an Inclusive, Barrier-free and Rights-based Society for Persons with Disabilities in Asia and the Pacific and its supplement, the Biwako Plus Five, specifically incorporated the MDG targets to ensure that concerns relating to persons with disabilities became an integral part of efforts to achieve the MDGs. Also, that the concerns of persons with disabilities were incorporated into MDG national reporting. The BMF also provides a set of policy guidelines to address the most pressing needs of persons with disabilities - taking a rights-based approach as opposed to the traditional charity and welfare views of disability. Further, the United Nations General Assembly Resolution 63/150, February 2009, calls for the perspective of persons with a disability to be included in the work of the United Nations in realising the Millennium Development Goals and calls upon states, development partners and regional intergovernmental organizations to consider the impact of development efforts on the rights, well-being and livelihood of persons with disabilities.

The BMF has been a tool used by governments to address disability policy. However, few have used it as a tool to ensure disability is included in reports on MDG achievement. Since the commencement of the second Asia/Pacific Decade in 2003, eight Pacific Island governments have developed rights-based disability policy and implementation plans with the participation of relevant stakeholders. More Pacific Islands countries are also developing inclusive education policies to ensure children with disabilities have access to basic education.

In parallel to these national initiatives, a regional disability support structure has been steadily growing with the support of development partners. Regional political commitment has been evident through various Pacific Island Forum Communiqués in support of the BMF, the Convention on the Rights of Persons with Disabilities and, from October 2009, the Pacific Regional Strategy on Disability. While most countries in the Pacific have developed national policies on disability, only five refer to disability in their national sustainable development plans, with only one country identifying disability as an issue to be mainstreamed across all sectors.²²¹

High rates of diabetes and heart disease as well as ear, nose and throat infections, increasing numbers of car accidents combined with few or limited early diagnosis, intervention and rehabilitation services contribute to increasing rates of disability in the Pacific. A number of PICs have undertaken national surveys of persons with disabilities supported by local disabled persons' organizations and others have included questions on disability in national census questionnaires. For many social and cultural reasons persons with disabilities are often hidden from view, are not included in community decision making and are therefore difficult to count through either national surveys or at census enumeration. Therefore, most surveys and census results do not fully count persons with disabilities.

²²¹ Pacific Regional Strategy On Disability 2010-2015. Forum Disability Ministers' Meeting, Rarotonga, Cook Islands, October 2009.



CHAPTER 5

Growing Gaps in Social Protection

5.1 Traditional Social Protection Systems under Pressure

Traditional social protection systems have long been seen as a strength of Pacific culture, and also, perhaps paradoxically, as one of their weaknesses. A decade or so ago hardship and poverty hardly featured in any policy debate at national or regional levels. Issues of vulnerability were generally only mentioned in national development strategies in the context of the environment, but hardship and poverty were rarely mentioned at all. Growing awareness of the MDGs began to change the perceptions of these issues in the early part of the current century.

The complexity of development is well understood in the Pacific and the concepts of social protection and equality of opportunity have long been part of traditional customs and culture. Moreover, human development in the Pacific has always been conceived of in a sustainable manner. The culture and values of the Pacific translate naturally into the idea of sustainable human development. Traditional and indigenous practices of sustainability have been embodied in all systems of knowledge and applicable to all sectors of Pacific livelihoods.²²²

Notwithstanding the traditional social protection structures and systems in the region, low rates of economic growth, unsustainable population growth rates in some countries, climate change, and recurrent natural disasters are leading to issues of social and economic exclusion while levels of poverty and inequality are becoming of increasing concern (as discussed earlier).

In the past years, the impact of the global financial and economic crises, exacerbated by the apparently increasing frequency of natural disasters, has been felt by almost everyone in the region. For ordinary families living in the Pacific Islands the impact has been almost universally bad. Therefore, it is important to consider social protection systems and how these can better cater to the needs of vulnerable and excluded Pacific Islanders.

Traditional reciprocal systems (such as Wantok, kerekere or fa'alavelave) are good at supporting social inclusion but in the face of significant challenges they often falter.²²³

One or two generations ago reciprocity centred on the exchange of homegrown produce or handcrafted items such as fine mats. Now similar 'traditional' reciprocity centres on giving cash, cartons of tinned fish and bales of printed linen. When family members give birth, get married, or die, the financial burden for families has become increasingly heavy.²²⁴

The emergence of the market economy has therefore created two systems running side-by-side, and where they interact they are not necessarily compatible. Partially, the underlying assumptions, rationale and values of these systems are also incompatible. For instance, the relational nature of systems of reciprocity can support cronyism and corruption in a modern society. Such traditional systems work best in a traditional setting. This has led to some of the negative externalities of the traditional system feeding into the emerging market system, generating cronyism and corruption.

Meanwhile, rapid commercialisation and monetisation of activities and urbanisation associated with market economies have weakened and compromised the efficiency and effectiveness of the traditional system. Furthermore, it has been argued, "traditional social differences in the status and roles of men and women can evolve into domestic violence and abuse of women."²²⁵

²²² Koshy, Mataka & Lal (2008) Sustainable Development – A Pacific Islands Perspective, A report on Follow Up to the Mauritius 2005 Review of the Barbados Programme of Action, Pacific Centre for Environment and Sustainable Development, University of the South Pacific, p. 8.

²²³ Fukuyama (2008) State-building in Solomon Islands, Pacific Economic Bulletin 23, No. 3.

²²⁴ See for example: Tayag, PPIP & ADB (2012) Microfinance in Fiji: An evaluation of demand for Insurance, Suva, Fiji: Pacific Financial Inclusion Programme, UNDP Pacific Centre and the Pacific Private Sector Development Initiative, Asian Development Bank.

²²⁵ Ellis (2012) Informal Social Protection in Pacific Island Countries – Strengths and Weaknesses: AusAID Pacific social protection series: poverty, vulnerability and social protection in the Pacific [Online] Available at: <http://aid.dfat.gov.au/Publications/Pages/pacific-social-protection.aspx>, AusAID.

5.2 Social Exclusion Can Affect Anyone and Everyone

Social exclusion is multidimensional and complex. Those living on outer islands may be financially excluded from the market/monetary economy, but be adequately covered by traditional social protection systems.

They are also likely to have support from the traditional systems of production and distribution, which grants them access to subsistence and non-monetary resources.

Furthermore, although poverty can lead to social exclusion, as well as the reverse, there may be well-off members of excluded groups. It has been commented that exclusion is an issue of being 'in-or-out' rather than being 'up-or-down'.²²⁶ Even those better-off may, under certain circumstances and in certain situations, become socially excluded. There is a tendency, though, for difference to become inequality because social closure benefits insiders.²²⁷

In the Pacific, geographic location, and issues related to poor or low levels of service delivery, and physical isolation are some of the biggest drivers of social and economic exclusion. The poor in urban areas often enjoy better access to public services than the non-poor in remote and isolated areas. In other cases, personal circumstances may invite social exclusion such as age, gender, marital status, disability, sexual orientation, separation and absence from the village due to seeking work elsewhere.²²⁸ Thus, social exclusion as a concept is less concerned with the distribution of material or monetary resources than with other forms of social disadvantage or group memberships that are related to poverty.²²⁹

Governments in the Pacific have highlighted the importance of national identity and cohesion as a key political priority.²³⁰ However, the actual degree of social cohesion or inclusivity in societies varies significantly across the region. Some countries, such as Samoa and Tonga, are relatively homogenous, while others such as PNG, Vanuatu, Solomon Islands and Fiji have different ethnic groups and various religions. Therefore, forming cohesive national and social identities may be more difficult.

Social cohesion in the Pacific is usually explored in relation to conflict, and rarely in relation to poverty, social exclusion and inequality.²³¹ In recent times, the increasing vulnerabilities of the PICs have created greater inequalities, social divides and placed pressure on traditional social institutions and systems that have promoted and supported social cohesion over many generations.

It is important to note that the erosion of traditional social protection systems is relative and variable, and thus the same experience is not occurring everywhere simultaneously or to the same extent in all PICs. But with the general weakening of traditional systems across the Pacific region there is a growing need for governments to develop policies and initiate programmes to underpin and supplement traditional social protection systems.

5.3 Modern Social Protections Systems

5.3.1 The Current Situation and Shortcomings

Social Protection has been defined as "the set of policies and programmes designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and the interruption/loss of income."²³²

²²⁶ Touraine (1991), 'Face à l'exclusion', AAVV Citoyenneté et urbanité, Paris, France.

²²⁷ Silver (2007) Social Exclusion: Comparative Analysis of Europe and Middle East Youth, The Middle East Youth Initiative Working Paper, No. 1, September, Wolfensohn Center for Development, Dubai School of Government, p. 16.

²²⁸ Ellis (2012) Informal Social Protection in Pacific Island Countries – Strengths and Weaknesses: AusAID Pacific social protection series: poverty, vulnerability and social protection in the Pacific [Online] Available at: <http://aid.dfat.gov.au/Publications/Pages/pacific-social-protection.aspx>, AusAID, p. 8.

²²⁹ O'Brien et. al. (2008) Poverty and Social Exclusion in North and South, IDS Working Paper 55, Institute of Development Studies and Poverty Research Unit, University of Sussex, p. 8.

²³⁰ Slater and Holmes (2012) Social cohesion and social protection in Pacific Island Countries: AusAID Pacific social protection series: poverty, vulnerability and social protection in the Pacific [Online] Available at: <http://aid.dfat.gov.au/Publications/Pages/pacific-social-protection.aspx>, AusAID, p. 5.

²³¹ Slater and Holmes (2012) Social cohesion and social protection in Pacific Island Countries: AusAID Pacific social protection series: poverty, vulnerability and social protection in the Pacific [Online] Available at: <http://aid.dfat.gov.au/Publications/Pages/pacific-social-protection.aspx>, AusAID, p. 6.

²³² ADB, Social Protection Strategy, p. 13, Social Protection Index for Committed Poverty Reduction Manila, 2001.

The most common types of social protection²³³ are as follows (see also Box 5.1 for a more detailed summary).

- **Social Insurance:** For example, health insurance or unemployment insurance, which aim to mitigate the risks associated with unemployment, ill-health, disability, work-related injury and old age. These programmes are usually self-financed or co-financed with employers, either through contributions to a particular scheme or through some form of insurance policy.

Box 5.1 Social Protection Programme Summary

Labour Market Programmes

- Direct employment generation (micro-enterprise development and public works)
- Labour exchanges and other employment services
- Skills development and training
- Labour legislation (including minimum age, wage levels, health, and safety, etc.)

Social Insurance Programmes

- Programs to cover the risks associated with unemployment, sickness, maternity, disability, industrial injury, and old age

Social Assistance and Welfare Programmes

- Welfare and social services targeted at the sick, the indigent, orphans, and other vulnerable groups
- Cash/in-kind transfers (e.g., food stamps)
- Temporary subsidies for utilities and staple foods

Child Protection

- Early child development activities - e.g., basic nutrition, preventative health, and educational programmes
- Educational assistance (e.g., school-feeding, scholarships, fee waivers)
- Health assistance (e.g., reduced fees for vulnerable groups)
- Street children initiatives
- Child rights and advocacy/awareness programmes against child abuse, child labour, etc.
- Youth programmes to reduce health risks (especially HIV/AIDS and drugs) and anti-social behaviour.
- Family allowances (e.g., in-kind or cash transfers to assist families with young children to meet part of their basic needs).

Micro and Area-Based Schemes (community-based)

- Micro-insurance and micro-credit schemes
- Agricultural insurance and credit
- Improving financial literacy
- Social funds (usually involving the construction, operation, and maintenance of small-scale physical and social infrastructure)
- Disaster preparedness and management

Source: Derived from I. Ortiz (ed.), *Defining an Agenda for Poverty Reduction—Proceedings of the First Asia and Pacific Forum on Poverty*, Volume 2, p. 57, ADB, Manila, 2002; ADB, *Social Protection Strategy*, pp. 14–22, Manila, 2001

- **Social Assistance:** This includes the transfer of resources (either cash or in-kind) to vulnerable individuals or households that otherwise have inadequate means of support, or who are clearly identified as being below the national poverty line. Such individuals or households include poor and single parents, vulnerable children, the homeless, or people with disabilities (either physical or mental). Often these programmes target a particular group (e.g. children in poor households). Social assistance programmes are generally publically financed through national budgets (including development assistance), and may be implemented either by the public sector or through civil society organizations and occasionally through private sector organizations. Social assistance programmes are often associated with some degree of conditionality (e.g. school or clinic attendance, immunisation, etc., as with conditional cash transfers). There is growing evidence that conditional cash transfers have been successful in boosting school attendance and reducing the prevalence of child labour in many parts of the world. However, the universal delivery of such programmes remains a significant challenge and therefore they are not comprehensively available to all poor households.
- **Labour Market Interventions:** Policies and programmes designed to promote or provide employment (as in welfare-for-work schemes), to assist in improving the efficient operation of labour markets and/or the protection of workers. These programmes can also include specialized skills and back-to-work training for those displaced when an industry declines and new opportunities occur in an emerging industry requiring additional skills.

²³³ ADB, *Social Protection Strategy*, p. 13, *Social Protection Index for Committed Poverty Reduction* Manila, 2001.

Based on these metrics, the scope of social protection services provided by or through government funding in PICs is summarised in Table 5.1. Such government initiatives should aim to ensure that all Pacific Islanders have access to a minimum acceptable living standard. In achieving this, careful consideration should be given to the types of social protection initiatives being undertaken and the potential negative effects that some may have on communities. For instance, the potential impact of cash transfer schemes in areas of the Pacific that are largely un-monetised or un-banked could be significant and the overall impact may well be negative.

All PICs have some type of social insurance in the form of public/private provident funds or pension schemes. Although these schemes are widely available, they are generally only accessible to those in formal employment. The coverage is therefore broad across all PICs but, in practice, rather narrow at the country level. This situation is similar to that of other regions such as the Caribbean. For those fortunate enough to qualify, these schemes tend to provide well-established benefits.

Many PICs now also provide a publicly funded, non-contributory and universal elderly persons' benefit scheme. The entry age to these schemes varies across countries - for example, 65 years in Samoa, 70 years in Fiji and 75 years in Tonga. While broad in coverage of the targeted age range, the amounts paid to beneficiaries fall under each country's basic-needs poverty line. The payments therefore only provide a small supplementary income to the elderly and are insufficient to live on.

Table 5.1 Summary of Social Protection Benefits in Selected PICs

Country	Formal Sector		General Social Assistance			Social Sector Assistance and Transfers in Cash and In-kind			Emergency Transfers
	Social Insurance (e.g. employment related provident funds, pension schemes)	Other social protection and welfare payments (e.g. universal elderly payments)	Poverty related (universal or means tested)	Child benefit (e.g. child grants, conditional cash transfers for children)	Disability benefits and support (direct or through CSO)	Health related transfers (e.g. maternity benefits, fee-free treatment)	Education related transfers (e.g. school meals, bus-fares or fee-free primary education)	Employment related transfers (e.g. public works and welfare for work schemes)	Transfers to cope with price shocks and natural disasters
Cook Islands	✓	✓	✓	✓	✓	✓	✓		
Fiji	✓	✓	✓			✓	✓		✓
Kiribati	✓	✓				✓	✓		✓
Marshall Islands	✓	✓			✓	✓	✓		
FSM	✓	✓				✓	✓		
Nauru	✓	✓		✓	✓	✓	✓		
Niue	✓					✓	✓		
Palau	✓	✓			✓	✓	✓		
PNG	✓					✓	✓	✓	✓
Samoa	✓	✓				✓	✓		✓
Solomon Islands	✓					✓	✓		✓
Tonga	✓	✓			✓	✓	✓	✓	✓
Tuvalu	✓	✓				✓	✓		
Vanuatu	✓					✓	✓		✓

Source: UNDP Pacific Centre 2014

Direct child benefits are relatively rare across the region (only Cook Islands and Nauru have these), as are direct disability benefits, although there are disability-related civil society organizations in most countries. Regional disability programmes are now promoted through the Pacific Disability Forum (discussed in Chapter 4).

Health benefits are provided by all countries through free or subsidised inpatient and/or outpatient treatment, especially for children, the elderly and for maternity care. In light of the recent squeeze on national budgets, many governments are reviewing their health service user-charges. For example, significant increases in health service charges are being implemented in Samoa in 2014.²³⁴

Education assistance is also widely available as a component of social protection. In the last five years (2009 to 2014) many PICs, often with support from development partners, have introduced universal fee-free primary schooling and other school related benefits (e.g. free bus fares, etc.). However, as parents of school-age children all know, there are many other costs associated with school beyond the basic-fees and bus-fares. The cost of books and stationery, uniforms, library, maintenance and other related charges all add up to a heavy burden for low-income families at the commencement of each school term.

Employment-related social protection has not featured widely in PICs. Only Fiji and Tonga have promoted specific 'welfare-for-work' type schemes whereby participants have been expressly engaged to undertake locally-focused public works designed to create employment in disadvantaged areas. However other countries, including Kiribati and Tuvalu, have promoted outer island development projects that employ local island-based labour and have essentially the same welfare-for-work benefits.

Natural disasters are a cause of serious hardship for those affected. Although not strictly social protection, those who have suffered from disasters have generally all received some form of financial or other support. The Samoa tsunami (2009), cyclones in Fiji and Samoa (2012), Tonga and Vanuatu (2014) and the most recent floods in Solomon Islands provide examples of how support and assistance have been provided to those who have suffered losses as a consequence of disasters.

Only Fiji provides direct poverty-targeted benefits. These are provided through the Poverty Benefit Scheme (PBS) (which replaced the Family Assistance Programme (FAP) and the Food Voucher Programme in 2013) and the Care and Protection Programme (CAPP). These programmes provide various grants to poor people living with disabilities, the elderly, those who are chronically ill and single parents. Such programmes cover approximately 13 percent of the population.²³⁵ The target accuracy of the FAP programmes appears to be very good.

In 2009 it was reported that 70 percent of recipients were in the first and second quintiles of per capita consumption distribution.²³⁶ Despite this, the overall success of the PBS programme in reducing poverty was limited. This was primarily due to the limited coverage of the programme. The PBS is now designed to cover a greater proportion of the population.

5.3.2 Implementation Challenges of Modern Social Protection Systems

The difficulties in implementing broad-based social protection schemes are considerable and many schemes have succumbed to poor targeting of beneficiaries and higher than expected costs, as well as mismanagement and/or corruption. Choosing the most appropriate social protection measure to meet an identified need must therefore do the following.

- a) Clearly identify the individuals, group, or families to be targeted and why.
- b) Set the payment amounts or the nature of the benefits to be paid or made available, this should also clearly define the actual purpose and nature of the benefit e.g. cash transfers (conditional or unconditional), universal or means-tested benefits, flat-rate or scaled, a contribution to family/individual budgets or sufficient to meet all basic-needs.
- c) Make clear and well-defined estimates of the likely costs of the programme for the future.
- d) Establish the institutional framework through which the proposed programme is to be delivered to the targeted group.
- e) Manage the programme in a transparent and accountable way to avoid corruption and deliver more benefits than the costs of implementation.

²³⁴ Samoa National Health Service Notice of Fees and Charges, January 2014.

²³⁵ Chatter (2012) Republic of Fiji: Updating and Improving the Social Protection Index [Online] Available at: <http://www.adb.org/sites/default/files/projdocs/2013/44152-012-reg-tacr-05.pdf>, Accessed: 3/2/2014.

²³⁶ World Bank (2011) Republic of Fiji Poverty Trends, Profiles and Small Area Estimations (Poverty Maps) in Republic of Fiji (2003-2009) [Online] Available at: worldbank.org, Accessed: 1/11/2013.

The ability and commitment of PIC governments to implement social protection programmes is adversely affected by various factors such as: weak fiscal situations; the impact of global externalities; concern over the future impact of climate change; and high levels of domestic, rural, urban, and overseas migration. Social protection programmes can nevertheless be used as 'political' tools. For example, a new benefit or an increase in benefit rates may often be seen as a useful pre-election measure. When introduced in this way the implications and future costs are often not adequately considered and can lead to unforeseen and unintended budget and social consequences, including the perverse incentive for some people to try to claim benefits to which they are not entitled.

Various selection, management and delivery mechanisms have been tried across many developing countries, especially in Africa, Latin America and Asia. Conditional cash transfers have become a widely used form of social-safety net in Latin America. For example, the PROGRESA/Oportunidades programme in Mexico and the similar Bolsa Familia in Brazil, make regular cash payments to poor families with children on condition, for example, that the children attend school and/or are immunized. These programmes and others like them in Colombia, Nicaragua and other Latin American countries appear to have been a successful means of increasing food consumption by children and also alleviating poverty at the household level. There have been positive increases in school attendance and the prevalence of child labour has fallen. Even so, partly due to the costs and complexity of targeting the programmes, they are not comprehensively available to all poor households.²³⁷

The application of new technologies, centred on the use of mobile phones and mobile-money solutions, offer considerable potential for PICs. Fiji has been a Pacific leader in the use of mobile-money technology to deliver benefits to targeted individuals. It is clear, however, that welfare-state mechanisms based on developed-country models are generally too complex and bureaucratic, especially for small, governance and budget-constrained countries such as PICs.

In some PICs providing paid jobs on public works projects have been used as welfare-for-work-type-schemes; or where local labour is mandated to be used on publically-funded projects. This is often used in rural infrastructure projects (e.g. in Kiribati and Tuvalu local island-based labour has been used for road, wharf, clinic and classroom projects).

In some PICs, identified groups have also been specifically targeted through subsidised school fees or transportation for children to and from school; pensions and care for the elderly; free medical care for pregnant women; and care and support for people with disabilities. In some cases, particularly where natural disasters have occurred, welfare and social protection systems have targeted geographic areas or specific communities.

5.3.3 Costs of Modern Social Protection Systems

National social protection policies and strategies should be aimed at complementing and, where possible, bolstering current traditional social safety nets. Yet, in many other policy areas, increasing the rate of structural reform may in fact place traditional systems under increasing stress. Consequently, recent research²³⁸ has begun to examine what the cost of government-run social protection systems might be and how the necessary revenue could be raised for such programmes.

Regardless of the form they take, social protection policies tend to be expensive – both in terms of the direct costs of the benefits delivered, and the indirect costs of management and delivery. As with all financial assistance programmes, the challenge for PICs is to be able to meet the cost of social protection programmes. For example, in 2012 a regional vulnerability and social protection study estimated that the universal elderly-person pension schemes cost 1 percent of GDP in Samoa and 0.9 percent of GDP in Kiribati. Meanwhile, the Fiji FAP/CAPP cost around 0.4 percent of GDP. The study went on to estimate that similar elderly-person pensions for all people aged over 65 years in Vanuatu and Solomon Islands would cost around 0.5 percent and 1 percent of GDP respectively.

In addition, if a universal child-grant (for all under five-year-olds) equivalent to 30 percent of each country's basic-needs poverty line were provided, this would cost between 0.7 and 1.8 percent of GDP.²³⁹

²³⁷ Anthony Clunies-Ross and Mozammel Huq, 2014, *The Universal Social Safety-Net and the Attack on World Poverty: Pressing need, manageable cost, practical possibilities, favourable spill-overs*, Routledge, Abingdon, Oxon.

²³⁸ Such as: AusAID (2012) *Social protection and economic growth in Pacific Island Countries: AusAID Pacific social protection series: poverty, vulnerability and social protection in the Pacific*.

²³⁹ *Poverty, vulnerability and social protection in the Pacific: The role of social transfers*; AusAID Pacific social protection series: poverty, vulnerability and social protection in the Pacific March 2012, Australian Agency for International Development (AusAID), Canberra, March 2012.

Another yardstick used to measure the cost of social protection is the so-called 'poverty-gap' or the cost of 'buying-the-poor-out-of-poverty'. This amounts to an estimate of how much it would cost to provide every poor person with a regular targeted cash transfer (assuming that such specific targeting could be achieved), which would bring that person up to the national basic-needs poverty line. Adding together the estimated poverty-gap transfers for every person below the line gives a total national cost of filling the poverty gap.

As illustrated in Table 5.2, the cost of filling the poverty gap is estimated to range from 1.0 percent of GDP in Vanuatu to 8.5 percent of GDP in Solomon Islands. However, given the difficulties of targeting and management, simply filling the poverty gap is not generally regarded as a practical or viable social protection policy option.

An ADB report²⁴⁰ in 2008 noted there was considerable variation in the extent of social protection expenditure in PICs. The ADB found that some PICs spent a significant amount of resources on social protection. For example, Palau and the Republic of Marshall Islands spent 4.6 percent and 4.8 percent of GDP respectively. Meanwhile, many other PICs, including Fiji, Nauru, Samoa, and Vanuatu, spent less than 2 percent of GDP on social protection, while PNG spent only 0.1 percent of GDP – the lowest in the Asia-Pacific region.

As with any new government expenditure programme, financing for a social protection programme could come from the reprioritisation and reallocation of other expenditures, new revenue measures, development assistance, or either domestic or external borrowing. The cost of such programmes would be relatively significant, and their sustainability must always be considered.

Table 5.2 Cost of Filling Poverty Gap: Selected PICs

Country	Survey Year	Poverty Gap local currency (current prices) \$ million	Poverty Gap % of GDP
Fiji	2008/09	152	3.1
Kiribati	2006	5.782	4.2
Samoa	2008	33.492	2.3
Solomon Islands	2006	234.078	8.5
Tonga	2009	15.123	2.3
Tuvalu	2010	1.104	3.2
Vanuatu	2010	667.506	1.0

Sources: UNDP estimates from national HIES data & Poverty in Fiji: changes 2002-03 to 2008-09 and policy implications, Wadan Lal Narsey & Fiji Islands Bureau of Statistics, 2012

Structural reforms, including reducing subsidies to state-owned enterprises and generally reprioritising public expenditure to priority areas (such as social protection), are the more desirable means of providing the necessary resources for such programmes. Another preferred source of funding is additional revenues generated by higher rates of economic growth, brought about by the implementation of structural reforms. This method is preferable to simply raising taxes.

A recent study of social protection systems in Small Island Developing States highlighted the fact that pension schemes in many Caribbean states are likely to become unsustainable because of aging populations.²⁴¹ The changing demographics of PICs suggest that this is a lesson that should be taken into account in the Pacific.

5.3.4 Measuring Modern Social Protection: The Social Protection Index

Measuring the extent and depth of each country's social protection system became an important global concern following the impact of the global economic and financial crisis. Social protection systems encompass a wide range of policy interventions. To provide a basis for assessing the gaps at country level, in 2008 the ADB developed a Social Protection Index (SPI).²⁴² This SPI was conceptually based on the UNDP Human Development Index²⁴³, and was derived from four social protection summary indicators, namely: social protection expenditure, social protection coverage,

²⁴⁰ The Social Protection Index Assessing Results for Asia and the Pacific, ADB 2013.

²⁴¹ Williams et. al. (2013) Tailoring Social Protection Systems to Small Island Developing States: Lessons Learned from the Caribbean, Social Protection & Labour, Discussion Paper No. 1306, May, World Bank, p. 34.

²⁴² Social Protection Index for Committed Poverty Reduction ADB 2008.

²⁴³ UNDP Human Development Report 1997, New York.

social protection distribution/poverty targeting, and social protection impact on incomes of the poor. The coverage and methodology have been refined and developed and the latest index (published in 2013)²⁴⁴ provides the social protection indicators for PICs as illustrated in Table 5.3. The report notes that while many of the PICs have extensive informal, community-based social protection systems, built on traditional community networks, many of these systems are in decline.

Table 5.3 Social Protection Index

Marshall Islands	0.167
Palau	0.148
Samoa	0.066
Fiji	0.060
Solomon Islands	0.045
Nauru	0.034
Vanuatu	0.025
PNG	0.005
Pacific regional average	0.077
South Asia average	0.061

Source: *The Social Protection Index Assessing Results for Asia and the Pacific*, ADB October 2013

Thus, regional SPIs range from 0.167 in RMI through only 0.025 in Vanuatu to an Asia-Pacific low of 0.005 in PNG. The SPI for the Pacific region as a whole was estimated at 0.077, somewhat higher than South Asia's SPI of 0.061. The ratio of social protection spending to GDP was estimated at 2.5 percent for the Pacific region, compared with 2.0 percent for South Asia. However, Palau, RMI,²⁴⁵ and Timor-Leste (included in the Pacific) played a decisive role in pulling up the Pacific average.

The report concludes that so far PIC governments have not yet stepped in to compensate for the loss of protection resulting from the weakening of traditional systems. It further notes that although current social protection programmes in some PICs achieve a reasonably high degree of coverage, the actual benefits that they bring to the poor and other vulnerable groups are much less significant.

Social insurance (based on national provident and other retirement funds) is by far the largest component of formal social protection schemes in the Pacific. Consequently, it is estimated that the depth of social protection for those in such schemes is relatively high at 90 percent of poverty-line expenditure. However, the breadth of social protection only covers roughly 12 percent of potential beneficiaries and thus there is considerable room for expansion of these programmes and for better coverage for all Pacific Islanders.²⁴⁶

These findings support the concerns addressed in this paper. With weakening traditional social protection systems and increasing levels of hardship and poverty, the threat of vulnerability and exclusion impacting more Pacific Islanders is increasing. Many PIC governments are aware of these warning signs but are finding it challenging to formulate a comprehensive response in the face of budgetary constraints.

5.3.5 Modern Social Protection Systems and Human Rights

Social exclusion and discrimination on the basis of gender, ethnicity, and social status can be drivers of vulnerability in the Pacific and negatively affect the ability of people to move out of hardship and poverty. Discrimination in traditional governance systems in PICs, which tend, for example, to exclude or limit the voice of youth, women, and at times ethnic minorities or internal migrants, is found to be replicated in modern governance institutions, even where constitutions formally provide for equality.

In many cases, tradition-based exclusions manifest themselves along the same lines in modern legislation as in established practice. For example, women in Samoa are excluded from both traditional and modern decision-making bodies. Similarly there may be a lack of voice and influence for marginalised and excluded groups, particularly regarding decision-making about the availability, resourcing, and accessibility of social and legal protection schemes. This may

²⁴⁴ The Social Protection Index Assessing Results for Asia and the Pacific, ADB 2013.

²⁴⁵ Palau and the Marshall Islands receive social protection and other assistance from the United States through their Compact of Free Association, while Timor-Leste benefits significantly from oil exports.

²⁴⁶ Asian Development Bank (2013) *The Social Protection Index: Assessing Results for the Asia and the Pacific* p. xvii, Manila Philippines.

affect their ability to overcome poverty and marginalisation. Yet change is happening. For example, in 2013 Samoa passed legislation to mandate a minimum number of female members of parliament starting from the next election in 2015.

Access to grievance and redress mechanisms for excluded and marginalised groups and individuals remains limited in PICs. Traditional justice systems, typically administered by traditional governance bodies or faith-based groups, allow for flexibility, adaptability, and innovation in how grievances are handled due to their informal nature. However, these traditional justice systems tend to mirror patterns of exclusion prevalent within communities when settling disputes. Research has shown that the capacity of these bodies to address grievances is particularly impaired in cases when decisions have a direct impact on the access of individuals to economic opportunities and benefits. This is often clearly manifested in relation to land disputes.²⁴⁷

Formal justice systems are often inaccessible to the poor and vulnerable. The availability of legal services may be very limited in communities outside capitals, and the poor and vulnerable often lack legal awareness. Also there is only limited availability of pro-bono legal aid throughout the Pacific.²⁴⁸

5.3.6 The Role of Civil Society Organizations

Civil society organizations (CSOs) have an important role in advocating on behalf of vulnerable and excluded groups, while also influencing policy-making in support of these groups and in holding governments accountable. Yet, CSOs face a number of challenges related to playing this role effectively in PICs. A capacity assessment of CSOs in PICs found that capacity gaps among CSOs were interlinked, complex, and distributed unevenly. For example, the capacity of CSOs in Fiji and the Cook Islands was consistently rated higher than in other Pacific nations. The ability of CSOs to function and develop also depends on an adequate legal and regulatory framework, which is lacking in some PICs.²⁴⁹

A recent UN Human Rights Council Report found that the flow of development assistance might also contribute to undermining people's social protection and increasing their vulnerability.²⁵⁰ In the case of the Solomon Islands, for example, CSOs have commented that donors may be advocating for reforms that adversely impact on the poorest and most vulnerable, and that those impacts have not been properly considered before reforms have been implemented. This may be particularly the case where governments introduce increased user charges for previously free public services. This can discourage or prevent the poor from using essential public services.

The same report raises questions about the reliance of development partners on for-profit contractors to deliver aid. This practice may create incentives for companies to foster aid dependency rather than promoting self-sustaining institutions and local capacity.

Likewise, a predominant focus of aid efforts targeted at government institutions can also undermine the role of civil society. This may occur both in the delivery of services and, more importantly, in ensuring transparency and accountability. The lack of, or weakness of these oversight functions can weaken development efforts as a whole. Increasing aid dependency may also render governments more accountable to donors, rather than to its own citizens.²⁵¹

²⁴⁷ The World Bank, "Justice Delivered Locally: Systems, Challenges, and Innovations in Solomon Islands," August 2013.

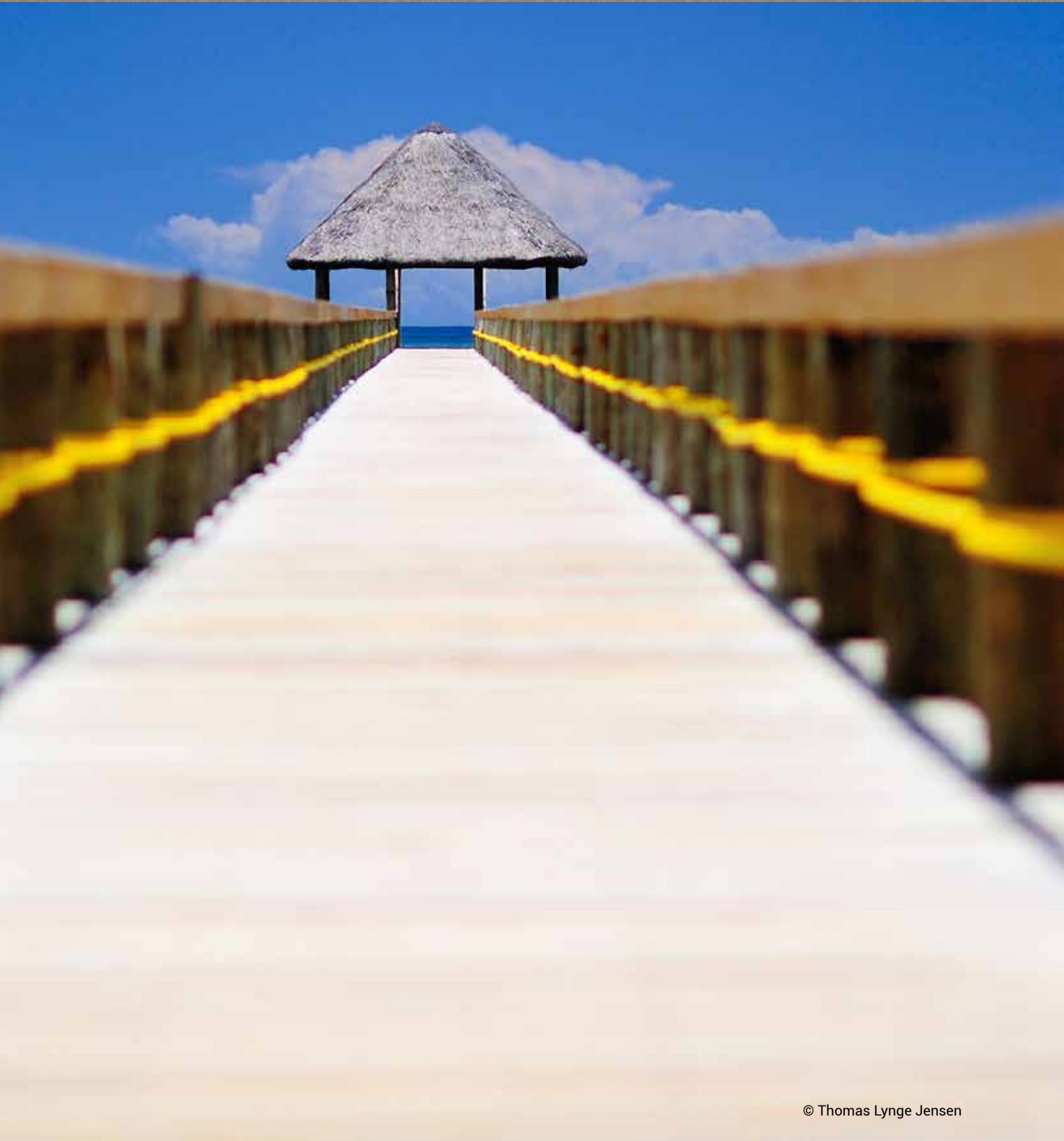
²⁴⁸ Ibid. The World Bank, "Drama and Legal Awareness Are Effective Tools to Engage Communities Around Land Issues in Vanuatu," <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTLAWJUSTICE/EXTJUSFORPOOR/0,,contentMDK:22939878~menuPK:3283016~pagePK:64020865~piPK:149114~theSitePK:3282787,00.html>; South Pacific Lawyers Association, "Needs Evaluation Survey for South Pacific Lawyer Associations," Final Report, October 2011.

²⁴⁹ United Nations Development Program, "A Capacity Assessment of CSOs in the Pacific," 2013.

²⁵⁰ Human Rights Council, "Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephias Lumina," Mission to Australia (7-11 February, 2014) and Solomon Islands (14-18 February 2011), A/HRC/17/37/Add.1.

²⁵¹ Human Rights Council, "Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephias Lumina," Mission to Australia (7-11 February, 2014) and Solomon Islands (14-18 February 2011), A/HRC/17/37/Add.1, pp. 9, 19-21.

PART 3 THE WAY FORWARD



CHAPTER 6

Inclusive and Green Growth - A new Paradigm for Enhanced Human Development in the Pacific

The definition and concept of development has evolved and been refined over many decades. In recent times, some fundamental shifts have been witnessed in the way development and economic growth are viewed by both developed and developing countries. What is emerging is a new consensus on how more inclusive economic growth can be achieved in a way that does not negatively impact on environmental sustainability. This emerging green-growth paradigm should aim to be more pro-poor in its outcomes than the standard growth models that have simply emphasised sustainable development without necessarily being inclusive.

One of the general principles of pro-poor policies is that they should aim to improve the utilisation and productivity of assets that are more likely to be available to the least well off. In the Pacific almost everyone in the rural areas has access to land and/or marine resources. Those in urban centres have their labour. Thus policies, which are both 'green' and pro-poor, would aim to improve the productivity and economic opportunities offered to promote the sustainable utilisation of the land and marine resources by the rural poor. Meanwhile, in the urban centres, these policies would seek to create an environment in which new employment and economic opportunities are available for the mainly low or unskilled labour that constitute the majority of the urban poor.

The attempt towards greening the economy is on-going and gathering pace in many parts of the world, including in the Pacific. However, many PICs are grappling with the fundamental challenge of how to promote sustained and sustainable economic growth of any type in their economies and how to reduce hardship, promote employment and provide essential services with limited budgetary resources. At least in the Pacific, where environmental problems are of a different and more extreme nature, there has been some progress in moving towards more environmental sustainability or sustainable development, but only slowly. For the PICs the challenge is to focus on promoting green growth in a blue economy recognising the surrounding Pacific Ocean as both an opportunity and a challenge.

This chapter provides an overview of mandates towards more inclusive development. It also discusses strategies for greening the economies of PICs as a means of promoting more inclusive and sustainable economic growth.

6.1 Global Mandates and Developments

Over the last few decades, despite the recent global economic crisis, relatively high and broad-based levels of economic growth have helped to reduce poverty levels and raise income levels globally; but growth has often come at the expense of social development and the environment. This scenario is also broadly applicable to the Pacific region.

A World Bank article²⁵² aptly sums up the scenario as follows:

A variety of market, policy and institutional failures mean that the Earth's natural capital tends to be used in ways that are economically inefficient and wasteful, without sufficient reckoning of the true social costs of resource depletion, and without adequate reinvestment in other forms of wealth. These failures threaten the long-run sustainability of growth and progress made on social welfare. Moreover, despite the gains from growth, 1.3 billion people do not have access to electricity, 2.6 billion have no access to sanitation, and 900 million lack safe, clean drinking water. In other words, growth has not been inclusive enough.

The perception of the importance of economic growth as both a necessary and sufficient driver for development has changed since the 1992 Rio Convention. This Convention endorsed the notion that, to be sustainable, development had to be balanced across its social, economic and environmental pillars. The SIDS grouping has since debated growth paths and has made regional and global declarations²⁵³ on the peculiarities of SIDS, recognising the need for sustainable development strategies. The Barbados Program of Action adopted by SIDS in 1994; and the Mauritius Strategies of Implementation in 2005, are two examples.

²⁵² See <http://www.worldbank.org/en/news/feature/2012/05/09/growth-to-inclusive-green-growth-economics-sustainable-development>.

²⁵³ See ESCAP Pacific Office (2012) for discussions on various regional and global declarations of SIDS.

The Report of a United Nations 'The High Level Panel on the Post-2015 Development Agenda' suggested that poverty can only be eradicated irreversibly by mobilising social, economic and environmental action together. It noted: "developed countries have a special role to play, fostering new technologies and making the fastest progress in reducing unsustainable consumption. Many of the world's largest companies are already leading this transformation to a green economy in the context of sustainable development and poverty eradication" (United Nations, 2013).

6.2 Imperatives for Inclusive Pathways in the Pacific

Achieving pro-poor, inclusive and sustainable development within the green-growth framework is certainly critical for PICs. Such growth is needed to meet unique challenges including: limited resource endowments; susceptibility to external economic shocks; dependence on imported fuel and a high proportion of food needs; small size and geographical isolation; climate change and high susceptibility to natural disasters. These factors all conspire to limit development potential.²⁵⁴ In many PICs, high fertility rates, high rates of population growth and rapid urbanisation are placing pressure on limited resources and infrastructure. In some PICs, overcrowding and poor waste management have led to the pollution of fresh water resources and lagoons – a major source of food in the atoll states in particular.

More so, economic growth in the Pacific has been uneven and slow, and has not kept pace with other major regions in the last two decades. Aggregate growth is dominated by the resource-rich and biggest economy, PNG. The higher growth rates in PNG and Solomon Islands have been due, in large part to, the high demand for and high prices of their commodity exports. On the other hand, growth in countries such as the Cook Islands, Palau, Samoa and Tonga has been dependent on aid, remittances, tourism and construction (ESCAP Pacific Office, 2012). Paradoxically, in other countries where there are high levels of out-migration (notably in Polynesia), these have had an adverse impact on growth prospects.

The outcome of these constraints to growth and human development were succinctly summarised in the '2013 Pacific Regional MDGs Tracking Report', which stated that "eliminating extreme poverty and hunger (MDG 1) is the Pacific's biggest challenge, with only two Pacific economies on track for 2015."²⁵⁵ Progress made against the remaining seven MDG indicators by PICs also reflects mixed results.

In light of the mixed socio-economic performance of Pacific Island economies in recent times, a more inclusive growth pathway is advocated. This is being promoted as having the potential to be both more successful at improving the lives of Pacific Islanders as well as being more sustainable. This was recently endorsed at the Pacific SIDS preparatory meeting²⁵⁶ for the United Nations SIDS Global Conference and also in the Outcome Document²⁵⁷ of the inaugural meeting of the Pacific Islands Development Forum held in 2013.

6.3 A Green-Growth and Blue-Economy Approach for the Pacific

6.3.1 Environment, Climate Change, Vulnerability and Exclusion

Reconciling the three pillars (social, economic, environmental) of green-growth and sustainable development requires wide ranging policy initiatives, particularly for the environmental pillar. Natural disasters, the impact of climate change and environmental degradation exacerbate the vulnerability already faced by socially and economically excluded groups and individuals. Thus, green-growth policies are a critical part of such efforts and an essential part of implementing sustainable development.

The World Bank defines green-growth as making growth processes resource-efficient, cleaner and more resilient without necessarily slowing them. To this end, the Bank advocates for getting the 'price right'. Depending on the context, additional policy instruments such as norms, standards and regulation, public provision and direct investment, information creation and dissemination, education and moral suasion, industrial policies and the setting of long-term targets can also be useful.

Significantly, the Bank recognises that green policies will lead to economic benefits from a better environment. This includes the amenities derived from it, and the use of natural capital as a production factor.

²⁵⁴ See 'Ofa (2012) for a literature review on the unique challenges of small island developing states.

²⁵⁵ For further details, see 2013 Pacific MDGs Regional Tracking Report, by the Pacific Islands Forum Secretariat, accessible at <http://www.forumsec.org/resources/uploads/attachments/documents/2013_Pac_Regional_MDGs_Tracking_Report_FINAL.pdf>.

²⁵⁶ For details of Outcome Document, visit, <<http://www.sids2014.org/content/documents/233Pacific%20Outcome%20Chairs%20Revised%20Final%20Version.pdf>>

²⁵⁷ For details of the Outcomes Document, visit, <<http://issuu.com/webmedia-fiji/docs/outcome-document>>.

The Bank also recognises that such initiatives are likely to have an economic cost over the short-term, such as higher investment or operational costs. These costs require choices to be made in the trade-offs between environmental protection and economic growth (World Bank, 2011). The link between the environmental pillar, social inclusion and poverty reduction is illustrated in Box 6.1.

Box 6.1 Potential Impacts of Climate Change on Children in Kiribati and Vanuatu

According to a UNICEF study (2011), more than 150,000 global deaths in 2000 were attributed to climate-related disease, with the largest proportion of them among children younger than 5 years old. The study explained that majority of the literature on children's exposure to the effects of climate change centres around health impacts, including disease, vector-borne illnesses, nutrition and extreme events.

The case study analyses the potential impacts of climate change on children in Kiribati and Vanuatu and found that the confronting children are diverse. They range from direct physical impacts, such as cyclones, storm surges and extreme temperatures presenting risks to human and asses, to more subtle challenges that at first may be difficult to identify (such as impacts on education, psychological well-being and nutritional status).

In Kiribati and Vanuatu, the average maximum temperatures are expected to increase by 2050 to just below the global average. The modelling results show an increase of approximately 2°C relative to the 1961–1990 average. Empirical studies suggest that for children, the most pressing temperature-related challenges are likely to arise from changes to geographic spread and breeding rates of vector-carry species, new vector-borne illnesses, diarrhoea and food security. Of the two countries, malaria is only found in Vanuatu, with it being the “primary cause of hospitalization for children aged 5–15”. Both countries are exposed to dengue, with the incidence of it occurring in Vanuatu associated with the El Niño effect phenomenon.

Extreme temperatures events (such as heat waves) can impact health and well-being of children with diarrheal-based hospitalizations and thus they could increase by 1.9–9 percent in Kiribati and by 4–10 percent in Vanuatu. Empirical studies also highlight reports of increasing domestic violence after natural disasters in the Pacific. Domestic violence is already an issue in Kiribati (Kingi and Roguski, 2011) and Vanuatu (Fairbairn-Dunlop, 2009).

Geographic temperature variations exist (especially in the higher altitudes in Vanuatu), meaning that heat-related impacts will vary, depending on location. For example, densely populated squatter settlements in Port Vila are likely to be more at risk from extreme heat events than villages at higher elevation and surrounded by vegetation (villages in Santo, for instance). Betio in South Tarawa has an approximate density of 6,600 people per square kilometres and is probably the areas of the two countries most at risk of developing heat island-related issues. The heat island effect will mean that children who are living in urban areas will face greater exposure to lung diseases and heat stress.

For Vanuatu, sea level rise initially presents a direct threat to those in low-lying coastal areas (although given the Ni-Vanuatu reliance on fish as a food source, any impact on coastal resources is likely to affect most coastal communities). An entire village in the Tegua Island community in the Torba province (north Vanuatu) recently relocated due to increase coastal erosion due to a combination of seismic land movement and sea level rise.

The most pressing challenges for children from sea level rise in Kiribati and Vanuatu are like to include:

- psychological issues associated with the loss of familiar surroundings and adjustment into new settlements
- dwindling portable water supplies as freshwater lenses decrease
- diarrhoea from the spread of faecal matter from increased wave action (especially in Kiribati urbanized areas)
- access to education and health facilities during increasing king tide events or other extreme weather events (cyclones).

Although Vanuatu is vulnerable to the impacts of sea level rise, the threat is perhaps more prominent for children in Kiribati.

Sources: Burton D.J Mustelin & P Ulrich, 2011, 'Climate change impacts on children in the Pacific: Kiribati and Vanutu', Commissioned by UNICEF Bangkok, www.unicef.org/pacificislands/Children_and_Climate_Change_.pdf

For the PICs, green-growth also embraces the idea of a 'blue economy'. This puts an emphasis on the promotion of a growth-path based on the sustainable management of the Pacific's vast and valuable marine resources. For many of the smaller atoll-based PICs, the marine resources are their only substantial exploitable resource. This provides the basis for subsistence and commercial purposes and is their most important resource for economic development and food security. Box 6.2 below details the experience of coastal communities in the Western Province of Solomon Islands as an example.

In the build-up to Rio+20, the Pacific SIDS submission outlined three priority areas for a blue economy:

1. development aspirations of SIDS recognising the marine, ocean, coastal and fisheries resources as a critical pathway to future growth;
2. unsustainable and destructive fishing practices through overfishing and illegal, unreported and unregulated fishing which damages food security; and
3. recognition of climate change and its negative impact on ocean acidification and coral reefs.²⁵⁸

²⁵⁸ For further information, see Pacific SIDS submission at UNCDS (2014), available online at <<http://www.uncsd2012.org/index.php?page=view&type=510&nr=552&menu=20>>.

Other SIDS groupings and meetings echoed similar concerns. As a result, paragraph 158 of the Rio+20 outcome document “commits to protect and restore the health, productivity and resilience of oceans and marine ecosystems and to maintain their biodiversity, so as to enable their conservation and sustainable use for present and future generations”.

Box 6.2 Impacts of Natural Disasters on Fisheries-Dependent Coastal Communities of Western Province, Solomon Islands

Almost 90 percent of rural communities in the Western Province, Solomon Islands are coastal-based and heavily dependent on fisheries resources for their livelihood. On 2 April, 2007 a large earthquake and tsunami hit the Western Solomon Islands causing varying degrees of damage and disruption to such coastal communities. Early assessment of impacts over a broad set of villages across the affected areas focused on the damage to and needs of coastal fisheries related activities including the environment, infrastructure and equipment but also including a more general assessment of long-term threats to the sustainable management of coastal resources and communities.

Damage to infrastructure varied from village to village and included significant losses of houses and fishing equipment, most importantly paddle canoes, fishing lines and diving goggles. Damage to marine habitats also varied greatly and included broken or rolled corals and underwater landslides that had removed large sections of coral from reef slopes. The most dramatic habitat effects were at sites where the earthquake had uplifted islands and the surrounding marine habitats (reefs, mangroves, sea grass) potentially reducing fisheries productivity through declines in the quantity and quality of habitat. The uplifting caused by the earthquake also compromised canoe launching routes at Ranonga and Buri and reduced water exchange between the open sea and the Rarumana lagoon.

Overall, the impact of the earthquake and tsunami not only claimed lives in the coastal communities of the Western Province, but it also affected the ability of these fisheries-dependent coastal communities to be self-reliant since their fishing gear (canoes and fishing equipment) and fishing areas were all affected.

Schwarz, A., C. Ramofafi a, G. Bennett, D. Notere, A. Tewfik, C. Oengpepa, B. Manele, N. Kere, 2007, 'After the earthquake: An assessment of the impact of earthquake and tsunami on fisheries related livelihoods in coastal communities of Western Province', Solomon Islands, 81 p. The World Fish Center and WWF–Solomon Islands Programme, accessed 28 March 2014, http://www.worldfishcenter.org/resource_centre/180208_Solomon-w.pdf

The Rio+20 outcome document provided 16 guiding principles,²⁵⁹ which characterise a green economy.²⁶⁰ The main components of a green economy therefore include:

- preserving and investing in natural capital;
- improving the efficiency of using natural resources and ecosystem services;
- strengthening environmental management and promoting environmentally sustainable goods and services;
- and developing pathways that result in both economic growth and environmental protection²⁶¹

Literature on sustainable development suggests, however, that green and inclusive growth policies are not a panacea for any structural shortcomings in an economy. For example, sustainable environmental measures cannot offset macroeconomic instability or high-cost business environments.

As such, the Report of The High Level Panel on the Post-2015 Development Agenda, which advocates for a sustainable development approach, highlighted the need to focus on creating opportunities for employment. This must be supported by governments, particularly through providing access to the quality education, training and skills needed to be successful in the job market in response to demands by business for more workers. Resource intensive industries, such as logging and mining, are not necessarily strong job creation industries and thus they are unlikely to automatically redistribute the benefits of economic growth and be pro-poor.

In addition, adding value and raising productivity, based on macroeconomic and good governance fundamentals should assist in accelerating growth. The High Level Panel Report pointed to focusing on:

- infrastructure and other investments;
- skills development, supportive policies towards micro, small and medium sized enterprises;
- increased capacity to absorb new technologies; expanding a modern services sector; and
- intensifying agricultural development.

²⁵⁹ See United Nations (2012) for full list.

²⁶⁰ Divergent views continue among developing countries on the concept and definition of 'green economy'. The divergence was so deep that at the regional preparatory meeting for Rio+20 of the Latin America and Caribbean region on 7-9 September 2011, the conclusions of the meeting made no reference to 'green economy' (Third World Network, 2011). See Third World Network (2011) for detailed discussions on selected developing countries' divergent views on green economy in the build-up to Rio+20.

²⁶¹ See ESCAP (2012), for further details on these four main features of green economy.

The green-growth strategy, as articulated by UN-ESCAP in 2012, proposed six main strategies for the Asia-Pacific region. However, the strategy recognises that socio-economic diversity and differing structures of economies for each country need to be accounted for when adapting the strategies. The six strategies include:

- sustainable consumption and production;
- greening business and the market;
- sustainable infrastructure;
- green tax and budget reform;
- investment in natural capital; and
- eco-efficiency indicators.

Taken together the strategies provide a useful framework within which each PIC could design their respective policies.

6.3.2 Sustainable Consumption and Production

Consuming goods or services produced using methods that harm the environment, through pollution or depletion of natural resources, is both unsustainable and exacerbates the vulnerability of those whose resources are depleted or damaged. The green-growth approach therefore aims to shape economic incentives to ensure that consumption and production are sustainable and do not adversely impact the poor and vulnerable. For example, the development of organic agriculture in PICs highlights the potential to increase agricultural exports in niche, high value markets.

Most crops in the region are naturally grown using traditional farming systems with little or no pesticides or chemicals being applied. Development and implementation of a regional certification mechanism – Pacific Organic Standard²⁶² in 2008 has facilitated trade opportunities. A number of Pacific organic products are currently being produced and exported at a premium price. These include: beef, cocoa, coconut oil (as virgin coconut oil), coffee, fruit and fruit juices, vanilla, herbs and spices, honey, noni products and bananas. Samoa, Fiji, PNG, Solomon Islands, Vanuatu, Cook Islands, Niue and Tahiti all have organically certified land (SPC, 2014). An example of how organic farming is transforming rural communities in Samoa is illustrated in Box 6.3.

Box 6.3 Impacts of Organic Farming on Samoa's Rural Communities

Whilst Samoa is a popular tourist destination, an average of about 26 percent of the population live in a state of basic-needs hardship, and 6 percent live in extreme poverty. In particular, access to employment and economic opportunities are limited and a large proportion of the population depend upon subsistence agriculture, and remittances (equivalent to about 25 percent of GDP). Poor access to employment and economic opportunities is more acute in remote rural communities. As a consequence, many people, especially young people, leave their village homes in search of jobs and a regular income and migrate abroad or to move to Apia, only to be exposed to challenges of urbanisations thereby escalating social problems.

In response, the international NGO Oxfam New Zealand, is collaborating with a local NGO, Women in Business Development Incorporated (WIBDI), to find ways to promote economic development in rural areas so as to alleviate poverty and provide monetary income opportunities for rural and vulnerable people. One of the successful projects included the organic certification of farms to international standards, thereby encouraging organic farming that not only generates income for women and rural communities in general but also contribute to conserving the environment. Other projects include regular (weekly/fortnightly) organic farming and budgeting training to new farmers; the organization of monthly organic markets in Samoa to sell organic products domestically as part of an awareness programme of organic products and fair trade in the country.

Early results are encouraging with 294 farms and eight processing units participating in the organic farming projects. Meanwhile, 178 more farmers are on a waiting list to join. Also, in 2008, WIBDI entered into a community trade relationship with Body Shop International and the company buys all their virgin coconut oil requirements from rural Samoan farmers participating in the WIBDI organic project. Currently WIBDI works with 1,150 families in 200 villages and has 9,200 direct beneficiaries. One family's story encapsulates many of the successes of the program.

The Faimafili's family are now all working on their organic farm and producing coconut oil for export to The Body Shop. Their two older sons lived away from the family and worked to send cash back home for their daily needs. This amounted to less than 100 tala (US\$32) a week and was not regular. With their coconut oil production they now earn up to 800 tala (US\$256) a week. With this increased income they have been able to secure a loan to rebuild their home, and their two sons have returned home to help with the family business. They regularly sell organic produce at the monthly organic market, and even hire people from the village to help out with coconut oil production.

Source: Oxfam New Zealand, n.d., 'Enhancing Rural Livelihoods in Samoa', accessed 27 March 2014, <<https://www.oxfam.org.nz/resources/summaries/Samoa%20Livelihoods.pdf>>

Source: Oxfam New Zealand, n.d., 'Organic farming in Samoa: Women in Business Development Incorporated', accessed 27 March 2014, <<http://www.oxfam.org/en/development/samoa-organic-farming-and-fair-trade>>

²⁶² For more details, visit Secretariat of the Pacific Community at, <http://www.spc.int/lrd/index.php?option=com_content&view=article&id=627&Itemid=263>.

The main markets for PIC organic produce are Australia and New Zealand. However, there is potential for Pacific organic produce to be exported to the United States, European Union and parts of Asia. The higher export prices from organic or fair trade produce can provide the necessary price incentive to persuade farmers to maintain, or return to, traditional farming practices that limit environmental degradation. Demonstrating that agriculture can provide a viable livelihood for Pacific youth is also critical to addressing the vulnerability and social exclusion that follow from un- and under-employment.

6.3.3 Greening Business and the Market

The private sector is widely recognised as being the required engine for growth in the Pacific. However, few Pacific governments have actually fully adopted the policy measures necessary to provide a genuinely sound and investment-conducive private sector environment. With appropriate incentives and a genuine business-enabling environment, the private sector could play a much greater role in pursuing green-growth in many PICs. However, governments will need to create a more favourable investment environment for green businesses to prosper.

For example, ecotourism could be one of several sectors with potential to introduce greening business practices and interactions. Indeed many tourism operators in the Pacific have already begun to adopt 'green' practices including developing clean energy and waste management practices, using locally grown organic produce, marketing their services as 'green' and tapping into the growing eco-tourism market. The impacts of ecotourism on the local economy and the development of the community at Bouma on the island of Taveuni in Fiji are illustrated in Box 6.4.

Box 6.4 Impacts of Ecotourism on the Environment and People of Bouma, Taveuni Island, Fiji

Fiji has recognised the importance of sustainable development and has encouraged environmentally and culture-related tourist activities from as early as the 1970s in the attempt to differentiate its tourism product from other tourist providers in the region. Hence, the strategies for ecotourism development in Fiji considered the provision of employment and income generation for landowners; the difficulties in the land tenure system; the need to conserve the fragile environment; and the need to protect cultural heritage. While ecotourism could provide foreign exchange and economic reward for the preservation of natural systems and wildlife, it could potentially also pose a threat to the natural environment and unique cultures on which it depends. These potential threats, if not properly managed could include degradation to the natural environment when facilities are constructed, tracks aligned, roads constructed and other infrastructures. In addition, environmental degradation could also increase when tourists arrive, if not managed properly.

The Bouma National Heritage Park is a forest-based ecotourism project. It is located on the island of Taveuni, Fiji. The island still retains around 60 percent of its land under tropical rainforest. Fiji's largest lake, Tagimoucia, is found on a high plateau in the central range. Forest types include beach forests, tropical lowland forests, cloud forests and mangroves. Numerous undisturbed streams, rivers and waterfalls are still prominent on the island.

Before the park was opened, the people of Nakorovou village had been showing visitors to a waterfall (Tavoro) on their land. An average of 96 tourists visited a month and were charged FJ\$2 per person. Recognising the importance of the pristine environment to their livelihood, the villagers approached the Fiji Government to protect their forest, and with New Zealand assistance, established a protected recreational park in 1991. Later years saw the expansion of the park (what is now called the Bouma National Heritage Park) to other parts of the island with the objective of generating local employment and income opportunities for the tribes, the villages and the general district of Bouma.

The development of the Bouma National Heritage Park was deemed a success. It not only provided economic opportunities to the people of Bouma district, but also included landowners in the running and management of the park as a self-supporting venture in the early years. Although forest protection was a secondary consideration for landowners, it was nevertheless raised as an important factor towards the long-term sustainability of their main motivation, income generation.

Source: Seroma L, 1994, 'Ecotourism: the Fijian experience' in 'Beyond Timber: Social, Economic and Cultural Dimensions of Non-Wood', edited by PB Durst & A Bishop, Proceedings of a Regional Expert Consultation, RAP publication 1995/13, accessed 26 March 2014, <<http://www.fao.org/docrep/019/x5336e/x5336e.pdf>>

Public policies could contribute more to conserving the environment through implementing and monitoring appropriate government regulations. For example, the Tongan government recently declared an island tourist resort—Fafa Island Resort—including reef and sea areas around the island as protected under the management of a Coastal Community Management Committee, recognising the need to protect the fragile marine ecosystem. Protected area policies give authority to the Committee to regulate and monitor the number of people or fishing vessels fishing around the islands' waters. This helps to ensure the preservation and protection of the marine life that provide good snorkelling sites for the resort's guests.

Tuvalu has also declared a substantial part of Funafuti lagoon and its islets as a marine reserve and protected area. This provides the potential to become a tourist attraction in a true atoll environment. However, the monitoring and management of the reserve is presently inadequate to ensure that poachers are kept at bay to protect the integrity of the reserve.

Meanwhile, as the Pacific countries shift towards more climate-change-resilient and greener economies new opportunities are also emerging for innovative entrepreneurship and small business development based on investment in natural capital, the production and use of green goods and services, reliance on green energy, and the creation of green jobs.

6.3.4 Sustainable Infrastructure

The development of adequate and efficient infrastructure for sustainable development continues to be a challenge for the Pacific. Many community-based projects operate in the Pacific to promote the use of renewable energy, waste-to-energy and rainwater harvesting. Many electricity utilities are experimenting with bio and solar fuels, and some PICs have untapped potential for micro-hydro schemes, while others are promoting energy efficiency.

Indeed, several PICs have made strong regional (Majuro Declaration in 2013) and international political commitments²⁶³ towards moving away from high dependence on fossil fuel to alternative renewable energy sources with set timeframes.²⁶⁴ In RMI this has already resulted in a high level of solar power being used by households in the outer islands.

Dependence on non-renewable energy resources has always been a major issue with Pacific leaders recognising the crippling effect of a heavy reliance on imported fuels. The high costs of this dependence were directly linked with the depth of the impact of the global fuel crisis and accompanying inflationary and macroeconomic pressures on Pacific economies. Several Pacific governments were compelled to provide fuel price subsidies to domestic power generators to mitigate the effects of energy fuel prices on consumers. Reducing dependence on fossil fuel through improving energy efficiency and the adoption of alternate energy sources will help protect national development from fluctuations in global energy prices. Additionally, expansion of renewable energy sources could translate to economic opportunities and job creation.

Some PICs have started to adopt public awareness and education measures to promote the adoption of renewable energy. For instance, a renewable energy fale (house) project in Tuvalu will feature energy efficient appliances to demonstrate the benefits of living in a home with 'green' technology to the local communities. The fale is designed to enable the general public to visit to learn more about the benefits of having a 'green' home. It also serves as an educational tool for school children (SPREP, 2013).

6.3.5 Green Tax and Budget Reform

Green tax reform involves shifting the burden of taxes by lowering tax on "goods" and increasing tax on "bads" (Koo, 2006). The combination of such actions sends a price signal to consumers that more correctly reflects the real costs of production and consumption, or in economic terms, 'internalises negative externalities'. The main purpose of green tax and budget reform is increased resource efficiency and environmental improvement, rather than to generate additional revenue.

Most PICs rely heavily on import taxes and consumption taxes. Many existing taxes in PICs could be classed as 'green' taxes (e.g. taxes on fossil fuels and vehicle taxes). Further identification of other 'green' taxes and subsidies needs to be undertaken. Fuel price rises over the past six years sharply increased the cost of living for many poor families in the Pacific. Rural families have experienced higher transport costs in getting produce to markets. Urban households have faced higher costs of getting to work or school. Some governments responded in the early stages by lowering taxes on fuel to alleviate the social impact.

²⁶³ ESCAP Ministerial Declaration and Action Plan (2013) can be accessed via <<http://www.unescap.org/esd/publications/energy/APEF/APEF2013-Ministerial-Declaration-Plan-of-Action.pdf>>.

²⁶⁴ See Pacific Islands Forum Secretariat (2013), for end dates and targeted percentage shares of renewable energy.

Social exclusion is exacerbated in such a situation, as those without sufficient cash income cannot afford to access essential government services and find it harder to meet their basic needs and fulfil their obligations. On the positive side, the high price of fuel generated a stronger interest among PICs in alternative energy sources for both utility generation and community based energy solutions.

A key consideration in the Pacific will be ensuring that families have environmentally-friendly and price-competitive alternatives when, for example, fuel price taxes are raised in the interests of green-growth.

This should involve not only testing promising new alternative technologies, but also ensuring that the fiscal and regulatory regime encourages the uptake of these alternatives.

Some possible measures for green tax and budget reform, many of which are already in place in PICs include:

- favourable tax treatment to promote alternative energy;
- road transport taxes graded according to engine size;
- encouragement of organic farming through increased tariffs on nitrogen fertilisers and pesticides, and lower tariffs on organically based products;
- reduced taxation for green certification tourism operators;
- import tariff reductions for capital cost of greening;
- tax incentives for green buildings and businesses based on a green rating system; and
- reduced tariffs on low energy consumption consumer goods; and encouragement of public procurement of green goods.

Few of these measures provide direct and/or short-term benefits to the poor and the most vulnerable households. Implementation of green-tax measures, therefore, needs to carefully assess the ability to pay and the impact of the changes on poor households in order to ensure they are not additionally disadvantaged.

6.3.6 Investment in Natural Capital

Natural capital, such as native forests and oceans, can act as carbon sinks and buffers against climate change impacts (ESCAP, 2009). Investing in natural capital improves sustainable management of the ecosystem. In the forestry sector, unregulated and illegal logging, and the conversion of natural forest into commercial land for agriculture and livestock has depleted much of the primary forest area in the Pacific region and significantly affects local communities.

In a green economy, land management decisions should be based on the environmental and social costs of, for example, deforestation. These should be carefully assessed and balanced against the economic benefits of exploiting a natural resource and providing employment for rural workers. Effective regulations that recognise forests as having ecological value for carbon storage, biodiversity and water conservation are vital for reducing the trend towards greater exploitation. Landowners need education on the importance of long-term forest sustainability and, in some circumstances, may need to be supported or compensated for maintaining forests for the greater good of all.

Inshore and coastal subsistence fisheries traditionally provide sources of food and livelihood for many Pacific Islanders. Despite this, little has been done to protect this natural capital. According to a World Bank study in 2000, the annual cost of overfishing to the subsistence sector of five PICs was estimated around US\$ 67 million (the cost of importing the protein equivalent from subsistence fishing in 2000 prices).

Additionally, as already noted, offshore fish stocks in the Pacific are threatened by overfishing, marine pollution and loss of habitat due to climate change and other factors. Of all commercial fish stocks, slightly over half of all stocks are fully exploited, 19 percent are overexploited, and 8 percent are depleted.²⁶⁵ In the Pacific, tuna fishing is a key source of employment, income and food. However, tuna stocks are reaching overexploitation. Unfortunately, the Pacific Islands are not obtaining the maximum benefit from marine fisheries catches. While certain species of fish have been overfished or are close to being depleted, it is not the PICs themselves that are reporting the bulk of these catches.²⁶⁶ Thus, the people of the Pacific face a double burden, reduced economic potential and depleted environmental reserves.

²⁶⁵ ESCAP Pacific Office (2012), 'Green Economy in a Blue World: Pacific Perspective 2012', ESCAP Pacific Office, Suva.

²⁶⁶ In other words, most of the fishing in the Pacific waters is done by foreign registered fishing vessels.

Many PICs receive substantial licence fees from foreign fishing fleets. Many of those PICs with the largest Exclusive Economic Zones (EEZs), including Tuvalu, Kiribati, FSM, RMI, are amongst those that are otherwise extremely resource poor. The licence revenues received therefore constitute a significant source of government revenues. However the poor and vulnerable are only the indirect beneficiaries of these sources of national revenue as little is targeted at specific pro-poor policies.

6.3.7 Eco-Efficiency Indicators and Wealth Measurement

Eco-efficiency indicators measure how the environment is used for economic activity, and how it is affected by economic activity. Organizations, including the OECD, ESCAP and national statistical agencies, have been developing frameworks for effective measures of green-growth.

Developing relevant measures of vulnerability, resilience and progress is currently a focus area for all SIDS. Pacific and global leaders have raised the need for better indicators in recent reviews of progress towards internationally agreed goals, including the MDGs, the Mauritius Strategy for the sustainable development of SIDS as well as in debates on the post 2015 development agenda.

The ability to value natural capital is necessary in the design of green-growth policies. This is being promoted through the implementation of a system for the valuation of Pacific ecosystems (based on the UN Statistical Commission's adopted System of Environmental and Economic Accounting [SEEA])²⁶⁷ in an attempt to value natural capital - water, land, air, ecosystems and the services they provide - which represent a significant share of a country's wealth. As such, SEEA provides a broadly agreed methodology and alongside more conventional measures including GDP.

6.4 Green Growth and Blue Economy: The Way Forward

Increasing development challenges and the binding constraints to growth in the Pacific make it imperative to pursue inclusive and green growth strategies for more sustainable development. While some strategies have been outlined for pursuing green-growth, country specific contexts needs to be accounted for when developing national policies. In addition, accounting for welfare measures through SEEA, for example, can provide for a more informed ability to design appropriate green-growth policies.

Within the strategies outlined, some examples of areas where PICs could progress further have been identified. National assessment of trade-offs and opportunities are necessary for creating an enabling environment with adequate incentives to progress towards inclusive and green growth.

²⁶⁷ United Nations, et al., (2014), 'System of Environmental Economic Accounting 2012, Central Framework', United Nations, accessed via <http://unstats.un.org/unsd/envaccounting/seeaRev/SEEA_CF_Final_en.pdf>.



CHAPTER 7

Policy Recommendations

This report provides a wide-ranging assessment of the causes and consequences of the changing social, economic and political environment of the Pacific region and the impact of these changes on the vulnerability and exclusion being experienced by an increasing number of Pacific Islanders, based on new data and analysis.

It has highlighted the strengths and weaknesses of the traditional social protection systems that have existed in the different Pacific societies over many generations. The report concludes that these traditional social protection systems are increasingly under strain from *inter alia* the monetisation of Pacific societies and the migration of younger people to the urban centres and overseas.

As a consequence of the dynamics of domestic developments and the impact of external shocks, more Pacific Islanders are now experiencing increasing levels of poverty, hardship, inequality, vulnerability and social exclusion. The impacts of poor economic performance in many PICs, the lack of domestic employment opportunities, rising prices and often stagnant or declining real incomes are placing an increasing strain on many families. The problems faced by such families are exacerbated by the increasing levels of disability resulting from complications with NCDs. The burden of care and the need for greater social protection for the vulnerable is therefore increasing. It is a difficult policy area, and involves challenging decisions about who is vulnerable and how they should be supported. It is also a very costly policy area if not well targeted, carefully implemented and efficiently and fairly managed. The following provides a broad overview of the core recommendations of the report.

The report draws attention to the complex nature of vulnerability and exclusion in the Pacific and how these issues are inter-linked. It also points the way to a new model for future pro-poor growth policies, which would aim to address the many challenges associated with vulnerability and exclusion across a broad front. While there is no simple or single solution, a combination of mutually supportive policies and strategies can be identified to meet each of the challenges individually and collectively.

7.1 Policy Choices: Macroeconomic Policies and Planning

In responding to a wide range of political economy and macroeconomic challenges, most PICs have very little scope for initiating counter-crisis or counter-recessionary economic policies in the conventional manner. For around half the PICs, which use a third-country currency,²⁶⁸ and which have weak or non-existent domestic financial markets, adjustments in monetary policy are not an option.

Even in many PICs where a national currency exists, there are often only weak links between interest rates and economic activity as capital markets are small and under-developed. Monetary policy therefore has limited impact as a conventional economic policy instrument. Amongst the smaller PICs, foreign exchange reserves are satisfactory at best and extremely vulnerable at worst. The creation of additional domestic liquidity to finance a fiscal stimulus is, therefore, a risky policy as it could lead to a range of negative outcomes, including: a deterioration in the balance of payments; a decline in foreign reserves; a weakening in the exchange rate; and increasing inflationary pressures.

Conventional fiscal stimulus packages, such as those being implemented in developed countries and larger developing countries, are also not practical or applicable in many of the smaller PICs. Budgets are already tight and there is little opportunity for small PICs to mobilise additional domestic resources for investment. Virtually none have access to international capital markets. Running large deficits and/or printing currency to finance such packages are not options. PICs receiving substantial development assistance flows (e.g. PNG, Solomon Islands) do have some scope for redirecting these flows into new public investment projects. Even here, though, the options are often limited. To get the maximum domestic benefit from such expenditure, the projects need to be domestic-labour intensive and not just focused on imported materials (or imported labour).

²⁶⁸ Kiribati, Nauru & Tuvalu use the Australian dollar, Marshall Islands, FSM & Palau use the US dollar and Cook Islands and Niue effectively use the New Zealand dollar.

The large projects funded in Tonga, Samoa and Fiji, with loan finance from China, for example, have temporarily boosted GDP, but have had little impact on domestic economic activity. Schools, clinics and road maintenance type projects often yield the greatest employment and multiplier benefits for domestic economies, rather than new large construction projects with high import content.

With such limited macroeconomic policy options, Pacific countries must continue to implement structural reforms if they are to achieve sustained and sustainable economic growth through which to address the needs of the vulnerable. Most PICs have relatively large, inefficient and cost-ineffective public sectors, especially state-owned enterprises. These are a drain on national budgets and may, therefore, be instrumental in diverting scarce resources away from social protection and social welfare programmes that could target the most needy and vulnerable.

A drive towards structural reforms that would target improvements to economic efficiency and the effectiveness of budget expenditure would yield significant benefits and would assist countries to recover from the recent recessionary impacts associated with the Global Financial Crisis. Focusing expenditure on priority areas such as health and education and the creation of a better private sector environment for small and micro-enterprises would help to reverse the poor performance of recent years.

The gap between the PICs and their Asian neighbours is widening as, *inter alia*, global competition for employment, markets and resources is increasing. Failure to rise to this challenge will potentially lead to much more serious impacts in the future if budgets are weakened further and domestic employment opportunities are not created.

Trade liberalisation and Aid-for-Trade are advocated as means to generate new growth opportunities for PICs. Much debate has swirled around the relative costs and benefits to PICs of regional and international trade agreements. The impacts of trade liberalisation on small local business are illustrated by the examples in Box 7.1. There are no easy answers to this policy debate. Rational economic cost-benefit analysis is required, for example, to determine whether inefficient domestic enterprises should be subsidised by consumers, or whether consumers would be better served by allowing cheaper imports. Such analyses would need to assess the backward and forward linkages in a domestic economy, and if necessary government social-protection measures might be required to support those adversely affected by trade liberalisation.

It may be noted that over the last two decades it has been those countries facing serious financial weaknesses or other external or domestic shocks that have responded most positively to the need for major structural reforms. These include Samoa, which introduced wide-ranging reforms in the mid-to-late 1990s. This was following two destructive cyclones, an agricultural-crop infestation, which destroyed the major staple and export crop, and a financial crisis in the national airline. Financial crises were experienced in the Cook Islands and Vanuatu around the same time and, subsequently, Nauru had a similar experience.

Box 7.1 Trade Liberalisation: Good or Bad for Businesses in the Pacific

Trade liberalisation among Pacific Island countries has seen more efficient businesses, generally in larger island countries, displace producers in smaller states – leading to business closures and job losses. Here it is worth considering some recent examples:

- In 2006 a small biscuit manufacturer based on the island of Santo, in Vanuatu, closed down after competition from a larger firm based in Fiji undercut local sales. Vanuatu had committed to reduce tariffs on imports from its island neighbours under both the Melanesian Spearhead Group Free Trade Agreement (MSG-FTA) and under the Pacific Island Countries Trade Agreement (PICTA).
- More recently, in late 2012, a beverage manufacturer in Vanuatu ceased production of a line of soft drinks citing trade policy changes and increased competition from exports of a subsidiary of a global soft-drink firm based in Fiji. This change saw the termination of 42 local staff and, furthermore, undermined income to bottle-collectors who had recycled the glass bottles of the local soft drink.

In both of these examples small firms producing for a small domestic market lost out when that market was opened to larger, more efficient, foreign firms. While the resulting job losses may seem tiny, they are significant in the context of the very small formal sectors in many Pacific Island countries. For example, in Vanuatu, a country with a population of around 250,000 people, less than 15 percent of the population is in wage employment.

Limited structural reform arising from regional trade liberalisation among the Pacific Island countries has seen the closure of less efficient businesses, generally in the smaller island states. Key beneficiaries of this reform have been firms based in Fiji and Papua New Guinea. However, even these firms are likely to face difficulties competing with more efficient producers from outside the region if trade liberalisation is extended to include larger trading partners such as Australia and New Zealand.

Source: UNDP, WHO, UNOHCHR (forthcoming) Trade and Human Rights in Pacific Island Countries, Suva, Fiji

As a consequence of such events, these countries introduced sweeping structural changes that laid the foundations for recovery in subsequent years. In Samoa's case, reforms were home grown, but they followed a conventional framework as previously described. It may also be argued that even the political upheavals in Fiji had some positive impacts by causing the economy to be opened-up, depreciating the exchange rate, and making the country a more attractive investment destination. As in Samoa, the reforms in Fiji were very much home grown, although once again following a generally conventional framework. Fiji's economy weathered the global economic crisis better than most, and investment in the tourism sector has continued to grow.

Macroeconomic policies should also aim to directly support the least well-off, vulnerable and excluded. This might be through providing directly targeted support, or indirectly by making it easier for families to find employment in those areas where the vulnerable are located, and thus reducing out-migration. Changing lifestyles, weakening of traditional social-safety-net systems and the increasing numbers of elderly experiencing complications from NCDs is making this one of the most critical issues faced by Pacific governments.

Policies aiming towards enhancing productive capacity and competitiveness of various economic sectors, broadening the economic base and increasing exports (e.g. agricultural, fishery, industrial and tourism) should also be more inclusive and pro-poor through the utilization of available data and information collected through HIES, census, labour market, businesses and other surveys. For instance, adopting a cluster development multi-sectoral approach, focussing on niche products geared towards niche export markets, will enhance value addition, strengthen sectoral linkages, boost exports and provide income generating opportunities. This approach can be easily integrated into local development programmes (which often include social infrastructure upgrades) in communities where poverty and hardship are high. Cluster initiatives support inter-firm and public-private collaboration and partnership, institutional development and the removal of constraints to targeted regions to promote local/regional inclusive and multi-sectoral development. This approach will also contribute to more equitable distribution of income and benefits of economic growth across sectors and between urban and rural areas. Providing targeted and selective support to the private sector focusing on women and youth entrepreneurs will generate more inclusive private-sector led growth.

7.2 Key Recommendations

There is clearly no single solution to the twin emerging issues amongst most PICs of weakening traditional social protection systems and the increasing number of people experiencing vulnerability and exclusion and therefore being in need of social protection. The following key recommendations, however, are intended to guide efforts to combat the rising exclusion and vulnerability in the Pacific.

Key Recommendation One: Develop a Better Understanding of Vulnerability and Exclusion

Governments working with civil society organizations and development partners need to gain a better understanding of the dimensions of vulnerability and exclusion in their respective countries. Pacific specific indicators are needed to reflect multidimensional human poverty, vulnerability and exclusion. Benchmarks of those who are most likely to experience conditions of vulnerability and exclusion need to be established through census and specialist surveys and through a continuing programme of dialogue with communities themselves (and affected individuals). This is important because the elderly, including those living with disabilities or poor health, and those with low-levels of educational attainment and the unemployed often have little voice and are given little attention in government policy-making.

Key Recommendation Two: Put Social Protection at the Top of the Policy Agenda

Poverty reduction through pro-growth measures and job creation is a necessary yet insufficient condition for substantial progress to be made. Small population size, remoteness and natural disasters hinder the region's ability to generate and sustain economic growth in the long run. A promising strategy to addressing poverty, hardship, vulnerability and exclusion in the Pacific is the Social Protection Floor. It has a focus on developing predictable direct transfers to individuals and households to protect them from the impact of (external) shocks and the overall negative effects of poverty and deprivation. Social protection should be a priority in the Post-2015 development agenda and in regional and national development plans, as a key way to combat poverty and reduce vulnerabilities and inequalities in PICs.

Policies that are centrally developed with little or no consultation with the people themselves have led to many inappropriate policies and projects being initiated with little ownership from the targeted beneficiaries. The priorities suggested by people through the PAH included a set of clear and simple directions for inclusion in future national development strategies. These broadly included a selection of the following depending on national circumstances.

- The development of competitive, commercial, private markets for pro-poor growth.
- Performance-oriented, essential public service delivery in support of inclusive social development.
- Improved, broadly-defined, standards of governance that included well-operated and honest private and public institutions.

These all point to citizens' desire to see government initiatives that can ensure that all Pacific Islanders have access to a minimum acceptable standard of living. This is an inclusive view of development since those consulted in the PAH were also very clear about who they regarded as likely to experience hardship, vulnerability and exclusion. These are the people at whom social protection programmes need to target.

National social protection policies and strategies should aim to complement and, where possible, bolster current traditional social safety nets. But in many other policy areas increasing the rate of structural reform, for example, may in fact place these traditional systems under increasing stress. Consequently, recent research²⁶⁹ has begun to examine what the cost of government run social protection systems might be and how the necessary revenue could be raised to finance such programmes.

In implementing policies and strategies careful consideration should be given to the types of inclusive social protection initiatives being undertaken and the potential negative effects that some may have on communities. For instance, while social protection in the form of direct cash transfers programmes can reinforce the traditional Pacific way of caring for the most vulnerable people, their potential impact in areas of the Pacific that are largely un-monetised or un-banked could be significant.

²⁶⁹ Such as: AusAID (2012) Social protection and economic growth in Pacific Island Countries: AusAID Pacific social protection series: poverty, vulnerability and social protection in the Pacific.

The overall impact could potentially be negative if the recipients are unable to manage cash resources effectively. Financial literacy is, therefore, an essential tool for the vulnerable and should be included in any cash transfer programmes.

Further, in order to effectively deliver on social protection policies as part of wider national development strategies Pacific politicians and business leaders should aim to develop ways to ensure that schools, hospitals and social welfare systems can be supported by government budgets underpinned by sustainable levels of economic growth. This could lead both to the development of public-private partnerships for the provision of services and/or where possible to the privatisation of services that could better be delivered by the private sector, or in a joint venture.

Social protection is affordable and effective. A recent study shows that universal cash grant to all children under five would cost 1.7 percent of GDP in Kiribati, Samoa and Solomon Islands and 0.7 percent of GDP in Vanuatu. It would lead to a 10 percent reduction in the proportion of households living in poverty. Successful models of social protection include Brazil's Bolsa Familia and South Africa's child support grant. In the Pacific, Fiji's Poverty Benefit Scheme (previously the Family Assistance Scheme and the Food Voucher Programme) provides a Pacific example for a social protection scheme targeted at poverty reduction. A safety net for those in serious need, it consists of a monthly allowance of FJ\$120-150, with payments provided electronically.²⁷⁰

Support for the poor, vulnerable and excluded cannot be one-dimensional. Recognising the multiple dimensions of vulnerability, initiatives have already commenced in some PICs focusing on the needs at the broad family level. This includes mobile teams that deliver a combined package of health, sanitation and nutrition assessment, education and assistance. Similarly in respect of domestic and gender violence, as well as violence against children, initiatives are now becoming focused on achieving changes in behaviours, attitudes and practice through a multi-sectoral approach (health, justice, police, social welfare), while drawing together women and child protection programming.

Choosing the most appropriate social protection measure to meet an identified need should meet the following criteria:

- Clearly identify the individuals, group, or families to be targeted and why.
- Set the payment amounts or the nature of the benefits to be paid or made available; this should also clearly define the actual purpose and nature of the benefit, e.g. cash transfers (conditional or unconditional), universal or means-tested benefits, flat-rate or scaled, a contribution to family/individual budgets or sufficient to meet all basic needs.
- Make clear and well defined estimates of the likely costs and implications of the programme for the future, including the consideration of possible unintended consequences and perverse incentives.
- Establish the institutional framework through which the proposed programme is to be delivered to the targeted group.
- Manage the programme in a transparent and accountable way to avoid corruption and deliver more benefits than the costs of implementation.

Key Recommendation Three: Cautious Utilization of Cash Transfer Programmes

While cash transfers, conditional or unconditional, should certainly be included as an option in a broader toolkit for fiscal policy, their success depends upon some specific local conditions and the intention of the transfers and requires certain precondition in order to be effective. Otherwise they could do more harm than good, including build a sense of misplaced complacency and lower public policy attention on the primary imperative of providing adequate basic services. In the realm of basic public services such as education and healthcare, conditional and/or unconditional cash transfers only address demand-side constraints.

Unlike developed countries and larger middle-income developing countries with relatively more elastic supply, in PICs monetary demand created by cash transfer schemes will not create its own supply. In the presence of supply-side constraints, as in most PICs, such programmes will only create or enhance existing demand for services and without increasing the supply of services to adequate levels will, ultimately, fail to achieve the intended results. In recent times, cash transfers programmes have worked well in countries such as Brazil and Mexico where the basic conditions are already in place, most notably adequate infrastructure and capacity to supply the basic services, the demand for which will be boosted through the programmes.

²⁷⁰ <http://www.fiji.gov.fj/Media-Center/Press-Releases/POVERTY-BENEFIT-SCHEME-ENSURES-OBJECTIVITY-IN-SELE.aspx?feed=news>.

Key Recommendation Four: Foster Wider Access to Basic Education for Children and Youth

To ensure improved access to quality primary education for children excluded from the education system, there is a need for educational management information systems to better reflect disaggregated data in relation to both student access and performance. As some data suggests that attendance rates in some PICs have decreased in recent years, the introduction and expansion of targeted social protection measures will contribute significantly to achieving Universal primary education and robust evaluations of current conditional cash transfer mechanisms within education systems of the Pacific should be undertaken as a means of guiding future good practice.

As agreed within the 2009 Cairns Compact, and exemplified in the many joint education sector programmes across the Pacific, development partners are to be encouraged in their efforts towards the harmonisation of assistance within government systems as a means of improving aid efficiency and effectiveness. A continued focus on ensuring learning outcomes are met in primary education is essential, with greater dedication within Ministry of Education budgets for the implementation of evidence based school literacy and numeracy initiatives.

Education is a major cost for many households and household survey data clearly suggests that the costs to poor households are proportionately much greater than that to wealthy households. And although primary education may be free of fees in many PICs (or highly subsidised by governments or churches), there are often many other costs levied by schools to cover the costs of books, building maintenance and other related expenditure. These additional charges are often a major burden to poor families who often have a larger number of children to care for. Making public secondary education free, or less costly, would greatly assist lower-income families.

It might also encourage more children to remain at school for longer. This is an important issue as household survey data indicates a clear link between poor levels of educational attainment and individual and household hardship status.

Key Recommendation Five: Broaden Employment Opportunities, especially for Youth and Women

The creation of more opportunities for the acquisition of technical and vocational skills is a form of social protection for youth. Programmes that promote trade skills can be useful in both the formal and informal sectors. This can be regarded as a preventative measure against possible future vulnerability and/or unemployment, compared to a curative measure to address the unemployment once it is experienced. To fully tap women's labour potential, greater opportunities to enter traditionally male-dominated fields (such as engineering and science) must be made available to women. New areas of work, including vocational training in information technology, together with improvements in access to finance and credit, must be made available to women.

The transition from education to employment is a critical issue for almost all young people in the Pacific. Without a more market-oriented and investment friendly economic environment the growth rates of most PICs will remain rather low. Improving skills and educational attainment should enable households to increase their number of employed persons. It would also help to deepen the employment base by encouraging more young people to create their own enterprises or move to higher-skilled, higher-paid employment. This is becoming an increasingly important issue with the growing availability of opportunities for working overseas in Australia and/or New Zealand on temporary labour schemes.

As discussed above, the Pacific countries' shift towards more climate-change-resilient and greener economies also offers further opportunities. Youth employment strategies and national action plans need to be developed with these possibilities in mind. Similarly, the green economy can provide a focal point for the entrepreneurship training and vocational skill development necessary to improve employment prospects and earning potential for school age and out-of-school youth, including disabled youth and young women.

Some of the essential policy recommendations can be summarized as follows:

- Articulate youth employment policies and develop and implement national action plans on youth employment.
- Conduct a school-to-work transition survey to provide a framework to design and monitor more appropriate youth employment responses.
- Develop practical formal and informal education curricula that provide relevant skills, such as business skills and occupational safety and health training.
- Ensure meaningful engagement of young people in the development of youth employment/livelihood interventions.
- Develop youth labour-market information

- Support demand-driven skills-development for national and off-shore jobs.
- Develop and implement entrepreneurship and enterprise skills training for youth in the informal sector.
- Develop and implement projects on policy, capacity building and skills and income generating activities for youth, with a special focus on most vulnerable and marginalized youth.
- Support for family life education programmes in schools that afford comprehensive sexuality education, and strengthen life skills for young women and men.

Key Recommendation Six: Provide Adequate Health Services for Prevention and Care

Health, like education, is a critical factor in causing vulnerability and exclusion. The challenge is to address the underlying causes of poor health and to provide adequate care and treatment for those already affected.

Perhaps the greatest challenge to advance development outcomes for youth is the need to engage young people in development efforts and employment. This also entails addressing issues such as teenage pregnancy, and high rates of STIs. These must be addressed through greater consultation and participation of young people helping them to develop holistically as active citizens. Their views must help shape and influence the development and delivery of innovative and well-targeted programmes and services as a means to accelerate achievement of the desired health outcomes. Investing in the potential of youth (both skilled and unskilled) will thus advance their health and socio-economic and political developments in their respective countries and the region as a whole.

Reducing the burden of NCDs requires a reduction in the intermediate and modifiable risk factors. To achieve this, in addition to treatment, PICs have made tremendous efforts to encourage individual behavioural change through awareness campaigns. It is very difficult, however, for individuals to make healthy choices when their social environments continue to promote unhealthy choices or simply when choices are extremely limited due to cost and availability. Similarly, it is not effective to treat patients at high cost only to send them back into the environment that made them sick in the first place.

The complex causal pathways for NCDs suggests that successful preventive measures are therefore more likely to come from policy-related changes that directly impact the socio-economic behaviour of communities and individuals, than from public health awareness and education types of interventions alone.²⁷¹

The need for greater coherence between trade and health policies for example, and the need for more actions outside the health sector to better address health (NCDs in particular) has been repeatedly emphasised recently.²⁷² Across governments and civil society stakeholders, there is an increasing recognition that improving the quality, quantity and price of the local food supply is critical to improving population access to healthier diets.²⁷³

Countries are developing plans towards a more multi-sectoral approach to NCDs, focused around WHO's so-called best buys interventions; improving surveillance and health systems; implementing the Framework Convention for Tobacco Control; strengthening equity and efficiency of primary health care to address NCDs (PEN²⁷⁴); as well as tackling the social and structural determinants of health more broadly.²⁷⁵

For both communicable and non-communicable diseases, it is important as these multiple efforts unfold, that they address and not deepen health inequities between regions and sub- population groups as envisioned in the 'Healthy Islands' framework.²⁷⁶

Given the escalating costs they are facing and the limited fiscal space they have to react, it is critical that PICs are supported in their endeavours to address health issues more holistically - in a manner less focused on the diseases themselves but more on their underlying determinants.

²⁷¹ Snowdon Wendy, Negin Joel, Moddie Marj. Building an economic case for food interventions in the Pacific. Fiji School of Medicine 1885-2010 Celebrating 125 Years. Pacific Health Dialog. PHD 2011; Vol 16(2): p24-29.

²⁷² Forty-fourth Pacific Islands Forum Majuro, Republic of the Marshall Islands 3 – 5 September 2013. Forum Communiqué.

²⁷³ C-POND, SPC, UNDP, WHO. Trade, Trade Agreements and Non-communicable Diseases in the Pacific Islands. Intersections, Lessons Learned, Challenges And Way Forward, Workshop Report. 2013.

²⁷⁴ Package of essential NCD interventions for primary health care: cancer, diabetes, heart disease and stroke, chronic respiratory disease. [WHO (2010). (http://www.who.int/cardiovascular_diseases/publications/pen2010/en/).

²⁷⁵ Tenth Pacific Health Ministers Meeting. Towards Healthy Islands: Pacific Non-communicable Disease Response. Apia Samoa, 2-4 July 2013.

²⁷⁶ Yanuca Island Declaration, March 1995. (http://whqlibdoc.who.int/wpro/1994-99/WPR_RC46_INF_DOC1.pdf).

In working towards a healthier population the following actions need to be considered by Pacific governments and national health authorities:

- Improve infant, child and maternal health by strengthening primary health care programmes, and their equity and efficiency dimensions.
- Improve access to emergency obstetric care and expand immunization programmes.
- Improve access to safe drinking water and hygienic sanitation.
- Address the continuing adverse effects of malaria and TB on those most at risk of infection. Distribute mosquito nets as a way of combating malaria in Vanuatu, Solomon Islands and PNG.
- Strengthening sexual and reproductive health services including prevention programmes against HIV and other STIs with particular attention to the needs and rights of marginalised and underserved populations (youth in particular), such programmes are better integrated with other health programmes.
- Expanded and more multisectoral efforts are needed to address NCDs, including through targeted and high-impact interventions, the promotion of healthy eating habits and healthier life style combined with policy-related changes that directly impact the socio-economic behavior of communities and individuals.
- Recognize the care needs of the increasing number of elderly persons, and especially those with NCD-related disabilities.

Key Recommendation Seven: Adopt a New Generation of Multidimensional Poverty Reduction Programmes for those Most in Need

A social and economic policy package to accelerate poverty reduction will need to simultaneously address challenges at the macro and micro levels through micro-level and local people-centred development initiatives that complement overall macroeconomic policies and are geared towards balanced, sustainable and inclusive growth and widening the economic base.

The wealth of information provided by HIES and DHS, particularly the location and key characteristics of the poor, should be utilised to guide poverty reduction policies and programmes. If interventions to reduce poverty are to be effective as well as financially feasible, they must be based on proven and cost-effective mechanisms to allocate resources and assistance directly, efficiently and effectively to poor households, rather than relying on indirect effects, such as spill-overs, externalities and market forces in allocating benefits from economic growth. Although the explicit goal of many types of interventions is to reduce poverty, they are also likely to benefit some non-poor as well. Given the limited funding for such programmes, it is preferable to direct available resources, and therefore benefits, as effectively as possible toward those who need them most.

Beneficiaries can be identified on a household or individual level, and then transfers and/or some other forms of direct assistance can be mobilized to reduce their vulnerability. For example, the provision of food or medical care to elderly and disabled individuals; or to households displaying clear signs of malnutrition; or to individuals who have special needs, such as pregnant and lactating women, are all forms of direct targeting of assistance.

While direct targeting of poor households and individuals is often unfeasible, interventions based on their characteristics (characteristic targeting), such as location, gender, age, employment status and/or educational attainment, are often the best option. Characteristic targeting, however, has two potential drawbacks. First, some non-poor households possess the same characteristics as the poor and, hence, receive benefits (leakage). Second, not all poor households possess the designated characteristics to benefit from the intervention, and consequently might not be reached (under-coverage). The success of characteristic targeting depends on the ability of policy makers to minimize these problems.

One common approach of characteristic targeting is to target types of spending that are associated with patterns of consumptions and/or needs of households that are poor or in hardship (this is known as 'broad targeting'). The second approach of characteristic targeting utilizes the characteristics (e.g. location, gender, number of children living in the household, educational background, etc.) that are associated with poverty and hardship to direct interventions. For instance, directing resources to rural development, because poverty is often concentrated in rural areas, food stamp schemes targeted to single mothers and pregnant women in food-insecure communities or micro-credit schemes targeted to women vendors. This type of characteristic targeting is known as narrow targeting. Another type of narrow

targeting is self-targeting. Instead of relying on an administrator or a policy maker to choose beneficiaries of the poverty reduction programme, the self-targeting approach relies on beneficiaries opting in through incentives that would induce the poor, and only the poor, to participate in a programme. Examples are public employment schemes that use work requirements and conditions to help screen out the non-poor.

A package of policies mixing broad and narrow characteristic targeting that is based on the information provided by HIES offers the best hope of avoiding two commonly identified errors of targeting: 1) leakage of benefits to the non-poor, which are measured by the ratio of non-poor beneficiaries to total beneficiaries; and 2) under-coverage of the poor, which is measured by the ratio of poor beneficiaries to the total poor population.

The next generation of policy reforms should aim to address the broader dimensions of human poverty, rather than narrowly concentrating on income poverty. Policies should focus on inclusive growth and innovation policy and sound economic governance in order to meet the needs of the low-income population. In other words, these policies should focus on delivering high performance products and services at low cost to the people whose needs are generally not addressed.

Key Recommendation Eight: Use Innovative Policies and Technologies to Help Reduce Geographic Inequalities

Innovative policies, combined with the use of new technologies, can improve the quality of life of Pacific Islanders in many ways, and in ways that are more cost effective. These include the following:

- Technology to access health services, particularly to outer islands and rural areas; including ultra-low cost diagnostics and technology, easy-to-understand information about disease, mobile health clinics, and access to medical expertise.
- Education through online training or distance learning, virtual libraries, remote access to classroom and laboratory facilities.
- Access to financial services through online and mobile banking, financial inclusion/ literacy training, delivery of micro-finance services.
- Farmer services through real-time information on crop patterns and prices, weather forecasts, crop and livestock insurance; food security through improving crop yields, reducing post-harvest losses, integrating supply chains, expanding access to market demand and pricing information.

Innovative policies can also help reduce inequality. For example, one option to address geographical income disparity and poverty (which is prevalent in nearly all PICs) is through local economic development initiatives (LEDIs). LEDIs are based on a participatory process in which local people from all sectors work together to stimulate local commercial activities. This approach encourages public, private and civil society sectors to establish partnerships and find local solutions to shared economic challenges. A LEDI strategy is a process-oriented and non-prescriptive endeavour incorporating local values (such as poverty reduction, basic needs, local jobs, integrating social and environmental values); economic drivers (value-added resource use, local skills training, local income retention, regional co-operation); and development (the role of structural change, quality of development).

Key Recommendation Nine: Adopt a More Inclusive Green Growth Framework for Development

As already noted earlier, the emerging green-growth paradigm should be more pro-poor in its outcomes than the standard growth models. In a green economy, land management decisions should be based on the environmental and social costs of, for example, mining and deforestation. These should be carefully assessed and balanced against the economic benefits of exploiting a natural resource and providing employment for rural workers. Effective regulations that recognise land and forests as having ecological value for carbon storage, biodiversity and water conservation are vital for reducing this trend towards greater exploitation. Landowners need education on the importance of long-term forest sustainability and, in some circumstances, may need to be supported or compensated for maintaining forests for the greater good of all.

Final Remarks

All the recommendations outlined so far in this report depend largely on governments being able to (re) allocate scarce budget resources, or to secure the necessary funding for the broad range of proposed social protection programmes from external sources. Enhanced economic growth is, therefore, needed to help generate the budget resources to implement stronger social protection measures as advocated in this report. For those PICs already enjoying a high rate of economic growth the challenge is to allocate and utilise resources efficiently and effectively in the delivery of social protection and other basic services to their populations. The report therefore recommends that a more inclusive and 'green-growth' framework be adopted.

The recommendations also require that governments take bold decisions to improve the economic structures on which their economies function. In particular this means state owned enterprise (SOE) reforms and a strong determination to improve the general business and investment environment. The concerns of the least well-off, the vulnerable and the excluded should therefore become a priority. This means thinking carefully about development strategies in a more holistic way that seek to understand the linkages and the possible unintended consequences of policy decisions on the poor and vulnerable segments of the population. For example, structural reforms involving changing the land tenure systems should not attempt to alienate people from their land and heritage. Policies should seek to ensure that customary landowners' benefit fairly from the wealth generated from their lands and that the tenure structure is able to cope with the changing demographics of each country. Land tenure reform in the Pacific needs to be incremental because of the complexity of the social and political issues involved and to ensure that stakeholders have as much ownership over the reform process as possible. Land issues represent more than just an economic commodity and encompass social, security and political issues.

The need for increasing programmes of social protection in the Pacific will be driven by changing demographics (increasing numbers of the elderly and the migration of the young), and by increases in the number of people living with poor health and disabilities resulting from NCDs. At the same time government budgets will continue to be under strain and unemployment will increase as a result of low and volatile rates of economic growth. The issues are clear, but can only be addressed with strong political commitment and clear actions.

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