



# THE STATE OF HUMAN DEVELOPMENT IN THE PACIFIC:

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

### EXECUTIVE SUMMARY







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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.



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## INTRODUCTION

This report examines the state of human development in the Pacific during a time of rapid change. Economies are shifting from traditional systems built on the exchange of own products to market-led cash-based ones. Young people are migrating from their villages to find jobs in cities and abroad, changing the demographics and leaving dependents behind. Traditional family and community social protection systems are increasingly under strain. Climate change is threatening agricultural production and traditional livelihoods; and intensifying the ferocity and volatility of natural disasters. In recent years, Pacific Island Countries (PICs) have also felt the impact of global economic shocks, which are still being transmitted to the Pacific.

In this context, new data and analysis presented in this report suggests that in many PICs, poverty, vulnerability and exclusion are on the rise. In terms of basic-needs poverty – where people lack income to meet their daily needs – it is now estimated that on average one in four people in the Pacific are now living below their national (basic-needs) poverty lines.

At the same time, limited access to basic social services to scattered small populations living on outer islands or in rural areas, means that many Pacific Islanders are missing out on adequate education, health and other human development opportunities. Those most vulnerable to poverty and exclusion are children and youth, women, the elderly and disabled, as well as people living in rural areas and outer islands.

This report examines the complex (and often interlinked) nature of poverty, vulnerability, inequality and exclusion in the Pacific. It reviews the most recently available information and data from Household Income and Expenditure Surveys (HIES), and other relevant data, to identify the broad causes and characteristics of vulnerability and exclusion from a human development perspective. It acknowledges that these conditions are not caused by any single factor.

The recently launched UNDP 2014 Global Human Development Report (HDR) on 'Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience' takes a broader approach, and applies the human development perspective to assess vulnerability. The HDR introduces the concepts of life cycle vulnerabilities and structural vulnerabilities. Life cycle vulnerabilities refer to threats that individuals face across different stages of their life, whereas structural vulnerabilities are often the manifestation of poverty and inequalities among the various social groups. The poor, women, minorities, indigenous people, people living in areas, among others, tend to face comparatively higher barriers. The HDR therefore urges governments to commit to the universal provision of basic social services and strengthen social protection to build resilience, especially for the poor and vulnerable groups. The HDR also highlights that lack of decent, well paid jobs especially for youth is a major challenge in Asia and the Pacific. In this regard, the HDR urges governments to fast track education reform policies and to accelerate broad based economic growth to create decent and well paid jobs that are essential to improving living standards.

### Defining Hardship and Poverty in the Pacific

The widely accepted definition of hardship, poverty and exclusion in the Pacific takes account of the diversity of PICs and is defined as an inadequate level of sustainable human development, often manifested by the following:

- 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); and
- a lack of adequate resources (including cash) to meet the basic needs of the household and/or customary obligations to the extended family, village community and/or the church.

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

## Identifying the Vulnerable and Excluded

The Participatory Assessment of Hardship (PAH), conducted focus groups in various communities of nine PICs a decade ago and identified the following set of characteristics that define the vulnerable and excluded in the Pacific.

- Lack of jobs and other ways to earn cash - this factor was seen as the most critical issue for all communities in both urban and rural areas
- Poor quality and/or the lack of access to basic or essential public services, including education and health services, was seen to be an important cause of hardship for many communities.
- Families with too many dependents and/or children, who struggled to earn sufficient cash to meet basic-needs.
- Limited access to land for subsistence or cash-based farming, especially for migrants from rural to urban areas.
- High cost of goods and services.
- Burdensome family, church, and community obligations.
- Poor health and/or having family members living with a disability, including the elderly.
- Poor family budgeting.
- Increased individualism of the educated youth.
- Migration of youth and adults to urban areas and/or overseas, leaving behind the elderly in rural areas with additional responsibility of taking care of their young children.
- Poor relocation sites for squatter communities or those hit by calamities was also said to contribute to hardship, vulnerability and exclusion, primarily in urban areas.

The recent global My World survey sponsored by the United Nations generally validated the PAH findings by identifying education, jobs and health services as the three most critical issues for poor families in the Pacific.

## The Economic and Social Dimensions of Vulnerability and Exclusion in the Pacific

Increasing numbers of people in PICs are struggling to meet their basic needs. The proportion of the poor falling below the (basic-needs) poverty line varies widely across the PICs, from 13 percent in Vanuatu to 35 percent in Fiji and 39 percent in PNG. While the proportion of poor people has declined in Fiji and Vanuatu over the last ten years, it has increased in Samoa, Tonga and Tuvalu and remained generally at the same level in the rest of the region. In most cases, though, the national incidence of basic-needs poverty masks considerable disparities prevailing within a country. For example, rising rates of urban basic-needs poverty are evident in Solomon Islands, Kiribati, Tuvalu and Vanuatu, while rural populations have been left behind in Fiji, Palau, Samoa and Tonga.

Moreover, basic-needs poverty rates are significantly higher in households with more children. As children constitute a high share of the population across the region (43 percent on average), and fertility rates remain relatively high in most PICs, large numbers of children will continue to grow up in poverty. Across a sample of four countries (Fiji, Kiribati, Vanuatu and Tuvalu), the poverty rate among households with three or more children was found to be 27 to 63 percent higher than the national average.

Analysis of recent HIES data shows that income inequality in the Pacific is more pronounced than had been previously thought. It is observed that wealth in the region is distributed more unequally than in many parts of Asia. The countries in the Pacific that have the highest levels of inequality also tend to have the highest levels of basic-needs poverty. However, the case of Fiji is an exception where the degree of inequality has risen, despite a reduction in poverty levels. The trend of rising poverty and inequality is occurring in spite of the high value placed on redistribution and equality.



The demand for cash incomes is increasing with the growing urbanisation and transition of Pacific economies to market-led cash-based systems. Yet, in recent years, PICs have generally recorded low and volatile growth and have been unable to create adequate wage employment opportunities. For many people, especially those in rural areas, the opportunities to earn cash remain limited.

Many PICs struggle to deliver basic services, particularly in rural and remote areas, including outer islands. A large proportion of Pacific Islanders lack access to safe drinking water, sanitation and reliable sources of energy. They lack adequate education, health and other opportunities. Thus, multi-dimensional human poverty is significantly higher than income poverty in many PICs.

Progress among PICs on achieving the Millennium Development Goals (MDGs) is mixed. MDG 1 (reducing poverty) remains a key challenge, as only two PICs (Niue, Cook Islands) are on track. Most aid-dependent PICs (Solomon Islands, Tuvalu, FSM, RMI and Tonga) are not on track to achieve MDG1 by 2015. Most PICs are successfully reducing child mortality and improving maternal health, and are on track to achieve universal primary education, although the quality of education remains a challenge. Despite increasing aid, and large investments in service delivery, public spending by Pacific governments is generally not leading to better development outcomes. Only Niue and the Cook Islands are on track to achieve all the MDGs by 2015, while PNG, the region's largest economy, is not on track to achieve any of the MDGs.

### 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 (discrimination in economic opportunities leading to lower 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, ration of upper to lower expenditure/income deciles and/or quintiles, the share of lower income/expenditure deciles in total households' income and/or expenditure). Social exclusion encompasses exclusion from and disparities in standards of living and abilities to participate in social life and access to 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), etc.

Vulnerability and exclusion have many dimensions. 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. They 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, particularly if poverty is understood as multi-dimensional. The multiple deprivations described by the concepts of exclusion and of poverty capture an important reality. Both concepts have economic and social components, which need to be addressed simultaneously.

### **The Seeds of Poverty are Sown at a Young Age**

The seeds of poverty, vulnerability and exclusion are sown at a young age. Youth (15-24) comprise one third of the Pacific's total population. It is critical that this population has greater access to quality education and training linked to expanding sectors of the economy. They also need sexual and reproductive health information, education and services. Their participation in the development and evaluation of programmes designed to assist them is also key.

The importance of education for ensuring that young people are not caught in the poverty trap is clear. The cycle of poor education, poor job prospects, low income and perpetual hardship is clear from the HIES and census data. In four PICs, the proportion of youth falling in the bottom two or three income/expenditure groups declines steadily as the level of educational attainment increases. However, only around one quarter to one third of all those finishing school are likely to find regular job in the formal sectors of their home economies.

Education is a major cost for many poor households of the Pacific. Household survey data suggests that the costs to poor households are proportionately much greater than wealthy households. Although primary schooling is generally free, or highly subsidised by governments or churches, there are often many other charges levied by schools to cover the costs of books, maintenance and other related expenditure. Secondary school fees remain a major barrier for the children of poor families. Household survey data indicates a clear link between poor levels of educational attainment and status of hardship at individual and household level.

### **Gender, Vulnerability and Exclusion**

Women are often more vulnerable and likely to experience social exclusion when structural and attitudinal barriers to gender equality exist. Women are more easily stigmatised due to socio-cultural values, and they frequently face discrimination in the labour force. In many PICs, women lack equal property rights but bear heavy responsibilities with regard to the household and the community and, particularly in Melanesia, subsistence farming.

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. Yet, the pace of change has been slow and inconsistent. Among PICs, only Cook Islands, Niue and Palau are on track to achieve MDG 3 and the broader goal of promoting gender equality and women's empowerment.

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, 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 not enforced, and/or there is no social security or welfare. In such circumstances they become significantly more vulnerable to exploitation and abuse, which can then lead to stigmatisation and exclusion.



Violence against women is common across the Pacific and can add to the burden of vulnerability and exclusion. The association between intimate partner violence and negative health outcomes is clear in a number of national studies. The direct costs resulting from gender-based violence (e.g. provision of health care, criminal justice system response, social services, legal aid, counselling) can become a burden for government budgets as well as individuals. Likewise, the indirect costs (e.g. reduced productivity, loss of wages or employment, reduced performance, negative impact on career achievement, etc.) may deprive them of opportunities to lift themselves out of poverty and exacerbate their vulnerability.

### **Health and Disability are Increasingly Important Factors**

Non-communicable diseases (NCDs) have an increasing impact on the health of Pacific Islanders and contribute to an escalating burden of disability. These diseases (notably diabetes, chronic respiratory diseases, cancer and cardiovascular diseases) result from the rapidly changing lifestyles and greater exposure to the four main behavioral risk factors for NCDs: unhealthy diets, harmful use of alcohol, tobacco use and physical inactivity. These behavioral risk factors have underlying determinants that can be traced to economic, political and cultural factors as well as policy choices.

Disability and premature death as a result of NCDs are now amongst the primary causes of vulnerability pushing families into poverty. The high cost of treatment and higher mortality amongst men, inadequate social safety nets and lack of access to pension for women increases the vulnerability of widow or single women headed households and their dependents.

The Pacific is also facing a 'double burden of malnutrition', with the coexistence of both under-nutrition and overweight. Overall, it is estimated that one in three Pacific children under five years of age are stunted as a result of chronic under-nutrition during critical periods of growth and development in early life. Papua New Guinea has the highest rate of stunting (43 percent), followed by Solomon Islands (33 percent), Vanuatu and Nauru (24 to 26 percent respectively) and Tuvalu (10 percent). Under nutrition early in life contributes to an increased propensity for overweight and non-communicable diseases in adulthood.

At the other end of the spectrum, more than 50 percent of the population in at least 10 Pacific Islands countries and Territories is overweight. Obesity prevalence ranges from more than 30 percent in Fiji to 80 percent among women in American Samoa. Pacific countries have among the highest diabetes prevalence in the world. Earlier onset of diabetes type 2 affecting children is being observed in some countries, and the prevalence of disability resulting from chronic NCD conditions leading to amputations, vision impairment and blindness is increasing. These conditions are placing a growing burden on government health and welfare budgets, and on the families and individuals.

Communicable diseases notably pneumonia (affecting infants and young children), waterborne diseases (in rural and peri-urban settlements), sexually transmitted infections including HIV, as well as tuberculosis, dengue and malaria (in Solomon Islands, Vanuatu and PNG) are still prevalent and disproportionately affect the poor. Ill health in children is closely linked with poor educational achievement and consequently a greater risk of poverty, vulnerability and exclusion in the later part of life.

There are also important linkages between poverty reduction and addressing sexual and reproductive health and population dynamics. Evidence shows that the unmet need for family planning is high in most PICs, especially among marginalized or vulnerable groups and young people. Contraceptive prevalence rates have remained below 50 percent and, in some countries, less than 33 percent, while preventable maternal deaths continue to occur in some PICs with record high level in Papua New Guinea. Even though teenage fertility rates have declined in eight PICs, rates continue to be well over 60 per 1000 women aged 15-19 for five PICs including PNG. The high teenage fertility rate in some PICs may be linked to higher poverty and vulnerability through poor educational attainment and unemployment, together with a higher-than average risk of maternal mortality.

### **Caring for the Elderly is a Growing Challenge**

The demographic profile of the Pacific is changing. On average elderly people (aged 60 years and over) now make up 8.5 percent of the population in PICs, and this trend is rising. At the same time, the prevalence of NCDs means that the health care needs of the elderly are increasing in terms of frequency and duration. This adds to the financial and care burden on families and is also putting pressure on government health budgets.

The elderly were recognised as being among the most poor and vulnerable groups in the PAH conducted in Pacific countries. In seven of the nine PICs, for which data is now available, the elderly were proportionately over-represented in the lower two and three income/ expenditure decile groups. Only in Samoa and Tonga were the elderly under-represented in the bottom three income/expenditure groups. In Kiribati 39 percent of the elderly fell into these low-end groups, while in Tuvalu the proportion reached 40.4 percent. FSM (39.3 percent) and Palau (38.6 percent) followed closely.

According to governments across the region, in the absence of national social protection schemes, Pacific Islanders are increasingly relying on poorly resourced community groups (e.g. churches and civil society organizations) to meet the needs of elderly people.

## Drivers of Vulnerability and Exclusion

In recent years PICs have experienced lower and less inclusive economic growth; a worsening economic outlook; a heavier reliance on external budget support and increasing basic-needs poverty. Income inequality also appears to be rising in some PICs (e.g. Fiji, Tuvalu, Samoa) based on the latest HIES data.

The factors driving poverty, vulnerability and exclusion in PICs are varied and include low rates of economic growth, migration, external shocks and the profound economic and social transition underway across the region today. This is mainly linked to monetization and the decline of traditional social protection systems. As a consequence, PICs have collectively fallen behind their Asia-Pacific neighbours in terms of human development progress and status.

PICs in general have had volatile and low rates of economic growth over the last decade and this has placed strain on national budgets. Generally the creation of new employment opportunities, especially in rural areas and outer islands, has failed to keep pace with the increasing number of young people entering the labour force.

Although small and geographically isolated, PICs have very open economies and are therefore well integrated into the global economy. External economic shocks are felt through volatility in remittances and tourism revenues, export revenues and resource rents and royalties, and consequently in reduced domestic demand and low economic growth rates. These factors have exacerbated the vulnerabilities of PICs and the recent global financial crises have taken their toll on many Pacific Island countries.

Migration is also on the rise. This is driven largely by poor economic performance, a lack of domestic employment opportunities (especially for young people), and poor levels of educational attainment by many young men. Young people are migrating from rural areas and traditional village communities to urban centres in search of education, work and social opportunities. With the opening of the temporary seasonal work schemes in New Zealand and Australia, in particular, more young people, primarily young males, have been leaving for overseas. This is having a profound impact on the demographics of the region. Dependency ratios are rising in many rural areas, while unemployment especially amongst the young, is increasing in many urban centres.

## Traditional Social Protection Systems are Under Strain

PICs have a history of informal and traditional social protection systems that have helped to meet the basic needs of most Pacific Islanders. These traditional forms of social protection have always played an important role in mitigating the impact of economic pressures on households. The kinship system, referred to as *veiwekani* in Fiji, *fa'a Samoa* in Samoa or *wantok* in PNG and Solomon Islands, sustains individuals and groups on both a daily or occasional basis. These systems are now under significant stress from a wide range of factors.

Many of these factors are associated with the transition in most PICs from a traditional subsistence economy to a market-based one. For example, monetization of bride price, a traditional practice in some Melanesian countries, has become skewed away from any initial notions of protection it might have afforded, and instead has become associated with violence experienced by women in their homes and families. The effectiveness and reach of traditional social protection systems that supported the extended family and/or village community are further weakened as demographics change and migration increases.

There are a growing numbers of people being left behind, both literally and figuratively. Those who are left behind tend to be the young, the elderly, the less well-educated, internal rural-to-urban migrants as well as those who have poor-health or who live with a disability. In some countries there is a gender dimension to vulnerability and exclusion as families are split by migration, and increasing rates of young women are forced into precarious informal employment (including prostitution).

Those who are left behind may also share certain other characteristics including being among the poorest in the community; having poor access to land (or inability to utilise the available land); being especially vulnerable to natural disasters or climate change; having a lack of access to safe water supplies and/or improved sanitation facilities. Lack of access to, and/or active exclusion from employment or other economic opportunities may also be critical factors leading to social exclusion and/or vulnerability.



With the widening scope of the various temporary worker schemes in Australia and New Zealand, together with the continuing globalisation of employment opportunities generally, the number of Pacific Islanders migrating in search of better employment opportunities and higher incomes will continue to increase.

These changes are eroding the PICs' natural and traditional social capital, including social protection systems. This process is occurring faster in some countries than others, but it is a Pacific-wide phenomenon.

## **The Way Forward – Inclusive 'Green Growth'**

The PICs clearly face unique growth constraints. These include: 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 make it imperative for PICs to pursue 'green-growth'. This also embraces the idea of a 'blue economy', which emphasises the sustainable management of the region's vast and valuable marine resources.

Many of the factors that make it imperative for PICs to adopt 'green-growth' pathways also conspire to limit development potential. Indeed, progress towards meeting the Millennium Development Goals has been mixed. The '2013 Pacific Regional MDGs Tracking Report' stated: "eliminating extreme poverty and hunger (MDG 1) is the Pacific's biggest challenge, with only two Pacific economies on track for 2015." 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, this report advocates for a 'green-growth' pathway that is also inclusive.

One of the general principles of pro-poor or inclusive growth is that it should aim to improve the utilisation and productivity of assets that are likely to be available to the 'least well-off' people. In rural areas across the PICs most people have access to and many are reliant on land and/or marine resources. In urban areas, people have their labour.

### **Sustainable and Inclusive Growth**

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. An inclusive 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.

### **Investing in and Valuing Natural Capital**

Investing in natural capital improves sustainable management of the ecosystem and could significantly protect the vulnerable. For example, 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 critical natural capital.

### **Green Business and the Market**

The private sector is widely recognised as being the required engine for growth in the Pacific. 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. New opportunities are 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.

## Sustainable Infrastructure

Finally, developing sustainable infrastructure will be key for the PICs. For example, 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. Reducing dependence on fossil fuel through improving energy efficiency and the adoption of renewable energy sources will help protect national development (especially the poor and vulnerable) from fluctuations in global energy prices and could translate to economic opportunities and job creation.

## Summary of Policy Recommendations

The report provides a number of policy recommendations for Pacific governments (and other key national stakeholders) to address the challenges of poverty, vulnerability and exclusion and thereby promote more inclusive and sustainable human development. Pacific governments need to define and articulate the broad policy frameworks and determine the necessary governance and regulatory environments for these frameworks. They need to identify and fund those policies and programmes that are appropriate for public financing. These will include education, health and care services for the vulnerable. However, government action alone is not enough. Development partners, and civil society organizations, together with communities and individuals also have a role to play in addressing these multiple and interconnected development challenges.

### 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.

### Key Recommendation Two: Put Social Protection on top of the Policy Agenda

Social protection must become a top priority for PICs at both a national and regional level, and as part of Pacific inputs into the UN's Post-2015 development agenda discussions. This will be key to combating poverty and reducing vulnerabilities and inequalities, especially for women, the elderly and the disabled, and accelerating human development in PICs.

Well-devised, targeted, and adequately funded national social protection policies and strategies should be aimed at complementing and, where possible, bolstering current traditional social safety nets. Such schemes could also assist youth in gaining useful skills, to make them more likely to find jobs in the future. In implementing such policies and strategies, careful consideration should be given to the types of social protection initiatives being undertaken and the potential negative (or unintended) effects that some may have on specific communities.

Social Protection can be affordable and effective. A recent study shows that universal cash grants 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.

One yardstick used to measure the base cost of social protection is the '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 regular targeted cash transfers, which would bring that person up to the national basic-needs poverty line (BNPL). Adding together the estimated poverty-gap transfers for every person below the BNPL gives a total national cost of filling the poverty gap. For PICs the cost of filling the poverty gap is estimated to range from 1 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. Furthermore, the social costs of ignoring the poor, vulnerable and marginalized cannot be underestimated.



Choosing the most appropriate social protection measure to meet an identified need must: a) clearly identify the individuals, group, or families to be targeted and state the reasons for targeting; b) set the payment amounts or the nature of the benefits to be paid or made available, clearly defining 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 and implications of the programme for the future, including the consideration of possible unintended consequences and perverse incentives; d) establish the institutional framework through which the proposed programme is to be delivered to the targeted group; and e) manage the programme in a transparent and accountable way to avoid corruption and deliver more benefits than the costs of implementation.

Support for the poor, vulnerable and excluded cannot be one dimensional. Recognizing 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 behaviors, attitudes and practice through a multi-sectoral approach (health, justice, police and social welfare), while drawing together women and child protection programming.

### **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. Contrary to beliefs held by market-led development and neoclassical policy advocates, 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 that the demand will be boosted though the programmes.

### **Recommendation Four: Foster Wider Access to Basic Education for Children and Youth**

Improving access to education, particularly for children, youth, the poor and excluded, together with investing in technical and vocational training, are critical for addressing the issues of vulnerability and exclusion. 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 poverty status.

As agreed within the 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. Lastly, 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.

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. The availability of technical and vocational skills will help to foster the development of small and micro-level enterprises as alternatives to formal employment.

### **Recommendation Five: Broaden Employment Opportunities, especially for Youth and 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 structure, the growth rates of most PICs will remain very limited. Improving skills and educational attainment should enable households to increase their number of employed persons. It would also help to deepen the employment base 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 on temporary labour schemes. 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 and to help reduce their vulnerability, 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, while improvements in access to finance and credit must be made available to women.

Youth employment strategies and national action plans also need to be developed with such possibilities in mind. Inclusive green-growth policies should seek to create a favourable environment for generating new 'green' employment and economic opportunities for the low skilled or unskilled labour force, which constitutes the majority of the urban poor.

### **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 also to address the underlying causes of poor health and to provide adequate care and treatment for those already affected. In working towards developing a healthier population, a number of actions need to be considered by governments and national health authorities. These include improving infant, child and maternal health by strengthening primary health care programmes, and their equity and efficiency dimensions. Also, improving access to emergency obstetric care, expanding immunisation programmes and 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). Given their burden and considerable impact, addressing the increase and earlier onset of NCDs needs expanded and more multi-sectorial efforts, 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 behaviour of communities and individuals. Other considerations include: improving access to safe water and sanitation; recognizing the care needs of the increasing number of elderly people, especially those with NCD related disabilities; and finally addressing the continuing adverse effects of malaria and TB on those most at risk of infection.

### **Key Recommendation Seven: Adopt a new Generation of Multidimensional Poverty Reduction Programmes for those most in need**

The next generation of policy reforms should address the various dimensions of human poverty, rather than narrowly concentrating on income poverty. They should focus on inclusive growth and innovative policy and sound economic governance to meet the wider needs of the low-income population. These policies should focus on delivering high quality essential services at low cost (or affordable prices) to those people who are most in need (i.e. the poor and vulnerable).

The wealth of information provided by HIES and Domestic Household Survey Data, particularly the location and key characteristics of the poor in PICs, should be utilized 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 programmes, it is preferable to direct available resources, and therefore benefits, as effectively as possible toward those who need them most.



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.

### **Recommendation Eight: Use Innovative Policies and Technology to Help Reduce Geographic Inequalities**

Innovative policies, combined with the use of new technologies, can improve the quality of life for Pacific Islanders in many ways. New technologies (e.g. ICT) can be used to provide innovative and low-cost services to people in outer islands and rural areas (e.g. access to financial services through online and mobile banking, online education and training).

Innovative policies can also help reduce inequality. For example, one option to address geographical income disparity and poverty (which is prevalent in many 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).

### **Recommendation Nine: Adopt a more Inclusive 'Green-Growth' Framework for Development**

All the recommendations outlined in the report largely depend on governments being able to allocate scarce budget resources, or to secure the necessary funding for the broad range of proposed social protection programmes from external resources. The recommendations also require that governments take bold decisions to improve the economic structures on which their economies function. In particular this means SOE reforms and a strong determination to improve the general business and investment environment.

The emerging 'green-growth' paradigm should be more pro-poor in its outcomes than the standard growth models. For example, 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.

The concerns of the least well-off, the vulnerable and the excluded should therefore become a priority for those governments that have tended to ignore these issues in the past. This means thinking carefully about development strategies in a more holistic way that seeks to understand the linkages and the possible unintended consequences of policy decisions on the poor and vulnerable segments of the population.

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Efforts to promote more inclusive and sustainable human development in PICs will need to take into account the dynamic and profound changes that are underway today across the Pacific. All policy choices to address issues such as vulnerability and exclusion will also need to be based on a strong understanding of the changing political economy of the region, and the dimensions and drivers of economic and social exclusion. The issues are clear, but can only be addressed with strong political commitment and clear actions on the part of Pacific governments, together with support from development partners and other concerned national stakeholders.







