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# Social Protection in the Pacific – A Review of its Adequacy and Role in Addressing Poverty

February 2010

This analytic work is being undertaken by consultants on behalf of AusAID. The paper will be used to inform discussion on this important issue. AusAID intends using this work, alongside a range of other analytic work, to inform the development of AusAID's policy approaches. The paper's content reflects the views of the authors and not those of AusAID.

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## EXECUTIVE SUMMARY

The purpose of this report<sup>1</sup> is to facilitate further debate on the adequacy of social protection—both formal and informal—in the Pacific. It provides a summary of some of the existing evidence on poverty, vulnerability and inequality and highlights the importance of understanding the nature of poverty in the Pacific and its implications for designing policy responses. The report examines some of the factors placing stress on Pacific social protection systems—such as weak economic growth and crises, urbanisation, natural disasters, demographic pressures and ethnic conflicts—and discusses whether or not informal social protection is likely to be able to contribute to an adequate response. It also summarises existing formal social protection systems and discusses some of the potential gaps.

The report does not take a position on whether PICs should increase their investment in formal social protection. While international evidence demonstrates that effective social protection can bring significant benefits in terms of poverty reduction, improved human development and economic growth, they come at a financial cost. Countries need to decide whether investing in social protection is the most appropriate use of limited finance when set against the option of increased expenditure in, for example, other public services such as health and education that may better address their specific poverty situation.

### Key Messages:

#### **Understanding the nature and incidence of poverty to appropriately inform public policy is critical**

- Poverty and vulnerability need to be better understood to determine the right policy actions, however the term "poverty" itself is used broadly in a way that masks a range of issues around the causes and drivers of poverty in the Pacific. Understanding what "poverty" looks like in the Pacific is a key requirement for policy makers. This is especially important in the case of social protection since much of the recent innovation and good practice has been developed in middle income countries, e.g. in Latin America and South Africa, so instruments so must be adapted to PIC contexts.
- In many PICs poverty is characterised more by poor access to services and lack of opportunity than perhaps by food or income poverty, which requires different policy actions. Depending on the poverty aspects to be addressed, policies can include conventional interventions to improve the supply of services; social protection measures that expand the demand for services; or a combination of the two. Policy makers need to consider the differential impacts of these options and their financial trade-offs, including taking no action.

### **Informal social protection is important but unable to cope with the range of challenges that PICs face**

- Traditional and informal social protection systems in the Pacific are under pressure from a range of factors that undermine their effectiveness and reach, following the pattern of other rapidly urbanising countries. Informal social protection including remittances is most effective when addressing shocks that hit individual households, such as illness or funeral expenses, but are weak in the face of extensive poverty or widespread shocks. Remittances can be responsive to crises and play a significant role in recovery but large numbers of people still miss out. When economic shocks hit developed countries remittances may not be a reliable source of social protection.

### **Formal social protection schemes in the Pacific reach a fraction of the poor and vulnerable and have serious weaknesses**

- Social insurance programmes are the main instruments in PICs but they only cover the formal sector and suffer from a range of weaknesses. In many PICs social insurance schemes do not provide anyone with regular pensions or disability benefits.
- Six PICs give citizens access to non-contributory cash transfer programmes, with Fiji's being the largest. The most common type of cash transfers are non-contributory pensions usually provided to all older people above a certain age but do not cover other vulnerable groups. Cook Islands is the exception, where almost all poor families have access to at least one form of cash transfer.
- There are a range of other social assistance programmes in the Pacific e.g. cash for work programmes, school feeding, scholarships and copra subsidies. All of these programmes suffer from serious weaknesses and funds from some of these programmes could be better invested elsewhere.

### **There are an increasing number of vulnerable groups who may not be covered by either formal or informal social protection systems**

- The combination of increasing poverty and other stresses on PICs are leading to rising social exclusion and vulnerability among specific categories of people, in particular vulnerable children, unemployed youth, the elderly, disabled people, single mothers and those with long-term illness, including those living affected by HIV and AIDs.

### **Achieving human development outcomes and the MDGs requires new thinking on how to improve access to services and opportunities:**

- PICs have rightly focused on investing in health and education services. However, while critically important this may not be sufficient to achieve health and education outcomes—the Pacific as a whole is significantly off track to meet the MDGs by 2015. Additional forms of support that complement and enhance access to services are necessary to help achieve these outcomes. The high poverty and low human development levels found in most PICs—alongside increasing inequality—suggest that investments in formal social protection that expand access to services should be seriously considered.

## 1. INTRODUCTION

Pacific Island Countries (PICs) are geographically, economically, and culturally diverse but tied together by weak economic growth, a common vulnerability to economic and natural crises, and rising levels of poverty, inequality and urbanisation. As they face these challenges, Pacific islanders can be justifiably proud of an informal social protection system—based mainly on sharing within rural extended families—that traditionally has ensured almost everyone receives support when in need (see Box 1).<sup>2</sup>

### Box 1: Informal social protection in the Pacific

Ratuva (2005) describes informal social protection systems across the Pacific. Key features common to all PICs include:

- Access to land for all who require it
- Labour exchange or cooperative labour groups for tasks such as clearing land or house-building
- Gift-giving both in relation to special feast days and to mark lifecycle events such as births, weddings and deaths
- Inbuilt norms of social obligation that should make it almost impossible for an individual or family literally to starve
- An understanding that gifts typically will be repaid, or reciprocal assistance will be forthcoming in the future from those who draw down on it today.

In recent decades, as migration has increased—both rural to urban and international—remittances have become an increasingly significant aspect of informal social protection. Unfortunately there is little information on remittances within countries although there are indications that they can be significant: in the island of Tanna in Vanuatu, for example, remittances from urban migrants are the largest source of income in several villages.<sup>3</sup>

International remittances are very significant in a number of PICs, in particular in Polynesia and Micronesia, and can comprise a substantial proportion of GDP: for instance, 48% of GDP in Tonga,<sup>4</sup> 38% in Tuvalu, 21% in Samoa and 12% in Kiribati (Abbott and Pollard 2004:61). They can benefit significant numbers of people: in Tonga, 90% of households receive remittances (Brown 2008:8) while they reach 40% of households in Samoa and 34% in Tuvalu (Abbott and Pollard 2004:61). In Melanesia, however, the level of migration—and consequently remittances—has been much less. The exception is Fiji where remittances are received by 42% of households (Brown 2008:8) and comprise 6.2% of GDP (World Bank 2006b:69).<sup>5</sup>

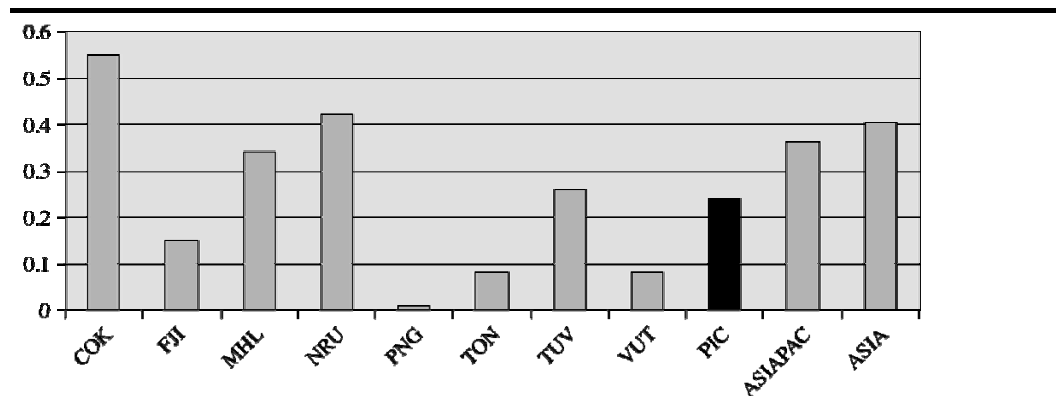
Remittances are explicitly used by extended families as a form of social protection. In Tonga a US\$100 decrease in income of remittance recipients leads to a US\$30-47 increase in remittances, while in Fiji the increase is US\$8-9 (Brown 2008:9). Furthermore, in Tonga the presence of an older person in the receiving household leads to an increase in annual remittances of US\$562.

Increasingly there is a debate on whether traditional social protection systems including remittances continue to provide adequately for all those in need. While some continue to support this view, others argue strongly that informal social protection systems can no longer

cope with the many challenges faced by Pacific islanders. In recent years a number of international and regional organisations, including the World Bank, Asian Development Bank, International Labour Organisation, UNICEF and UNESCAP,<sup>6</sup> have argued that PICs need to consider expanding their formal social protection systems. Yet in almost all PICs the provision of formal social protection is limited and excludes the vast majority of Pacific Islanders.

The Asian Development Bank recently produced a Social Protection Index (SPI) for Asia and the Pacific as a means of measuring the coverage of national social protection.<sup>7</sup> Of the eight PICs assessed most score at the lower end of the scale. On a scale of 0-1 the average score for Asia is 0.4 while for the Pacific it is 0.24 (see Figure 1). The Cook Islands is the main exception and once excluded the average Pacific score falls to 0.19. All major Pacific island countries included in the SPI—Fiji, PNG, Tonga and Vanuatu—score poorly and a review of the broader literature indicates that Samoa, the Solomon Islands and Kiribati would be little different. PNG is notable for the almost total absence of formal social protection.

**Figure 1: Social Protection Index scores for the Pacific**



Source: Prasad (2008)

The debate in the Pacific reflects similar discussions in international development circles during the 2000s that gradually recognised developing countries need to significantly expand formal social protection, including national-scale cash transfer programs. Recent AusAID programming reflects this shift in thinking with increased support to social protection. The food and fuel crises, along with the global recession, have heightened the imperative to build more formal social protection in developing countries. For example, the April 2009 G20 meeting stressed the role of social protection in meeting the challenges of both poverty and the global recession.

This report provides a summary of existing evidence on poverty, vulnerability and inequality in the Pacific to facilitate a debate on the adequacy of social protection—both formal and informal—in the Pacific. It examines some of the factors placing stress on Pacific social protection systems—such as weak economic growth and crises, urbanisation, natural disasters, demographic pressures and ethnic conflicts—and discusses whether informal social protection is likely to be able to provide an adequate response. It also provides a summary of existing formal social protection systems and discusses some of the potential gaps.

The report, however, does not take a position on whether PICs should increase their investment in formal social protection. While international evidence demonstrates that

effective social protection can bring significant benefits in terms of poverty reduction, improved human development and economic growth, it comes at a financial cost. Countries need to decide whether investing in social protection is the most appropriate use of limited finance when set against the option of increased expenditure in, for example, other public services, such as health and education that best addresses their specific poverty situation.

## **2. POVERTY AND INEQUALITY IN THE PACIFIC**

Discussions on the definition, measurement and analysis of poverty in the Pacific are tinged with controversy and many PIC governments are uncomfortable admitting that their countries experience poverty.<sup>8</sup> The reluctance to discuss poverty is manifested in the preference to replace its use with terms such as “hardship” or “poverty of opportunity” (see Box 1). This reluctance, however, probably stems from a tendency to equate poverty with hunger or starvation. Yet, as in developed countries, where the use of the term poverty is relatively unproblematic, it may well be preferable to understand poverty as relative, multi-dimensional and contextual to the country in question.

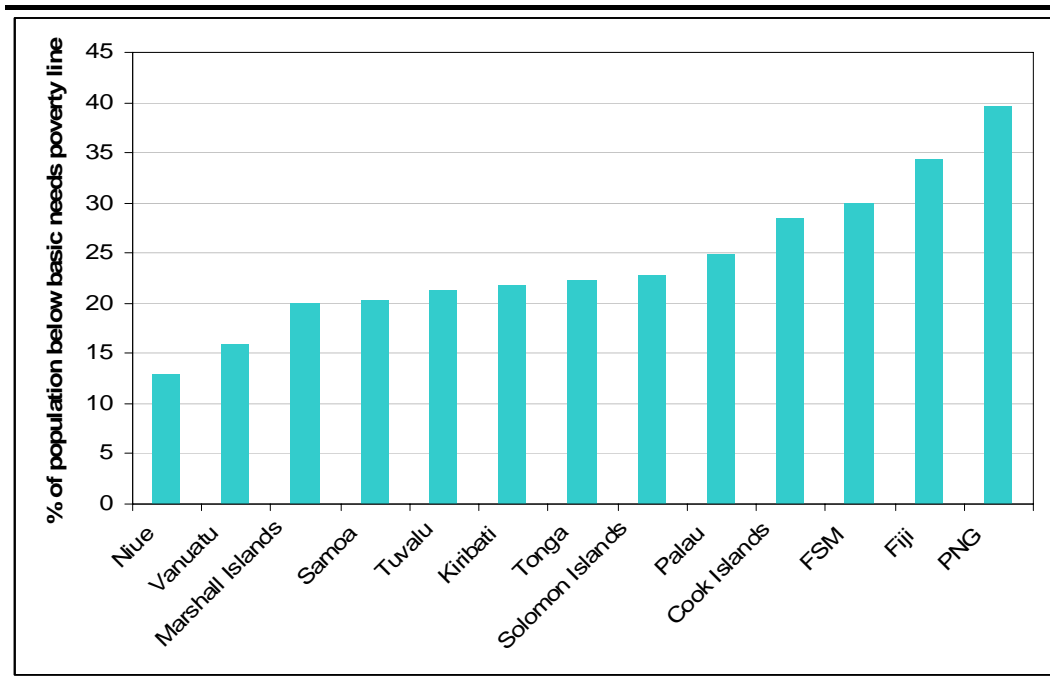
### **Box 2: Poverty versus Hardship**

Abbott and Pollard (2004:3) proposed using the term hardship to describe poverty in the Pacific. They define this as:

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

Participatory poverty assessments undertaken in the early 2000s indicated that for the vast majority of people in the Pacific hunger and destitution were not a problem. Yet when measured against basic needs poverty lines, all PICs have relatively high levels of poverty. The most recent household surveys indicate poverty levels from 16% in Vanuatu to 40% in PNG (see Figure 2). Without adjusting for country size a crude average across the region would be around 25%.

Figure 2: “Basic Needs” Poverty rates in Pacific Island Countries



Source: All figures AusAID (2009) except Abbott (2009) for Kiribati.

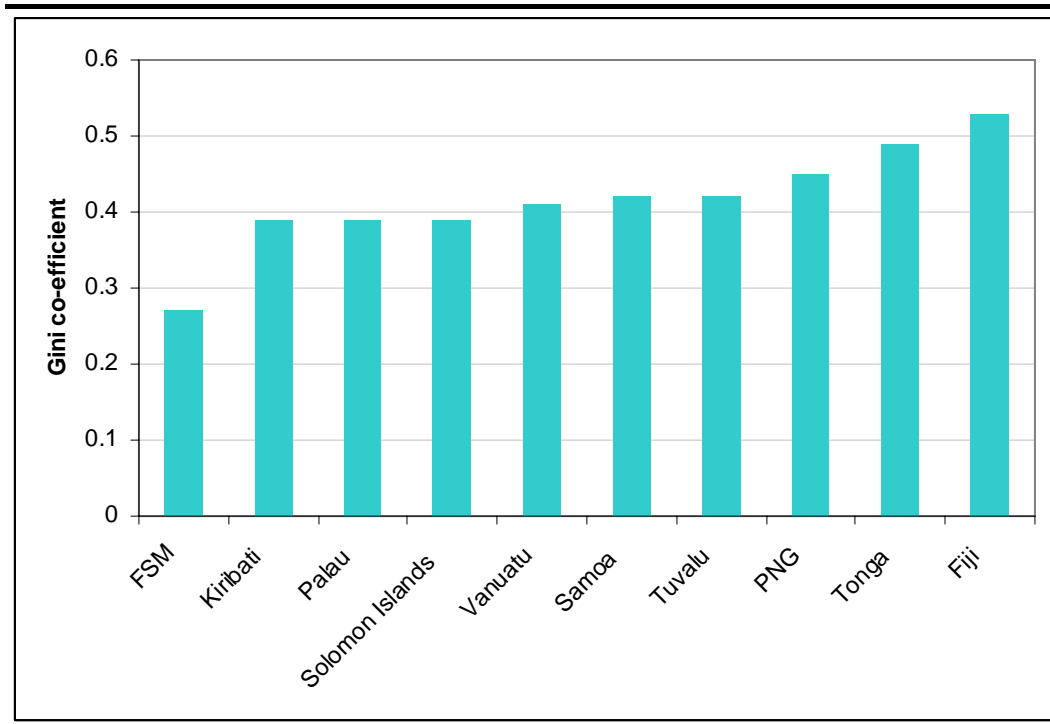
In recent household surveys that have calculated food poverty lines the proportion of people falling below them is high: 11% in FSM, 10.6% in the Solomon Islands, 16.6% in Palau, 7.4% in Vanuatu and 4.9% in Kiribati.<sup>9</sup> Food poverty lines indicate the inability of households to feed themselves—never mind pay for other goods and services—suggesting that many families in the Pacific may well be experiencing hunger; or are not going hungry but are buying cheap alternatives. In either case this will nonetheless impact negatively on their health and nutrition.

However we should be cautious about drawing firm conclusions on the extent and nature of poverty in the Pacific based on household survey data alone. Data is not always reliable or robust (Storey 2006); definitions of the poor and hence information collected about them may not adequately capture subsistence lifestyles, cultural practices and choices; and the term "poverty" itself is used broadly in a way that masks a range of issues around the causes and drivers of poverty in the Pacific. The difficulties in explaining poverty in the Pacific are illustrated by the problem of over-nutrition, where obesity has reached epidemic levels alongside high poverty rates in a number of PICs (Abbott and Pollard 2004; Hone 2004) (see Box 5 below).

In contrast to the apparent high cultural value placed on re-distribution and equality among Pacific societies, PICS experience surprisingly high levels of inequality, as indicated by Figure 3. Disregarding FSM,<sup>10</sup> Gini co-efficients—the most common measure of inequality—range from 0.39 in Palau and the Solomon Islands to 0.54 in Fiji. Furthermore, there are indications that inequality is worsening. The Gini co-efficient for Fiji rose from 0.46 in 1990 to 0.54 in 2006 while for Tonga it rose from 0.42 in 2002 to 0.49 in 2006 (Abbott and Pollard 2004:31; World Bank 2006b:88).<sup>11</sup> To put these figures in perspective, when China's Gini co-efficient

reached 0.40 in 2001 it radically changed its policy priorities from a focus only on economic growth to growth with equity.

**Figure 3: Inequality in the Pacific as measured by Gini co-efficients**



Source: Abbott and Pollard (2004:31), Abbott (2008a; 2008b; 2008c; 2009) and World Bank (2006b:88).

High levels of inequality are now recognised internationally as detrimental to a country's well-being.<sup>12</sup> They not only reduce economic growth but also the impact that economic growth can have on poverty. Furthermore, as evidenced by Latin America, Southern Africa and China, high levels of inequality are associated with social unrest and violence, particularly in cities. This is not unlike the situation currently being experienced in a number of PICs. Yet, although high levels of inequality have been noted in the Pacific literature, its implications for development and poverty reduction in the region have rarely been discussed.<sup>13</sup> Nonetheless there is a danger that if inequality is not addressed, unrest and social conflict could continue to increase, impeding efforts both to stimulate economic growth and reduce poverty.

### 3. SOURCES OF STRESS ON PACIFIC SOCIETIES

The increasing poverty and vulnerability experienced by PICs is in part a reflection of a wide range of factors placing increasing stress on these societies: economies are weak, vulnerable to economic shocks and do not provide sufficient jobs; increasing urbanisation is loosening the ties within extended families and leading to the creation of squatter settlements with greater dependency in rural areas; a high susceptibility to natural disasters stretches the resilience of families, communities and states; and inter-ethnic conflicts are weakening the state.

### 3.1. Weak economic growth and inadequate job creation

Economic growth over the past thirty years in the Pacific has been weak<sup>14</sup> (Prasad 2008:935).

Connell (2009) summarizes the causes:

“remoteness and isolation (resulting in high transport costs to markets, and more costly tourism, diseconomies of scale (because of small domestic markets); limited natural resources and a narrow production base; substantial trade deficits (because of dependency on metropolitan states), few local skills, vulnerability to external shocks and natural disasters, and a disproportionately high expenditure on administration and dependence on external institutions (such as banks and universities) for key services. Moreover political systems have sometimes been fragile, ecological structures are vulnerable and economies lack diversity. Small islands, a paucity of natural resources and remoteness, even within countries and territories, have hampered the ability to compete in the global economy.”

Not only has economic growth across the Pacific been weak but as Connell (2009) points out PICs are particularly vulnerable to economic shocks. They are fairly open economies, embedded in global markets with relationships characterised by imports of foodstuffs and other necessities, and exports of agricultural products, labour and tourism earnings. Economic shocks can result either from specific sets of adverse circumstances or from more general global impacts. Examples of the former include: the collapse of Fiji’s sugarcane sector and more recently its garment industry; the rise and fall of Tonga’s squash market; and the vagaries of specialised markets such as kava for pharmaceuticals or organic vanilla for the food industry. Examples of more general global impacts are the recent food and fuel crises as well as the global recession.

Vulnerabilities associated with macroeconomic shocks are not evenly distributed across the population, and a range of international studies has shown that macroeconomic shocks impact disproportionately on the poor on whom the effects may be cumulative and irreversible (Barrientos 2004:8ff). The recent food crisis which produced many losers in the Pacific but inevitably some winners illustrates this. Although imported food prices rose sharply—for example a 26% increase in the Solomon Islands in first six months of 2008—price increases of domestically grown staples were much less (McGregor et al. 2009:24). As a result the crisis’ impact was very different between and within countries, with households broadly falling into three categories (McGregor et al. 2009:34ff):

- *Those who were substantially worse off*, such as urban dwellers who rely mainly on purchased food-stuffs and the inhabitants of Polynesia and the atoll micro-states who are more dependant on imported food and have no significant food exports.
- *Those who were substantially better off*, such as some households in western Melanesia—PNG, Vanuatu and the Solomon Islands—who could export produce and benefit from higher prices.
- *Those who were essentially unaffected*, such as the poorest rural households who live outside the cash economy, and affluent households for whom food represents only a small proportion of their budget.

### Box 3: Impacts of the global recession on the Pacific

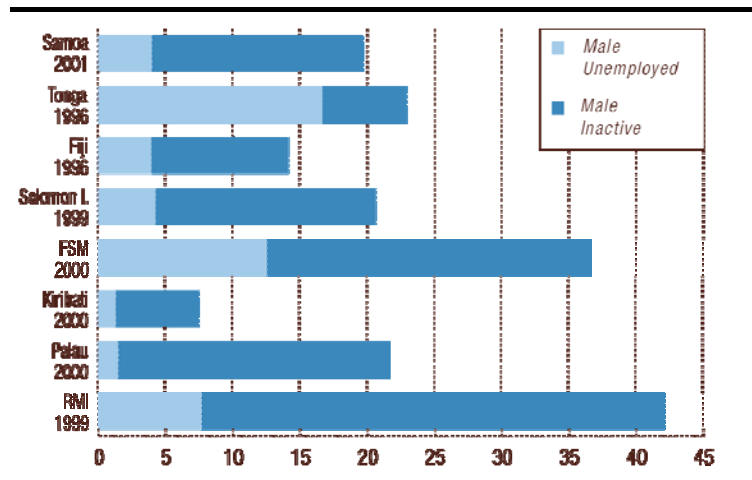
Some commentators argue that because PICs are less integrated into the global economy they have avoided the worst impacts of the global recession. But even accepting some degree of economic isolation—and therefore insulation—there have undoubtedly been significant impacts: drops in tourism and tourist revenue, falling amounts of remittances (and falling values of those denominated in US dollars), depreciating values of internationally-held Trust fund portfolios and so on.<sup>15</sup> Parks et al. (2009:5) indicate differentiated impacts of the global recession on PICs based on a range of factors such as the macro-economic fundamentals of each country, inflation, recent credit growth, export outlook and public debt.<sup>16</sup> On this basis:

- Kiribati, Solomon Islands and Tuvalu are most vulnerable
- Fiji Islands, RMI, Palau and Tonga are highly vulnerable
- Cook Islands, FSM, Samoa and Vanuatu are vulnerable
- PNG and Nauru are cushioned to some extent.

Weak economic growth has impacted on the ability of governments to generate tax revenue to fund investments in public services. This has been further exacerbated by the global recession, especially as taxes on international trade and domestic consumption account for the majority of tax revenues. Since the wage bill constitutes a large share of recurrent government expenditure, a downturn in the global economy has an immediate impact upon governments' balance sheets.

Weak economic growth has also inhibited the ability of Pacific economies to generate employment, one of the key means of reducing poverty. High levels of unemployment and/or underemployment appear endemic within the Pacific. Given that many people still have some link to a subsistence life-style, it is difficult to obtain reliable figures on unemployment but the consensus is that they are high, particularly in urban areas.<sup>17</sup> Micronesia appears to have the highest levels of unemployment, with rates in the Marshall Islands and FSM of 60% and 35% respectively (Abbott and Pollard 2004:51). The World Bank has provided estimates of relatively high male unemployment and inactivity in a range of countries based on census data (see Figure 4). UNESCAP (2009:189) data suggests that female unemployment tends to be higher.

Figure 4: Male joblessness in the Pacific Region



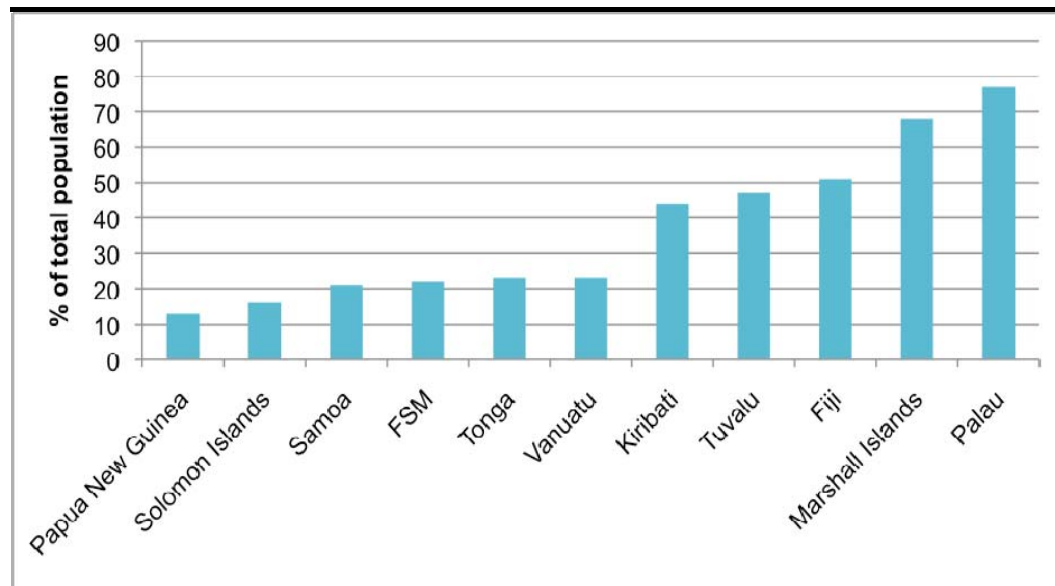
Source: World Bank (2006c:2)

However, access to employment in the Pacific is no guarantee of avoiding poverty. In Samoa and Tonga, for example, 27% of households in the lowest income quintile are headed by someone in formal employment (Abbott and Pollard 2004:53). As Abbott (2009:39) points out for Kiribati, this is particularly the case for working households with large numbers of children. Yet formal sector employment in most PICs is limited and is biased towards men.<sup>18</sup> For example, Fiji's informal sector accounts for almost 50% of jobs, having increased from 37% in 1996 (Connell 2009). Working in the informal sector means lower wages and no access to social security benefits and protection. For many women who make up a large proportion of informal sector workers this has meant turning to sex-work: in 1995, around 38% of unemployed women in Port Moresby worked as prostitutes (Connell 2009).

### 3.2. Urbanisation and rural-urban migration

The Pacific is rapidly becoming more urban. If PNG is excluded more than half of all Pacific Islanders now live in urban areas<sup>19</sup> (Connell 2009). The proportions vary between countries (see Figure 5) from 13% and 14% in PNG and the Solomon Islands to 44% in Kiribati, 47% in Tuvalu and 51% in Fiji. People are moving to towns for a range of reasons including the desire to escape rural poverty and access better health and education services and for younger people to “enjoy” a more western life-style.<sup>20</sup> A Palauan summarized the reasons why young people were migrating to Koror as “employment, entertainment and education.”<sup>21</sup> In Fiji many Indo-Fijians have been obliged to move to urban areas following the non-renewal of their leases to cultivate sugar in the early 2000s (Connell: 2009:17).

Figure 5: Proportion of the population in urban areas in the Pacific



Source: Connell (2009)

Increasing urbanisation is closely associated with a rise in squatter settlements. There is uncertainty over the numbers of people living in such settlements but in Fiji it is estimated that they are home to around 15% of the population or 120,000 people (Connell 2009). Squatters often settle on land belonging to traditional landowners, making it very difficult for government to install services, such as water, sewerage and electricity, and for squatters to improve their houses, with many living in makeshift shelters (Connell 2009). As a result, housing and living conditions in squatter settlements are poor, with the majority of inhabitants living in poverty. In Suva for example an estimated 80% of squatters fall below the poverty line while in Honiara a third of urban households are poor, implying a much higher percentage in squatter settlements (Connell 2009).<sup>22</sup> In fact, in some countries such as Vanuatu poverty levels are higher in urban areas than in the countryside (Robertson 2008). Poverty in squatter settlements is, to a large degree, a consequence of unemployment or low wages. There are also growing signs of homelessness in urban areas<sup>23</sup> (Connell 2009).

Urban households, of course, find it more difficult to cultivate their own food. In urban Fiji indigenous Fijians produce around 17% of their own food while Indo-Fijians produce 5% (Parks et al. 2009:10). For those living in poverty purchased food tends to be of lower quality, with negative repercussions on health, particularly of children (see Section 4.1).

It is sometimes argued that one option for poor urban dwellers is to return to rural areas as a form of informal safety net. Yet in many cases people have little to return to because they often come from areas with high population densities and few economic prospects (Connell 2003:68-70). In other cases people have migrated to urban areas because of conflict in their home communities and cannot return. Indo-Fijians who lost their sugar-cane leases and moved to squatter settlements now find it difficult to return to their former lives.<sup>24</sup> The longer that people are away from their original homes in rural areas the more difficult it is to return.

### 3.3. Natural disasters

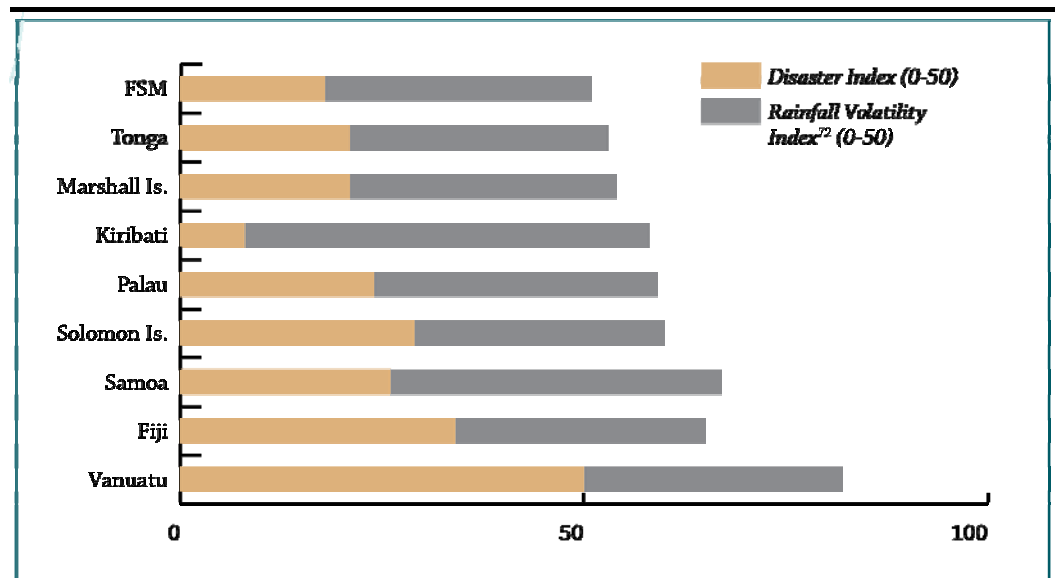
In addition to being vulnerable to economic shocks, the Pacific region is also highly vulnerable to natural disasters (see Figure 6).<sup>25</sup> The Commonwealth Vulnerability Index (Atkins et al. 2000:3ff), which combines vulnerability to both economic and natural shocks ranks Vanuatu, Tonga, Kiribati and Samoa among the five most vulnerable states worldwide. Furthermore, shocks have a disproportionately greater impact on small Pacific states since they affect a high proportion of the population. For example, cyclone Heta in January 2004 caused damage to the island of Niue valued at over five times its 2003 GDP (Government of Niue 2004, New Zealand Ministry of Foreign Affairs and Trade 2009).

The vulnerability of PICs to natural disasters is due to a number of factors. Many Pacific states lie along active fault lines and suffer from frequent earthquakes and the devastating tsunamis that may result. As small landmasses in vast expanses of water they are also disproportionately exposed to the vagaries of weather and ocean events, such as cyclones, landslides, floods and epidemics. Overall, it is reckoned that one million people in the Pacific have been affected by natural disasters during the last decade (Naidu and Mohanty 2009:3).

#### Box 4: Natural disasters in Vanuatu

Vanuatu ranks top of the Commonwealth's Vulnerability Impact Index. Since 1960 some seventy significant natural disasters have struck the nation, directly affecting the lives and livelihoods of a reported total of half a million people over that period (with a population of less than 200,000!), and causing recorded damage of US\$250 million. Of these disasters half have occurred since the start of the 21st century for reasons that are still under debate, but which include El Nino events, global warming and increased toxic waste in the Pacific Ocean.

Figure 6: Relative vulnerability to natural shocks and climatic volatility



Source: World Bank (2006a), based on Brown et al. (2004).

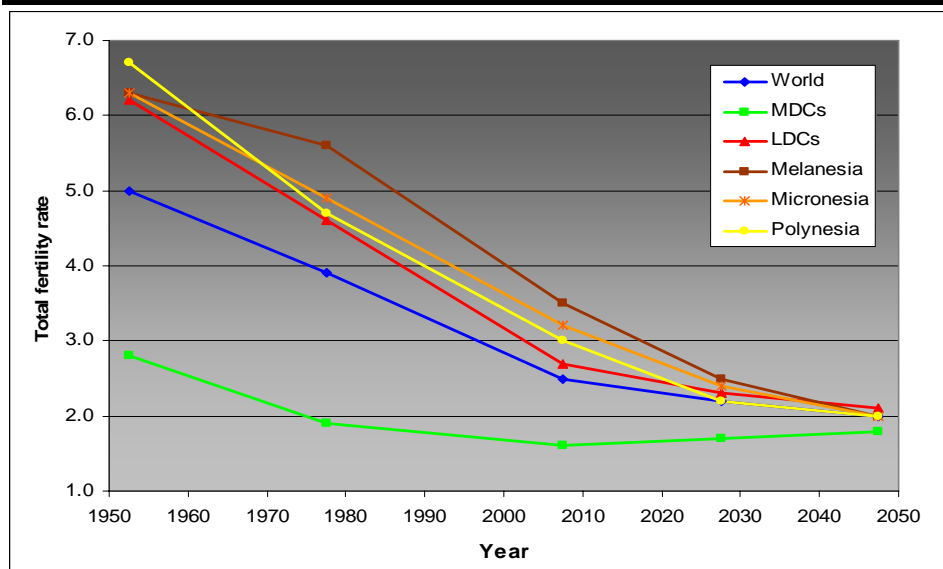
The impacts of natural disasters on people’s livelihoods are immense. A large proportion of the population is typically dependent on agriculture (up to 70% of the labour force in Samoa and Vanuatu), which can be devastated when a disaster hits. In addition there is the physical destruction of buildings such as schools, hospitals and homes, all of which, in turn, has an indirect impact on household well-being. At least one-third of people affected by natural disasters in the Pacific have had their home destroyed by violent winds, floods or earth movements.

In most Pacific countries there is little in place to help cope with shocks, and no effective social security systems to provide a cushion. The frequency and varying degrees of severity of the disasters that beset Pacific states make it difficult for governments to offer immediate financial support to those affected by a given disaster. Small governments typically have limited contingency reserves, a large proportion of which must inevitably be spent on priority tasks such as re-establishing communications, clearing debris from roads and rivers and repairing damaged public buildings. Emergency donor aid—in the form of blankets, tents, water decontamination pills and food—usually reaches affected areas quickly, keeping fatality rates to a minimum, but obtaining financial support for longer-term reconstruction is a different matter.

### 3.4. Demographic challenges

Pacific countries are undergoing rapid demographic changes. Over the past thirty years they have experienced rapid population growth, driven by high fertility rates (see Figure 7). This has led to large numbers of children and young people and in many PICs more than half the population is under twenty (World Bank 2009). Although fertility rates are dropping (see Figure 8), and projected to drop further, the Pacific is currently experiencing a significant youth bulge, with around 1.6 million people aged 15-24—comprising around 20% of the population—and the absolute numbers are likely to grow before they eventually fall. As Section 4.2 describes, the inability of countries to generate jobs for young people is a major policy challenge.

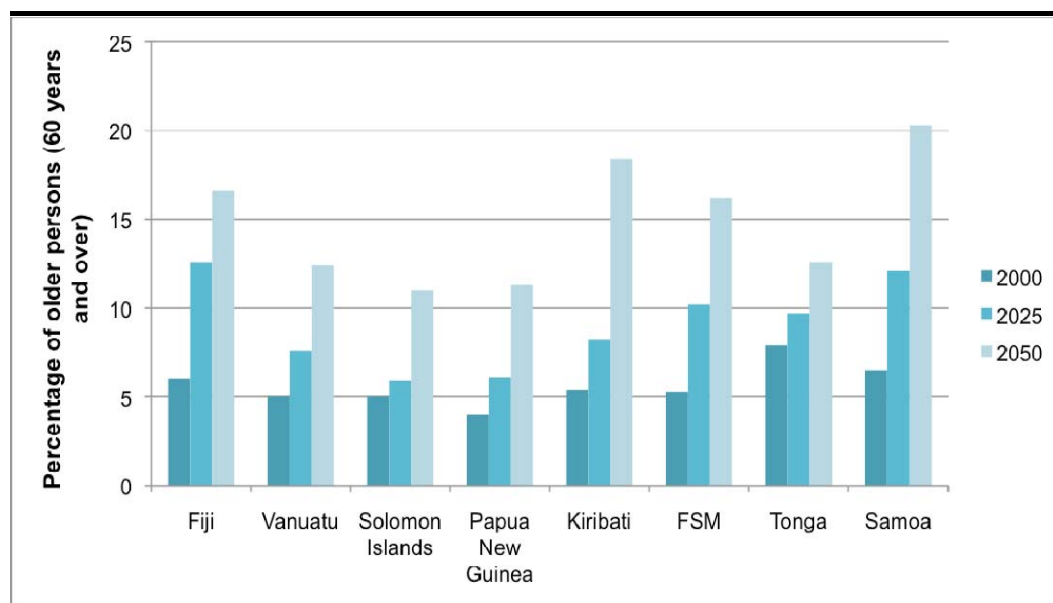
Figure 7: Fertility rates 1950-2050 by Pacific region



Source: Hayes (2009)

As the demographic transition continues all PICs face an ageing future with significant increases in numbers of elderly (see Figure 8). Indeed, in some of the small islands of Polynesia the proportion of older people is already very high: 14.5% in Niue, 10% in the Cook Islands and 9% in Tokelau. By 2025 people over 60 will make up more than 10% of the population in almost all countries, the main exceptions being Melanesia (apart from Fiji which is ageing rapidly). The Fiji population pyramids in Figure 9 vividly illustrate the demographic transformations taking place in PICs.

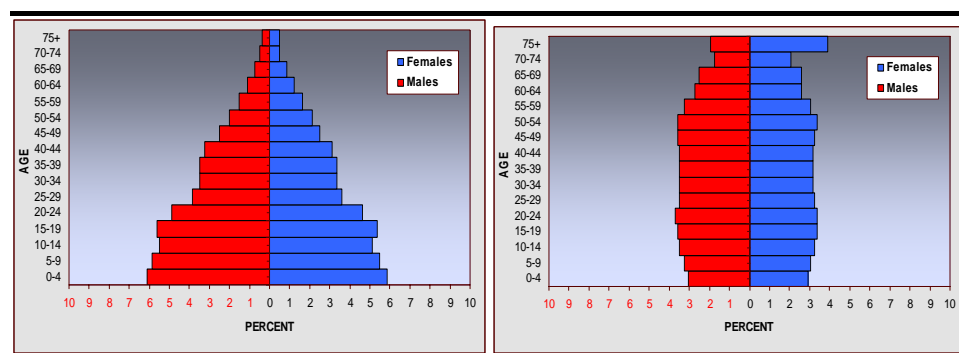
**Figure 8: People aged over-60 in selected PICs as a proportion of the total population**



Source: Hayes (2009)

The burgeoning older population will be a major challenge for PICs, placing increasing burdens on government budgets and informal social protection systems. Ageing is also likely to become a growing political challenge as older people become a larger and more active voting population. Fiji at least has recognised this challenge and recently embarked on the design of an older persons' policy.

**Figure 9: Fiji population pyramids in 2000 and 2050**



Source: Hayes (2009)

### **3.5. Ethnic conflicts and the challenge of nation-building**

While some Pacific countries are relatively homogenous and the concept of the nation is readily accepted—such as Tonga and Samoa—in others ethnic diversity has made nation-building particularly challenging. This is the case in Melanesia where PNG, Solomon Islands and Vanuatu are home to a large variety of ethnic groups. In Fiji, divisions between the two major ethnic groups have undermined economic progress, in particular when it has been the driving force behind coups. Elections in Melanesia continue to be dominated by ethnicity while tensions between different groups can undermine social cohesion and encourage conflict, such as in the Solomon Islands.

One view is that in Melanesia development partners have concentrated on building the state at the expense of nation-building (Fukuyama 2007). Much effort had been invested in strengthening governance systems but building a coherent sense of the nation among many diverse ethnic groups—a more challenging and visionary venture—has been overlooked. A continuing absence of a sense of nation in those countries with broad ethnic diversity will continue to undermine broader economic development and poverty reduction. Where ethnic diversity is combined with high levels of inequality and social exclusion, as in Melanesia, the potential for social conflict is high.

## **4. VULNERABILITY AND SOCIAL EXCLUSION IN THE PACIFIC**

The combination of increasing poverty and stresses placed on PICs are leading to rising social exclusion and vulnerability among specific categories of people, in particular vulnerable children, unemployed youth, the elderly, disabled people, single mothers and those with long-term illness, including those living affected by HIV and AIDs.<sup>26</sup>

### **4.1. Vulnerable children**

Many PIC children face a range of challenges that include access to a good education, poverty, malnutrition and stunting, and vulnerability to abuse. Indeed, recent household surveys have indicated that many of the poorest households tend to have large numbers of children (and other dependents).<sup>27</sup> While there are few street children in the Pacific, in some countries there are indications of child labour, although there is little concrete information. For instance, in 2001 the ILO estimated that 23% of children aged 10-14 in the Solomon Islands were working (ADB 2006:189) while in PNG 19% of the labour force includes child labourers (Parks et al. 2006:20).

In most PICs only a relatively small proportion of children manage to complete their school education, although the seriousness of the problem varies between countries, with Polynesia doing better while the greatest challenges are found in Melanesia.<sup>28</sup> Most problems arise at secondary school—often in the transition from primary school<sup>29</sup>—during which large proportions of children drop out. For instance, although almost all Samoan children attend primary school, retention rates at age 15-19 are only 49%. In Tonga, enrolment in secondary schools is only 66% while in the Marshall Islands 44% of children drop out of secondary school despite almost universal completion of primary school (Abbott and Pollard 2004:38). In some countries the situation is worsening: in Fiji primary school net enrolment rates fell from 98% in 2000 to 91% in 2006.<sup>30</sup>

There are a number of reasons for children not attending school: in some cases it is because schools are too distant; many children drop out of school because they are unable to pass exams;<sup>31</sup> or it may be because parents are dissatisfied with the quality of education services provided.<sup>32</sup> But increasingly it is recognised that poverty is a major contributing factor. Although in most PICs education is nominally free, in reality there is a range of fees that families have to pay. In Fiji anecdotal evidence indicates that annual fees at primary school could be around US\$50-80 per child per year, increasing significantly once children reach secondary school (Chamberlin et al. 2009). Many poor families across the Pacific cannot afford these fees or, in some remote areas do not have access to cash.

There is evidence of surprisingly high levels of child malnutrition in the Pacific. Studies in the past twenty years have demonstrated that in Fiji over 40% of school children were below normal weight (ADB 2006:52); in the Solomons in the early 1990s 27% of children were stunted (ADB 2006:187); in Vanuatu between 12% and 20% of children were underweight (ADB 2006:244); while in RMI in 1999 almost two-thirds of children were malnourished and a quarter severely malnourished (ADB 2006:161).<sup>33</sup>

The explanation of these high figures is contested. Some argue that it reflects poor knowledge among Pacific Islanders of what constitutes a good diet and a tendency to give children food that is not sufficiently nutritious.<sup>34</sup> While this may well be true in some (or many) cases it is probably not the whole picture. The high levels of poverty across the Pacific suggest that poverty itself is also a contributory factor. Although poor families may be able to purchase sufficient food for their children to stave off hunger, their low incomes almost certainly oblige them to buy cheap food of poor nutritional value.<sup>35</sup> Even in rural PNG, poverty appears to cause malnutrition in some poor communities<sup>36</sup> (Hanson et al. 2001:89). Recent rapid rises in the cost of imported food are likely to have significantly exacerbated malnutrition as many families struggle to make ends meet (Connell 2009).

Stunting among children has long-term and irreversible effects (Parks et al. 2009). By impacting negatively on cognitive development it impedes children's future educational performance; children who continue to be malnourished at school are likely to struggle; and on leaving school these children will be less able to find good jobs. It is likely that there is a link between early childhood stunting and youth unemployment.

There is little information on the poverty status of orphans across the Pacific, although in some countries numbers appear high. For instance in PNG one in eight children is an orphan (Chand 2009). There are, however, concerns that AIDS orphans in PNG are a particularly vulnerable group. While most orphans tend to be supported by the wantok, it appears that extended families are much more likely to reject AIDS orphans possibly because of the association of AIDS with sorcery (Chand 2009).

Child abuse is prevalent in the Pacific (ADB 2006; Parks et al. 2009:23f). It is unclear whether there is a link between poverty and child abuse although a number of studies are beginning to investigate this.<sup>37</sup> The ADB (2006) has highlighted the challenge rural children face living with kin in urban areas. Receiving households may accept the children because it is a cultural obligation, but may resent their presence or find it difficult to care for an extra mouth. Child protection services across the Pacific are weak.<sup>38</sup>

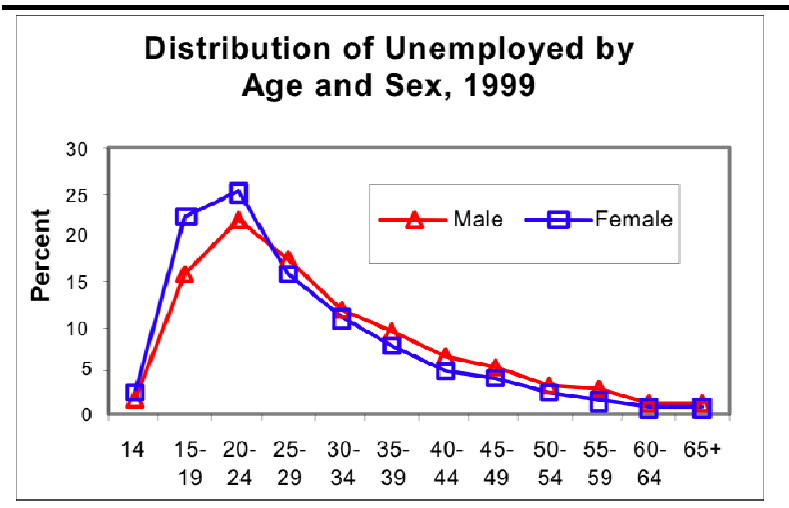
### Box 5: Obesity in the Pacific

Malnutrition in the Pacific is paradoxically mirrored by high levels of obesity. In Vanuatu for example over half of females over the age of 20 are obese (ADB 2006:244), while in Fiji 24% of children in urban areas are overweight (Abbott and Pollard 2004:43). Abbott and Pollard (2004:42) suggest that obesity is more of an urban problem. Causes may be related to a lack of physical activity and access to inexpensive junk food and alcohol in urban areas.<sup>39</sup> Combined with high levels of smoking—with a prevalence of around 40-80% in the region (Abbott and Pollard 2004:42)—there has been a significant epidemiological transition across the Pacific, with “life-style” diseases reaching levels similar to Australia and the USA, but without the health services to match. One consequence has been rising levels of adult disability resulting from diseases such as diabetes which can significantly increase the likelihood of families falling into poverty.

## 4.2. Unemployed youth

As indicated in Section 3.4 the youth bulge is creating significant challenges for PICs. Of particular concern are high levels of unemployment among young people.<sup>40</sup> For example, in Samoa 54% of men and 64% of women aged 15-24 are out of work (ILO 2009b). In South Tarawa in Kiribati 60% of young people are unemployed while in the Solomon Islands (see Figure 10) the figure for those aged 14-29 is 61% (ILO 2006d:39).

Figure 10: Unemployment by age and sex in the Solomon Islands



Source: ILO (2006d)

While there is a tendency to associate high youth unemployment with males, it also affects young women with somewhat different consequences. Poverty among young women appears to be contributing to the rise in prostitution across the region (Connell 2009; Parks et al. 2009:23). In Fiji, Save the Children has reported that girls as young as thirteen are engaged in transactional sex work (Connell 2009).

High youth unemployment is implicated within a broader context of youth alienation and marginalisation. According to UNICEF (2005): “It is evident that in most countries young people are not completing secondary education and/or finding suitable employment, are vulnerable to engaging in activities such as consuming drugs and alcohol, unsafe sex or crime

and are therefore unable to meet their full potential.”<sup>41</sup> This is not a new problem since in 1998 UNICEF expressed similar concerns.<sup>42</sup>

Large numbers of unemployed youth present a significant loss of human potential and make breaking the inter-generational transmission of poverty more difficult. Young people with few skills will grow into poor parents whose children will in turn be unable to reach their full potential. Large numbers of poor and unemployed young people are likely to fuel conflict as in the Solomon Islands and Tonga<sup>43</sup> (ADB 2006:213; World Bank 2009).

To date, little has been done to address the challenge of youth unemployment.<sup>44</sup> Many school leavers are poorly equipped for the formal job market, with low literacy and numeracy skills. Yet they also lack skills to work in the informal sector and subsistence agriculture (Duncan and Voigt-Graf 2008). Post-school training is not tailored to the needs of the many less educated young people, focusing instead on those least needing it (ADB 2006). But the main challenge is that not enough jobs are being created when compared with the numbers entering the labour market. The situation in Kiribati is typical: 1,700 young people enter the job market each year but only 450-500 formal sector jobs are generated (ILO 2006b:44). The youth unemployment crisis is exacerbated by large numbers of young people lacking the skills to enable them to migrate.

There is significant interest in a recent initiative to provide Pacific islanders with seasonal work in New Zealand and Australia: the Recognised Seasonal Employer scheme (RSE). However, there are concerns that too few workers are involved to reach more than a small number of households. There is inconclusive evidence on whether the program will benefit those most in need, especially those with lower levels of formal education. In Vanuatu the people selected to work in New Zealand are from wealthier households with higher levels of English literacy, although in Tonga participating workers tend to come from poorer households<sup>45</sup> (Luthria 2008:168).

### **4.3. Older people**

Every society aims to provide older people with adequate social protection in old age, either through traditional means—by placing the responsibility on children—or when this fails by putting in place formal pension schemes. However, apart from a small number of exceptions—Samoa, Kiribati, Cook Islands, Nauru and Niue—the vast majority of older people in the Pacific have no access to pensions (see Section 6). Abbott and Pollard (2004:14) note that in the absence of pensions the need to continue working in old age causes considerable hardship. There are indications that the elderly tend to be concentrated within poorer households,<sup>46</sup> while participatory poverty assessments have indicated that widows are regarded as the most disadvantaged group in the Pacific (Abbott and Pollard 2004).

Older people may be left behind in rural areas as their off-spring migrate to towns. Abbott and Pollard (2004:14) report that dependency ratios in rural areas are significantly higher than in urban areas. In the Marshall Islands older people are struggling because their children cannot support them (ADB 2006:134; 171) The extent to which older people are caring for the children of migrants, at a time in their lives when they are least able to do so, is unclear, but elderly-headed households headed with children appear to be particularly poor.<sup>47</sup> In Fiji many sugar-farmers were over 50 years old when they moved to squatter settlements in the 2000s, with no form of social protection to look forward to in old age.<sup>48</sup> Furthermore, an apparent increase in

sorcery accusations against older women in PNG may reflect their increasing exclusion, as elsewhere in the world.<sup>49</sup>

#### **4.4. People living with disabilities**

Across the Pacific discrimination against those living with disabilities is widespread, with people often ashamed of disabled family members (Stubbs and Tawake 2009:16). Many disabled children tend to be hidden away and not sent to school, with girls losing out more than boys. For example, in Fiji 51% of women and girls with disabilities attend school compared to 68% of boys, while in the Solomon Islands only 18% of disabled girls attend school compared to 37% of all girls (Stubbs and Tawake 2009:20). The situation appears to be worse for those with intellectual disabilities: in the Solomon Islands only around 5% of females aged 5-29 years with learning disabilities attend school (Stubbs and Tawake 2009:21).

The limited access to education for disabled people plays out in limited employment opportunities, with greater challenges faced by disabled women. In Fiji 40% of disabled males are employed while the proportion for women is only 20% (Perry 2002<sup>50</sup>). In Samoa only 1.2% of disabled people are able to earn an income (Lane 2004<sup>51</sup>). There is likely to be a correlation between poverty and households with disabled members, but because disability is not included as a category in household surveys it cannot be known for certain. As indicated earlier (Box 5) increasing numbers of people are becoming disabled as a result of the rise in chronic illnesses, such as diabetes (Abbott and Pollard 2004:42), which may play out in greater poverty.

#### **4.5. Female single-headed households**

Female-headed households with children are another category concentrated in the poorest deciles of the population.<sup>52</sup> Such households are potentially particularly vulnerable, not only because of their reduced labour capacity. Domestic violence is particularly high in the Pacific and a woman who flees an abusive husband can find herself unable to return to her own extended family.<sup>53</sup> There are few refuges for such women and almost no sources of financial assistance while they seek to re-establish themselves. The Family Assistance Program in Fiji does provide income support for single-headed households but is unable to respond sufficiently rapidly to the needs to women who have just left their husbands. In PNG the wives of husbands who die of AIDS can also be thrown out of the wantok system (Chand 2009).

There is little information on the ability of mothers to claim child maintenance support from estranged husbands. In Fiji it is possible to use the Family Court System to make such claims, but mothers find it an expensive and time-consuming process, often with little to show at the end.<sup>54</sup> Furthermore, if fathers migrate there are no reciprocal arrangements in place with Australia, New Zealand and the USA to enable mothers to secure maintenance payments from overseas<sup>55</sup> (cf. ILO 2006a).

## 5. EFFECTIVENESS OF INFORMAL SOCIAL PROTECTION

In the face of the many challenges experienced by PICs, how effective are informal social protection systems in dealing with increasing poverty, exclusion and vulnerability?

The international literature argues that even when informal social protection functions well it has weaknesses and tends to be patchy and uneven in coverage.<sup>56</sup> It is rare to find informal social protection operating even-handedly across a whole community or having an equalising effect on livelihood outcomes for different families. Sharing tends to be much stronger within extended families or kinship groups than in the “community at large” and for this reason households with better-off relatives fare better through traditional coping than the less fortunate. Abbott and Pollard (2004:30) argue that the same can be found in the Pacific.

Remittances are similar: even in countries with relatively high dependence on remittances many people still miss out, but without doubt though they are an enormous assistance to those receiving them. In Tonga remittances have reduced the poverty headcount from 57% to 32% (World Bank 2006b:88).<sup>57</sup> In Tuvalu more than half of households rely on remittances as their main source of income, while the same can be said for 30% of households in South Tarawa, Kiribati (Abbott and Pollard 2004:61). In Tonga remittances have also significantly impacted on inequality, reducing the Gini co-efficient from 0.605 to 0.495 (World Bank 2006b:88). But the impact of remittances on other countries can be much less. In Fiji, despite wide coverage the reduction in the poverty headcount has been less than 3%, with the Gini co-efficient only reducing from 0.552 to 0.541 (World Bank 2006b:88). And of course the impact of international remittances on poverty and inequality in most of Melanesia has been insignificant due to very low coverage.

Pressures to conform to traditional social norms can also lead to greater tensions and conflict within extended families as the few with jobs can find it an increasing burden to care for others.<sup>58</sup> In fact, informal social protection systems can have adverse impacts on the labour market. The pressure to share wealth can be a significant disincentive to entrepreneurial activity or can impact negatively on people’s desires to gain promotion—and higher salaries—at work.

Informal social protection is most effective when it addresses shocks that hit individual households, such as illness or funeral expenses. Remittances are similar: in Tonga if someone is ill for more than 30 days remittances increase by US\$300 (Brown 2008:9). However, informal social protection is weak in the face of significant or persistent adverse trends. Sharing within communities and extended families becomes considerably diminished when all or most members are placed under consistent livelihood stress as a result of widespread poverty (Carter & Maluccio 2003). The increase in dependency ratios in rural areas noted in Section 4.3 and the likelihood that those remaining behind are the least able to work suggests that greater strain is being placed on informal social protection, and this is unlikely to be fully compensated by increases in remittances.<sup>59</sup>

When widespread shocks hit large numbers of households informal social protection can be weak in response, a particular concern in the Pacific given PICs high economic and natural vulnerability (Fafchamps & Lund 2003). Indeed, during a crisis informal social protection tends to favour the better off over the poor. For instance, during a crisis of equal severity the better off tend to incur a smaller erosion of their asset status proportionately than the poor.<sup>60</sup>

There is evidence that international remittances—in those islands where they are significant—can be responsive to crises and can play a significant role in recovery. In Samoa following two devastating cyclones in 1990 and 1991 remittances increased significantly (Amosa 2009:32). But a large proportion of vulnerable families will still have missed out. Furthermore, experiences during the current global recession suggest that remittances are not a reliable source of social protection when economic shocks hit developed countries. Although the slowing of economic growth in Australia, New Zealand and the USA in 2000–01 did not reduce remittance flows, in 2008 and 2009 remittances decreased significantly<sup>61</sup> (Parks et al. 2009:7). Remittance flows are also sensitive to currency fluctuations. Remittances for seafarers in Kiribati and Tuvalu and for Fijians in the security industry have been adversely affected by the depreciation in the US dollar over the past 2–3 years.

## **6. FORMAL SOCIAL PROTECTION SYSTEMS IN THE PACIFIC**

Given that informal social protection systems in the Pacific may be weakening and less able to respond to a range of challenges, has formal social protection been put in place to fill the gap? The low scores achieved by most PICs in the ADB's Social Protection Index suggest that regional formal social protection systems are weak. The exception is the Cook Islands which has a relatively extensive welfare system—almost every poor person receives some form of income support at a total cost of 3.6% of GDP (Halcrow 2007c:29).<sup>62</sup>

Social insurance programs aimed at providing the labour force and their families with protection in the event of old age or disability are the main social protection instruments in PICs. In most countries these are in the form of Provident Funds or superannuation schemes in which members' benefits are linked to their savings. However, in those countries with close relations to the USA the social insurance programs are pay-as-you-go defined benefit schemes.

All social insurance programs are limited in their effectiveness in providing social protection to those most in need (see Box 6). They reach only a small proportion of the workforce and provide very few people with old age pensions or disability benefits, with the majority of recipients among the better-off. The Fiji National Provident Fund—which provides pensions to around 15% of the country's older people—is one of the most successful. Yet 71% of the overall value of these pensions accrues to the three richest deciles. Coverage of pay-as-you-go pensions in countries such as the Marshall Islands—where 35% of older people receive pensions<sup>63</sup>—is better, but still leaves many older and disabled people without support.

A small number of non-contributory cash transfer schemes can be found in the Pacific as set out in Table 1. The largest non-contributory cash transfer program is Fiji's Family Assistance Program (FAP), reaching around 17% of households.<sup>64</sup> It is a means-tested program that provides a minimum cash benefit to some of the poorest households in Fiji. Around half of beneficiaries are older people while the program also targets the disabled, the chronically ill and female-headed households. The average benefit is AU\$36 per month and the program costs AU\$11.5 million annually, around 0.3% of GDP.

### Box 6: Weaknesses of PIC social insurance programs<sup>65</sup>

All social insurance programs in the Pacific suffer from weaknesses although not all to the same degree. They can be summarized as:

- Social insurance programs only reach those in the formal sector so in almost all cases the vast majority of the population is excluded. Tonga's scheme is only for government employees.
- Most social insurance scheme members are male, reflecting gender imbalances in formal sector employment
- Many schemes do not provide regular cash benefits i.e. pensions or disability benefits to their members but instead provide lump sums that in many cases can be withdrawn early to cover expenses such as housing or university. Even Provident funds providing regular pensions offer a lump sum option many members take up, thereby depriving themselves of a regular pension. Lump sum payment to members of contributory pension schemes is problematic given the demands of informal social protection, likely compelling recipients to share—and rapidly dissipate—their savings with extended family members.
- Many schemes suffer from poor governance or are not actuarially sound and can only be sustained with government support. Kiribati has done the most to strengthen its scheme's financial foundations.

Universal pensions are the most common type of non-contributory schemes in the Pacific and appear to be modelled on the New Zealand superannuation scheme.<sup>66</sup> They are found in the Cook Islands, Kiribati, Samoa, Nauru and Niue<sup>67</sup> and benefits range from AU\$40 per month in Kiribati to AU\$200 per month in the Cook Islands. The overall cost can be significant—the Samoa pension costs around 1% of GDP—but they do guarantee an income for all the elderly poor (World Bank 1994).<sup>68</sup> The Samoan government took the decision to introduce a universal pension because it believed that informal social protection was weakening (Amosa 2009).

Only in Fiji, the Cook Islands and one island in Nauru can poor disabled people access a regular non-contributory cash benefit from the state. However, disability benefits for children are almost non-existent.

Figure 11: Non-contributory cash transfer schemes in the Pacific

Country	Type of Scheme	Targeting	Number of beneficiaries	Value of Benefit - Monthly (AU\$)
Cook Islands	Old Age Pension	All over-60s	2,300	200
Cook Islands	Disability benefit	All disabled	221	130
Cook Islands	Social Assistance	Means-tested	46	130
Cook Islands	Care-givers	Limited	5	130
Fiji	Social Assistance	Means-tested	27,000	36
Fiji	Care-givers	Child dependent	464	23 <sup>69</sup>
Kiribati	Old Age Pension	All over-70s	1,974	40
Nauru	Old Age Pension	Over-60s <sup>70</sup>	124	90
Nauru <sup>71</sup>	Disability benefit	All disabled	11	98
Niue	Pension	?	?	?
Samoa	Pension	All over-65s	8,221	50

Source: ILO (2006a; 2006b; 2006c), Halcrow (2007a; 2007b), Chamberlin et al. (2009), Hayes (2009)

A number of PICs have recently considered introducing national cash transfer programmes. Tuvalu is considering introducing a pension and unemployment benefit (Halcrow 2007d)

while the ILO (2009a) has proposed collaborating with the Solomon Islands government to develop a universal pension.<sup>72</sup> In PNG a cross-ministerial social protection task-force has recently been established to develop a national social protection strategy. The ADB, World Bank and UNICEF are encouraging countries to consider introducing conditional cash transfer (CCT) programmes.<sup>73</sup>

Many governments, often with the support of donors, have put in place one-off cash-for-work programs for the unemployed, but it is questionable whether these programs can be regarded as unemployment programs. Usually their main objective is to build infrastructure with work for the unemployed—often young people—a secondary objective. One potential concern with work programs in the region is that they may distort the labour market by paying above market rates. For example, in the Solomon Islands the agreed labour rate on work programs is AU\$12 per day while the market rate is AU\$3 per day.<sup>74</sup> Such high wage rates will undermine the self-targeting principle of cash for work programs.<sup>75</sup>

All PICs have legislation mandating minimum labour standards but their adequacy varies greatly and they only help those in formal sector employment. Enforcement capacity in government is weak and many firms do not comply, in particular those that are small.

#### **Box 7: Other formal social protection programs**

In addition to the social protection programs described here a range of other programs can be found. Examples include:

- Kiribati and the Marshall Islands provide copra subsidies with the aim of improving poor farmer incomes in outer islands (World Bank 2006a:82). However these are not well-targeted and are expensive: the Kiribati subsidy cost 8% of GDP in 2004.
- School feeding programs can be found in a number of countries. In the Marshall Islands for instance meals are provided for 25% of children (ADB 2006:173f).
- The Solomon Islands provides support to poor families to help them pay school fees (ADB 2006:237); while a scholarships program in Fiji is poorly targeted with 61% of benefits going to the three wealthiest deciles (Narsey 2006).

## **7. CONCLUSION**

Evidence that informal social protection systems in the Pacific are under stress is growing. Connell (2009) argues that “The popular and romantic view of an urban safety net provided by the extended family, ensuring through redistribution that kin are never hungry or destitute, is no longer valid.” This is unsurprising as it follows the pattern of social relations breaking down in most other rapidly urbanising countries. The extent to which rural informal social protection systems are facing challenges requires further investigation before judgements can be made. Remittances play an important role in providing support to many families but coverage between countries is uneven and even in those countries where coverage is high many people miss out.

PICs have rightly focused on investing in health and education services. However, while critically important this may not be sufficient to achieve desired health and education outcomes. A recent report shows that the Pacific region overall is unlikely to reach the MDGs

by 2015 despite large investments in public service delivery (Australia 2009). Success depends in part on addressing income poverty, in particular in those Pacific communities where subsistence agriculture is no longer sufficient. High levels of unemployment and underemployment suggest that alternative approaches to securing a minimum level of income may need to be adopted.

Should PICs therefore consider investing further in formal social protection programs as a means of directly tackling poverty and complementing investments in health and education services? Internationally there is strong evidence that formal social protection systems can have major impacts in a range of areas, including direct poverty reduction, expanding the demand for services and supporting human capital development and economic growth. Social protection schemes have also been used to promote greater social cohesion—e.g. by helping countries overcome ethnic tensions—and tackle inequality, and could play a role in enabling countries to deal with economic shocks and natural disasters.

There are concerns that formal social protection schemes in the Pacific may lead to a reduction in informal social protection, including remittances (i.e. “crowding out” effects). However Gibson et al. (2004) argue that formal social security is unlikely to have this impact. In fact, international experience indicates that formal social security may well “crowd in” social protection. For instance, pensions in Africa are associated with a significant decrease in the exclusion of older people, including a reduction in witchcraft accusations.<sup>76</sup>

The prevailing high poverty levels found in most PICs—alongside increasing levels of inequality—suggest that the question of whether increased investments in formal social protection are necessary should be given serious consideration. But to determine the right policy actions it is fundamental to better understand the causes, drivers and incidence of poverty and vulnerability. This will help policy makers develop appropriate responses for social policy that address poverty reduction; improve delivery of public services and expand access and demand for them; and identify trade-offs with other spending priorities.

## ENDNOTES

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<sup>1</sup> This report is based on a longer version prepared for an AusAID-funded research activity on social protection in the Pacific region. See Kidd et al. (2009) for the full report.

<sup>2</sup> Cf. Parks et al. (2009:7).

<sup>3</sup> Winthorpe (2004), in Connell (2009).

<sup>4</sup> World Bank (2006b:69) give a figure of 41.8% of GDP for Tonga.

<sup>5</sup> Remittances are not always from developed countries to the Pacific. There is evidence in the Marshall Islands that remittances flow from there to the United States, mainly to support students (ADB 2006:135). This is a consequence of the high levels of welfare payments in the Marshall Islands and the fact that Marshall Island migrants to the USA are in low-paid jobs as a result of their low skill levels.

<sup>6</sup> See for example World Bank (2006a; 2006b), ADB (2006), ILO (2006a; 2006b; 2006c; 2006d; 2006e), Parks et al. (2009) and Naidu and Mohanty (2009).

<sup>7</sup> See Baulch et al. (2006; 2008).

<sup>8</sup> Cf. Amosa (2009:18); Connell (2009).

<sup>9</sup> Abbott (2008a; 2008b; 2008c; 2009) and Robertson (2008).

<sup>10</sup> Caution needs to be taken with the low inequality figure for FSM since a few years earlier another study gave a much higher Gini co-efficient of 0.47. The fall in inequality is unprecedented which suggests a problem with the data (see Abbott 2008c).

<sup>11</sup> Caution needs to be taken with these figures as they are derived from different sources.

<sup>12</sup> Cf. Ferranti et al. (2004), UNDP (2005) and World Bank (2005).

<sup>13</sup> Abbott and Pollard (2004:30ff) and Prasad (2008) are exceptions who include short discussions on inequality in their papers.

<sup>14</sup> Recent GDP growth rates can be found in UNESCAP (2009:174) and Australian Government and New Zealand Government (2009:16).

<sup>15</sup> Cf. Australian Government and New Zealand Government (2009).

<sup>16</sup> The information in Parks et al. (2009) is taken from an initial preliminary assessment by the Asian Development Bank in December 2008.

<sup>17</sup> Cf. Abbott and Pollard (2004:50). The absence of good labour market surveys also makes obtaining reliable figures on unemployment difficult. Fiji appears to be the main exception in undertaking labour market surveys (cf. Narsey 2007).

<sup>18</sup> Cf. ILO (2006a; 2006b; 2006c; 2006d; 2006e).

<sup>19</sup> Nonetheless Port Moresby is the largest city in the Pacific with an estimated population of 500,000, much higher than official figures (Connell 2009:6). The overall figures presented by Connell included all Pacific Islands including French Territories.

<sup>20</sup> See for example Connell (2009) and Parks et al. (2009).

<sup>21</sup> Rehuher (1993) in Connell (2009).

<sup>22</sup> Russell (2009) in Connell (2009).

<sup>23</sup> A soup kitchen was recently established by the City Mission in Port Moresby to serve over 100 unemployed young men (Connell 2009).

<sup>24</sup> Andrew McGregor, personal communication.

<sup>25</sup> The scoping study for this research has compiled a list of natural disasters in the Pacific over the last century with considerable detail on the impacts for those that have occurred during the past thirty years. This list is now probably the single most complete database of natural disasters in the Pacific with over 500 entries (see Kidd et al. 2009).

<sup>26</sup> Abbott and Pollard (2004:13) list the types of people most likely to experience poverty. These are: the unemployed, youth and school dropouts, orphans or people without relatives, homeless people or those living with relatives, land-less households, people with large families and/or those supporting relatives, elderly people, especially widows, without regular support, mentally challenged and physically disabled, and single mothers and teenage couples, without means to raise children.

<sup>27</sup> See Narsey (2006:11) and Abbott (2008a; 2008b; 2008c; 2009).

<sup>28</sup> Although primary enrolment rates are reported as relatively high in Melanesia—e.g. 71% in the Solomon Islands and 94% in Vanuatu (ADB 2006:188; 244)—it is expected that the real figures are lower. In Vanuatu it is reported that only 55% complete primary school (Abbott and Pollard 2004:37). In Samoa by contrast retention rates at primary school were reported to be 101% in 2001 (Abbott and Pollard 2004:38).

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- <sup>29</sup> Cf. Chamberlin et al (2009).
- <sup>30</sup> See Chamberlin et al (2009).
- <sup>31</sup> Fiji has recently decided to stop its external exam system as the need to pass the exams was inhibiting children's progress through school and was probably encouraging drop-outs.
- <sup>32</sup> See discussion in Abbott and Pollard (2004:32ff).
- <sup>33</sup> See also Abbott and Pollard (2004:42).
- <sup>34</sup> Cf. Abbott and Pollard (2004:42) who state that malnutrition in Samoa is due to poor dietary choices.
- <sup>35</sup> Cf. Abbott (2009:6f).
- <sup>36</sup> Cf. Connell (2009).
- <sup>37</sup> See, for example, UNICEF, UNESCAP, ECPAT International, RRRT (2008).
- <sup>38</sup> UNICEF (2008:2).
- <sup>39</sup> Cf. Abbott and Pollard (2004:42f) and Connell (2009:35).
- <sup>40</sup> Cf. Abbott and Pollard (2004:52) and ILO (2006a; 2006b; 2006c; 2006d; 2006e).
- <sup>41</sup> Cf. World Bank (2006a:72) and Connell (2009).
- <sup>42</sup> See also World Bank (2009).
- <sup>43</sup> See Chevalier (2001) for a more detailed discussion.
- <sup>44</sup> There are some initiatives underway such as the World Bank's Urban Youth Employment Programme which aims to provide training for 17,000 youth in Port Moresby. But most are focused in Melanesia and little attention has been paid to other regions.
- <sup>45</sup> Nonetheless in Vanuatu those workers on the RSE would not have qualified for permanent migration to Australia or New Zealand. Furthermore the differences between Tonga and Vanuatu may be explained by differences in selection methods. In Tonga recruitment was government-led while in Vanuatu it was more employer-led. See Luthria (2008:168f) and also Connell and Hammond (2009) for more information on the experience of Ni-Vanuatu temporary workers in New Zealand.
- <sup>46</sup> See for example Abbott (2009).
- <sup>47</sup> Abbott (2008a:35; 2009:39).
- <sup>48</sup> Andrew McGregor, personal communication.
- <sup>49</sup> Cf. Kidd and Whitehouse (2009).
- <sup>50</sup> In Stubbs and Tawake (2009).
- <sup>51</sup> In Stubbs and Tawake (2009).
- <sup>52</sup> See Abbott (2008a:34; 2008b:33; 2008c:31; 2009:37).
- <sup>53</sup> ADB (2006); Ellsberg et. al (2008:11ff); Connell (2009).
- <sup>54</sup> RRRT, personal communication. It is also possible for mothers to claim child maintenance in the Solomon Islands (ADB 2006:236).
- <sup>55</sup> Interestingly a reciprocal arrangement enabling mothers to claim child support from estranged husbands exists between Australia and New Zealand (ILO 2006a).
- <sup>56</sup> See Platteau (1991), Morduch (1999), Morduch & Sharma (2002), Conning & Kevane (2002) and Fafchamps & Lund (2003) for discussions on international experience with traditional social protection systems.
- <sup>57</sup> See also Brown (2008) and Brown and Jimenez (2008).
- <sup>58</sup> Cf. Chutaro (2005) in Connell (2009).
- <sup>59</sup> There is evidence that many outer islands are being depopulated with the likelihood that the most vulnerable are being left behind: c.f. ADB (2006:135).
- <sup>60</sup> For example a rich family might lose 10 per cent of its assets to achieve the same level of protection as a poor family losing 70 per cent of its assets.
- <sup>61</sup> Cf. Australian Government and New Zealand Government (2009:12) and ADB (2009).
- <sup>62</sup> Halcrow (2007e:29) indicates that 3.6% of GDP is the cost of overall *social protection* in the Cook Islands so the figure may cover more than just the system of cash transfers. However over half of this spending is on the old age pension.
- <sup>63</sup> ADB (2006:171).
- <sup>64</sup> ILO (2006a:271); Chamberlin et al. (2009).
- <sup>65</sup> The following information is based on ADB (2006) and ILO (2006a; 2006b; 2006c; 2006d; 2006e).

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<sup>66</sup> See Willmore (2007) for more information on the New Zealand Superannuation Scheme (and other universal pension schemes).

<sup>67</sup> It is uncertain whether the pension is universal in Nauru and Niue. A universal pension is also in place in East Timor providing \$20 per month.

<sup>68</sup> To a certain extent the Marshall Islands and FSM social insurance pensions could be regarded as partially non-contributory since members only have to pay contributions for a total of 12 quarters over their lifetimes to qualify for a minimum pension (ISSA 2008). They are also means-tested.

<sup>69</sup> Benefits, in fact, range from AU\$14-63 per month depending on the characteristics and number of children (Chamberlin et al. 2009)

<sup>70</sup> Information is not available on whether the programme is universal or means-tested.

<sup>71</sup> The benefit is paid by the Yaren District Council to all disabled people in Yaren District

<sup>72</sup> Surkafa Katafono of the ILO (personal communication) indicates that interest among the Solomon Islands government in a universal pension may have waned recently.

<sup>73</sup> Cf. Parks et al. (2009) and Chamberlin et al. (2009). Conditional cash transfer programmes are as their name suggests programmes that condition the receipt of cash on beneficiaries fulfilling certain conditions, such as sending their children to school or health clinics. See Fiszbein and Schady (2009) for an in-depth, but partial, analysis of CCTs and Freeland (2007) for a critique.

<sup>74</sup> Peter Kelly, personal communication

<sup>75</sup> Work programs use self-targeting by paying low wage rates which are meant to only attract poor people. Higher wage rates are likely to mean that poor families will be increasingly excluded.

<sup>76</sup> Cf. Kidd (2009)

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