

Hardship and Vulnerability in the Pacific Island Countries

Report Launch and Roadshow
March 6-14, 2014



Overview

- The Pacific: A particularly risky place
 - Smallness
 - Distance (and dispersion)
 - Unique geographic challenges
 - ‘Openness’
- Managing risk and vulnerability
 - What households do for themselves
 - What the State does to lend a hand
- What can the State and partners do better?
 - Policy recommendations for more effective risk management

The Pacific: A particularly risky place

Pacific people are uniquely vulnerable to aggregate shocks. But the incidence of some 'idiosyncratic' shocks is high too.

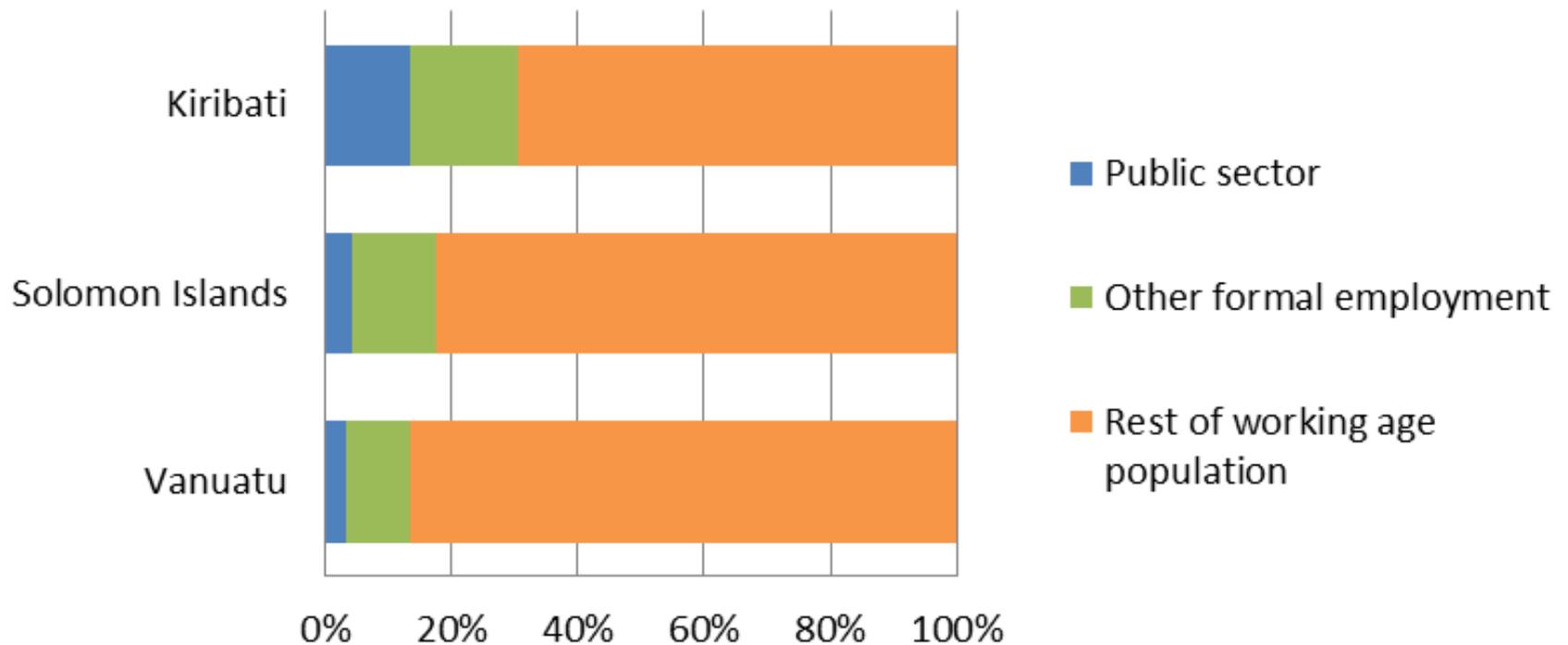


Unique Pacific geography contributes to hardship and creates risks



Smallness and isolation limit size and diversity of the formal private sector

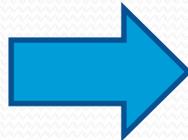
Working age population by sector of employment



Smallness and dispersion weaken the public sector

Public sector challenges

- Lack economies of scale
- Costly service delivery
- Scarcity of specialized human resources



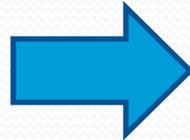
Result in limited...

- Economically productive infrastructure
- Human capital-building services
- Public risk management

Location and topography increase vulnerability to natural shocks

Common features

- Tectonic activity areas
- Typhoon areas
- Low elevation coral atolls



And their consequences

- 8 of the top 20 countries ranked by average annual disaster losses (% GDP)
- Existential threats due to rising sea levels and acidification

Economic openness creates vulnerability

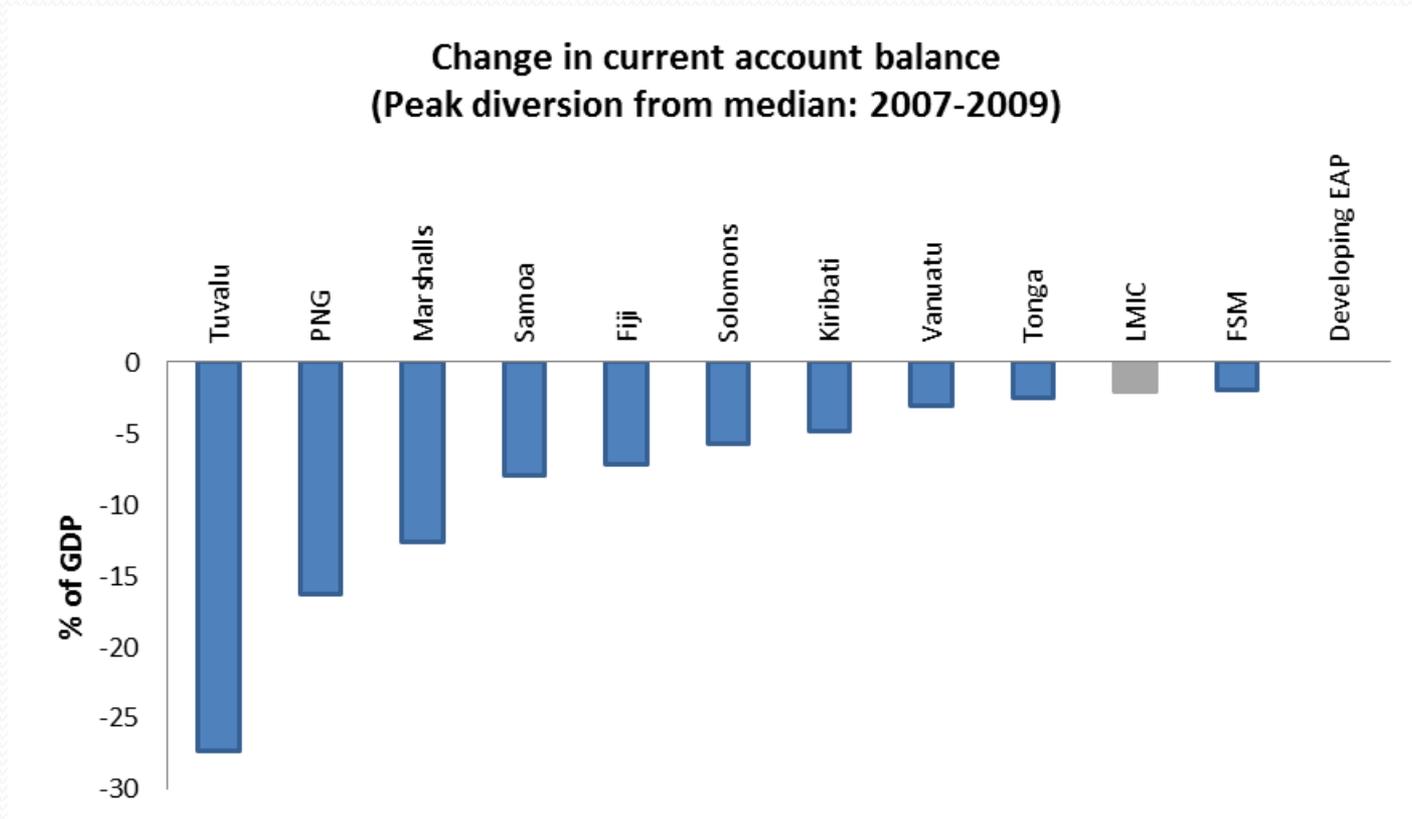
Needed

- To mitigate the effects of smallness and isolation
- Food and fuel imports
- Financial flows

But

- Creates vulnerability to global shocks
- Rising and volatile commodity prices
- Concentrated sources of remittances, tourism, aid

Global crises can disproportionately affect PICs



Vulnerability 'cost of living' simulation: Kiribati

	Increase in rice price (20%)	Increase in wheat price (20%)	Increase in oil price (30%)	All three commodity shocks
People pushed into hardship (% of population)	630 (0.7%)	170 (0.2%)	3,200 (3.7%)	5,200 (6.0%)
<i>Of which rural</i>	460 (1.0%)	170 (0.4%)	900 (1.9%)	1,200 (2.9%)
<i>Of which urban</i>	170 (0.4%)	-	2,300 (5.9%)	4,000 (10.2%)
Annual welfare loss, total hardship	US\$ 92,000	US\$ 24,000	US\$ 323,000	US\$ 574,000
Proportion of hardship rural hhd budget	0.5%	0.1%	0.9%	1.7%
Proportion of hardship urban hhd budget	0.5%	0.2%	1.8%	2.8%
Change in hardship severity	3.9%	1.9%	18.6%	25.1%
Inflation	1.6	0.8	7.3	9.7

Vulnerability 'cost of living' simulation: Tonga

	Increase in rice price (20%)	Increase in wheat price (20%)	Increase in oil price (30%)	All three commodity shocks
People pushed into hardship (% of population)	-	300 (0.4%)	1,200 (1.4%)	1,600 (1.9%)
<i>Of which rural</i>	-	250 (0.4%)	800 (1.0%)	1,200 (1.5%)
<i>Of which urban</i>	-	50 (0.2%)	400 (1.4%)	400 (1.7%)
Annual welfare loss, total hardship	US\$ 0.04 million	US\$ 0.9 million	US\$ 1.8 million	US\$ 2.9 million
Proportion of hardship rural hhd budget	-	0.3%	0.5%	0.8%
Proportion of hardship urban hhd budget	-	0.2%	0.7%	1.0%
Change in hardship severity	-	2.6%	6.3%	9.1%
Inflation	-	0.9	3.2	4.2

The Pacific is also facing an aggregate health shock

High rates of risky behaviors...

- 2/3 of adults in Kiribati smoke daily
- Over 1/2 of adults in Tonga and Samoa are obese

Have led to a rise in NCDs...

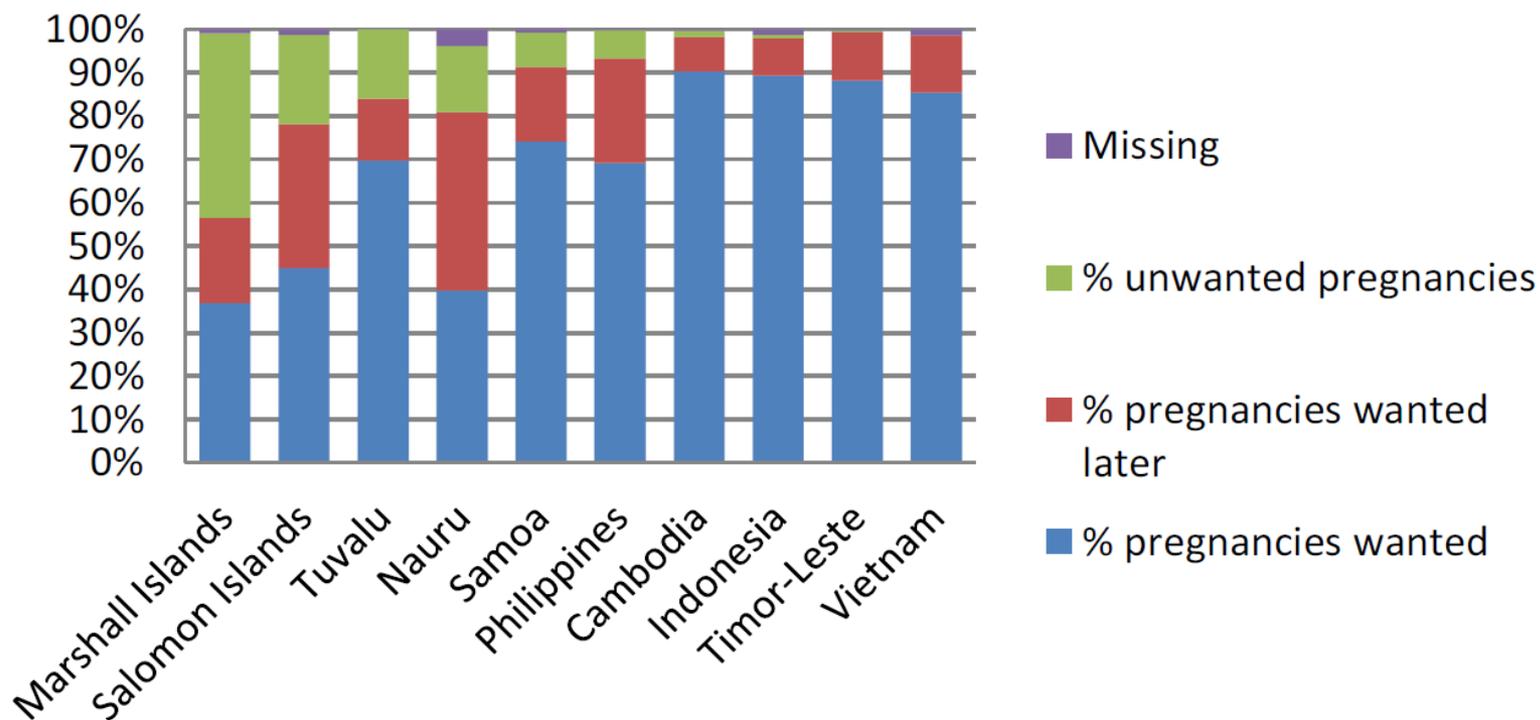
- Non-Communicable Diseases now cause majority of deaths in PICs (except PNG)
- 3 of the 5 countries with the highest rates of diabetes in the world (Kiribati, Marshall Islands, Nauru)

With costly consequences

- Dialysis treatment in Samoa costs \$38K annually – 10x GDP per capita
- Reduced life expectancy in Tuvalu

Vulnerability to 'idiosyncratic' shocks appears high as well

Share of mistimed and unwanted pregnancies occurring to women under 20



Managing risk and vulnerability

Traditional 'safety net' structures are important, but under stress, leaving too many people vulnerable to hardship.



Pacific islanders have resources to manage risks

Traditional systems

- Natural resources
- Traditional networks

Government

- Programs
- Policies

Traditional systems reduce vulnerability

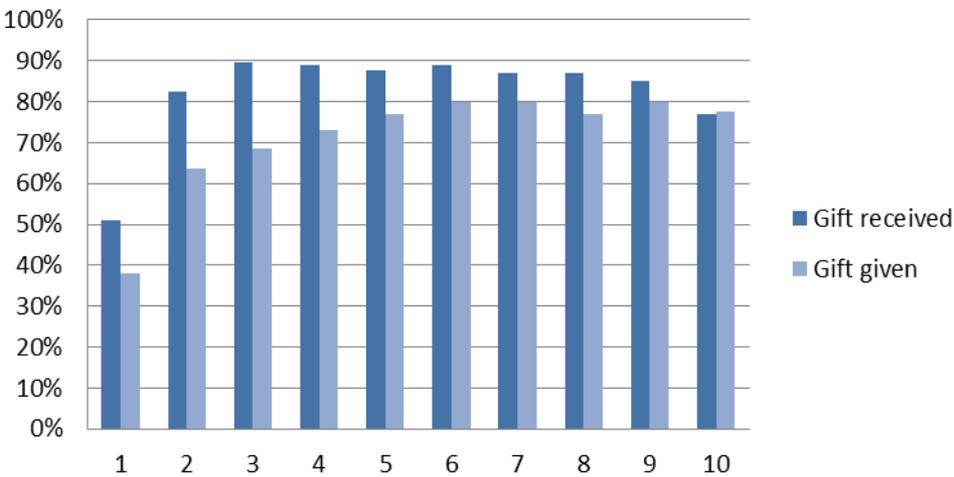
- Land and ocean resources used to meet basic needs, and to cope with shocks
- Strong ethos of resource sharing across traditional networks in the Pacific
- Resource sharing takes different forms:
 - Specialized exchange
 - Generalized reciprocity
 - Communal collection

Traditional systems reduce vulnerability

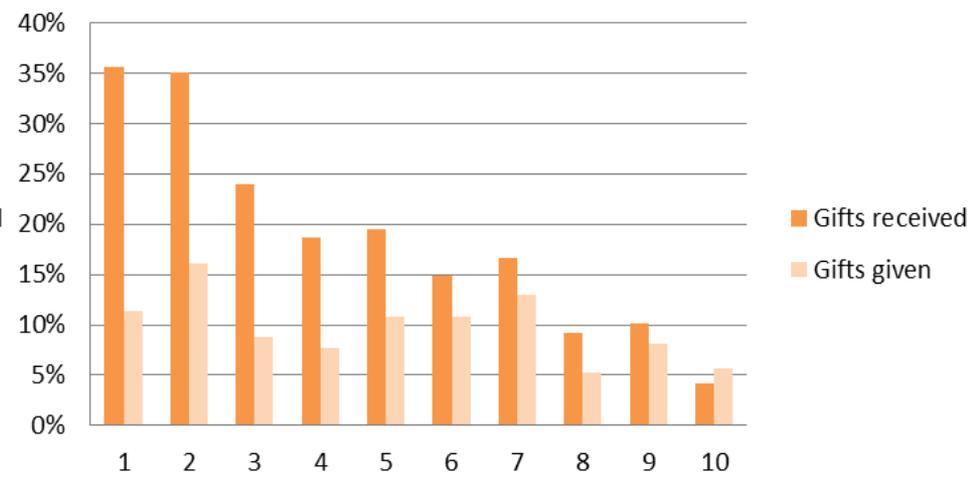
- **Specialized exchange**
 - Of goods and services of similar value
 - Labor
 - Inland and coastal products
- **Generalized reciprocity**
 - Supporting individuals, households in need
 - Thought to be redistributive
- **Communal collections**
 - Ceremonies
 - Community buildings and other needs
 - Religious organizations

Gift-giving appears to be redistributive for participants

PNG: Households participating in gift exchange by per capita consumption quintile



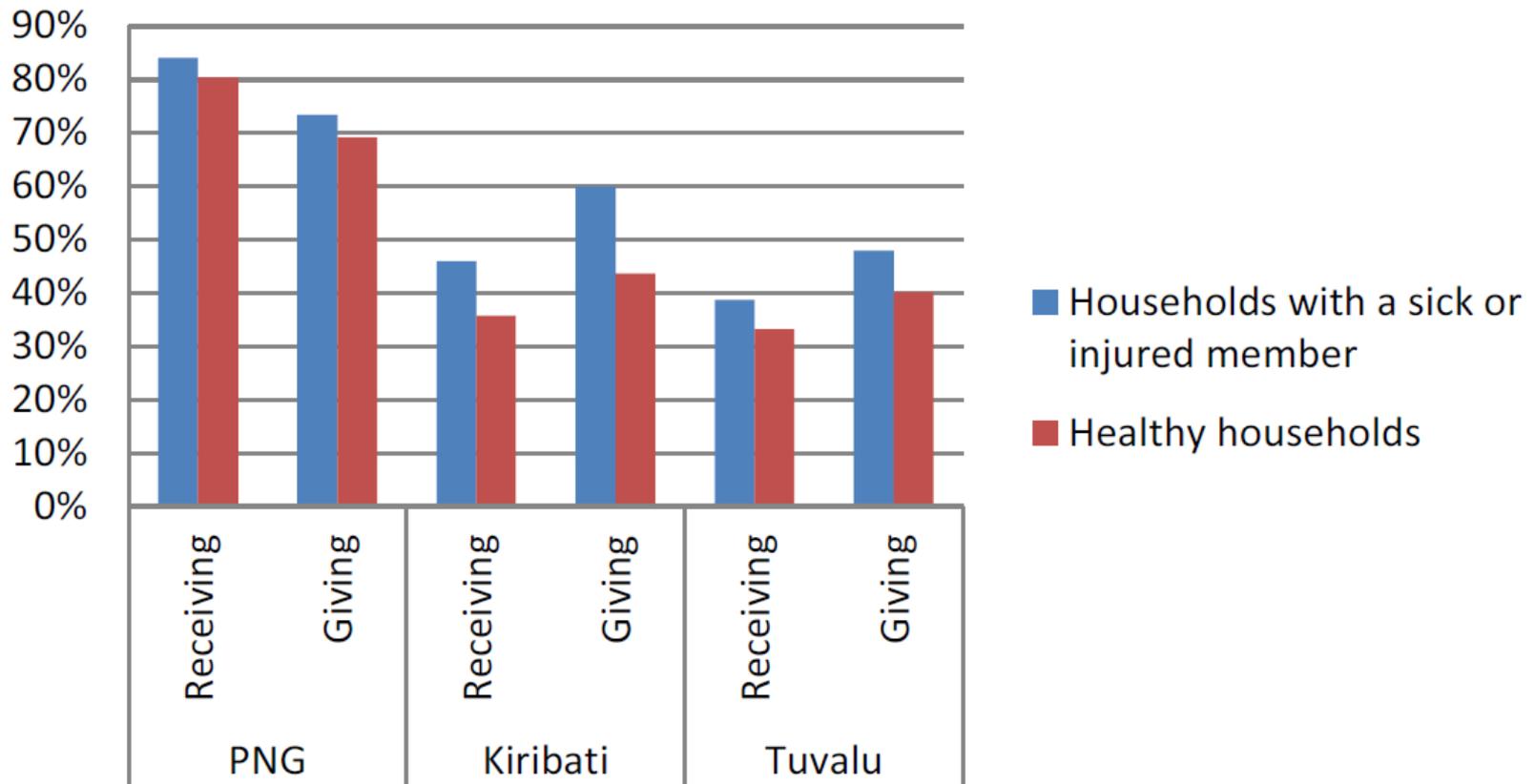
PNG: Average gift value for participating households by per capita consumption quintile



Least well off are less likely to participate, but those that do receive greater benefit (see annex).

And exhibits 'precautionary', 'insurance' characteristics

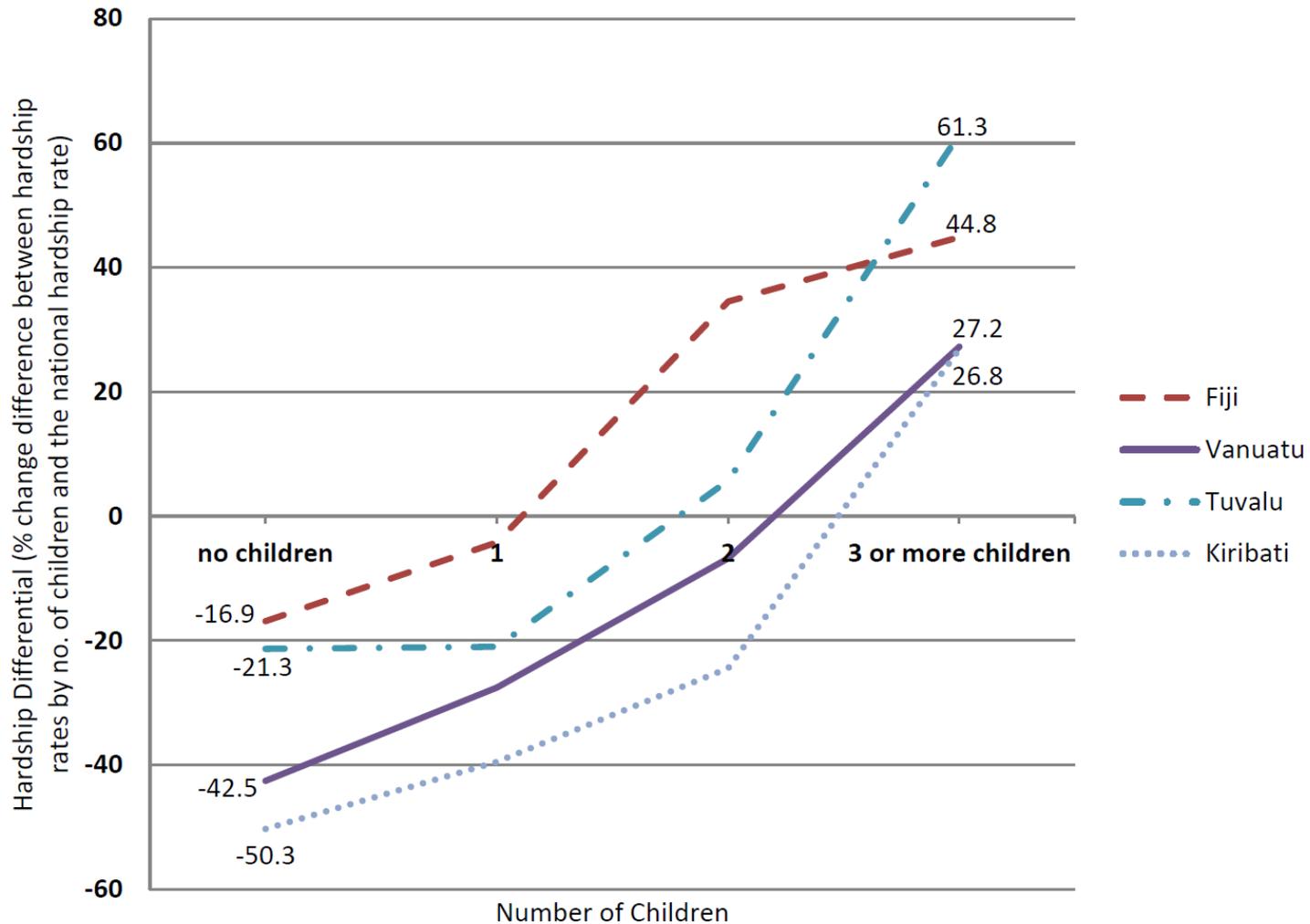
Share of households participating in gift exchange



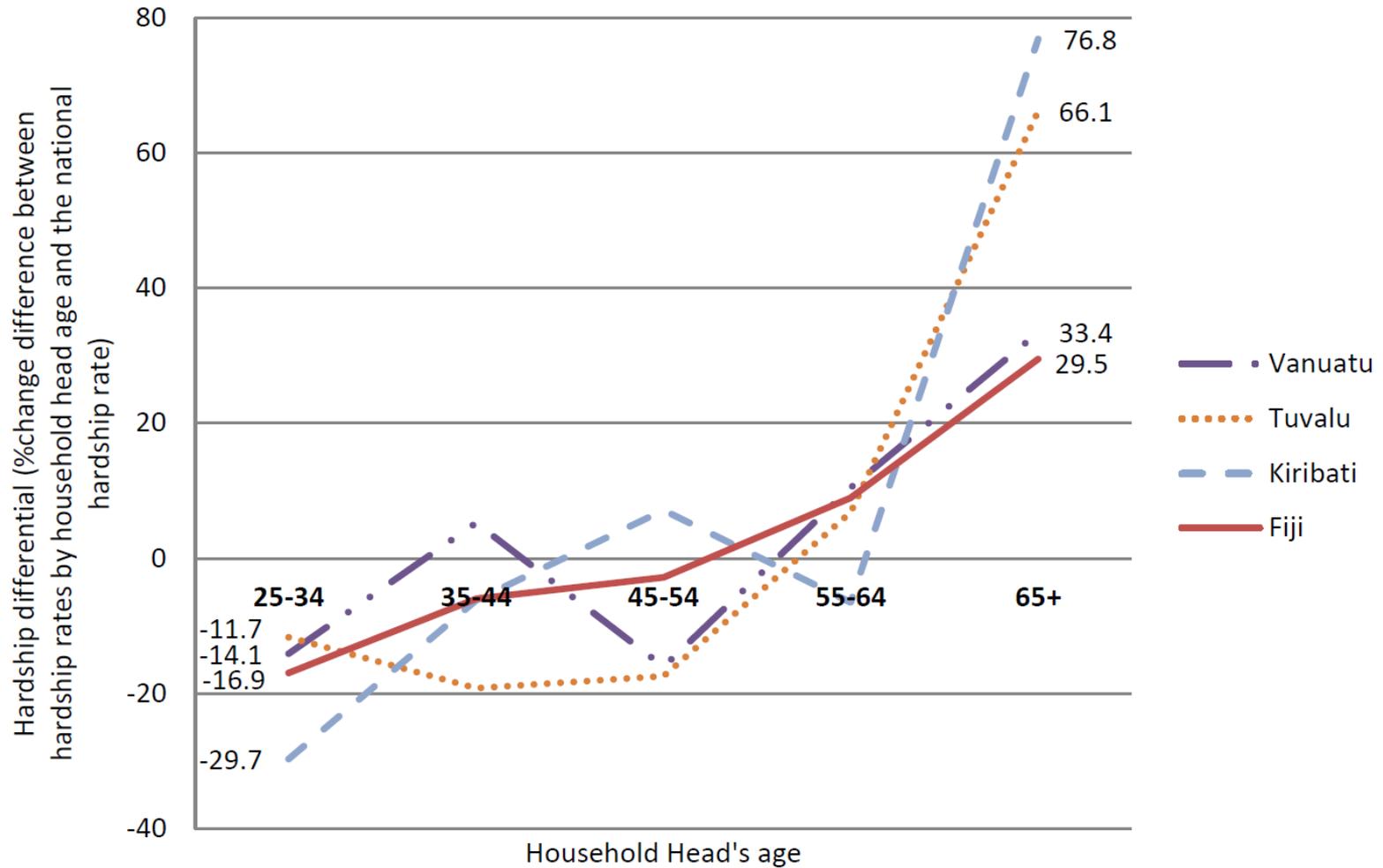
But traditional systems have their limits

- Networks do not reach everyone
- Less effective in insuring against aggregate or repeated shocks
- Urbanization and climate change affect natural resources
- Urbanization and monetization may be weakening systems over time
- Obligations may help perpetuate hardship in some cases

Households with more children are vulnerable



Households headed by elderly are vulnerable



Governments do provide support for hardship and risk management

- Price regulations and producer subsidies
- Subsidized education and healthcare
- Contributory pensions and small, targeted assistance programs
- Social protection: non-contributory, targeted to specific populations
 - Elderly Fund: Kiribati
 - Family Assistance Program: Fiji

But governments can do more

- Some responses to aggregate shocks are blunt and costly
- Basic services are not accessible to all, and are sometimes of poor quality
- Contributory pensions include few people: <1% in Papua New Guinea
- Large social protection programs do not exist in most PICs



Hardship and vulnerability persist

What can the State and partners do better?

“An ounce of prevention is worth a pound of cure.”

Benjamin Franklin



To reduce hardship and vulnerability...

Govern prudently

Good housekeeping is the best preparation.

- Proactively manage aggregate shocks
- Good policy that accounts for risks in all areas
- Development partner activities should also account for risks and aim to reduce vulnerability

To reduce hardship and vulnerability...

Enable households and communities

Most risk mitigation is done by households themselves.

- Increase access, quality, and portability of education...
- ...plus migration opportunities
- Foster opportunities for work at home where it makes sense, including financial access
- Selectively expand social protection programs

To reduce hardship and vulnerability...

Invest in data

Governments and partners can't help 'blindfolded'.

- Regular household surveys
- Public access to data and analysis
- Active communication about the meaning and implications of “hardship” and “vulnerability” measurement



Thank you.

www.worldbank.org/socialprotectionlabor

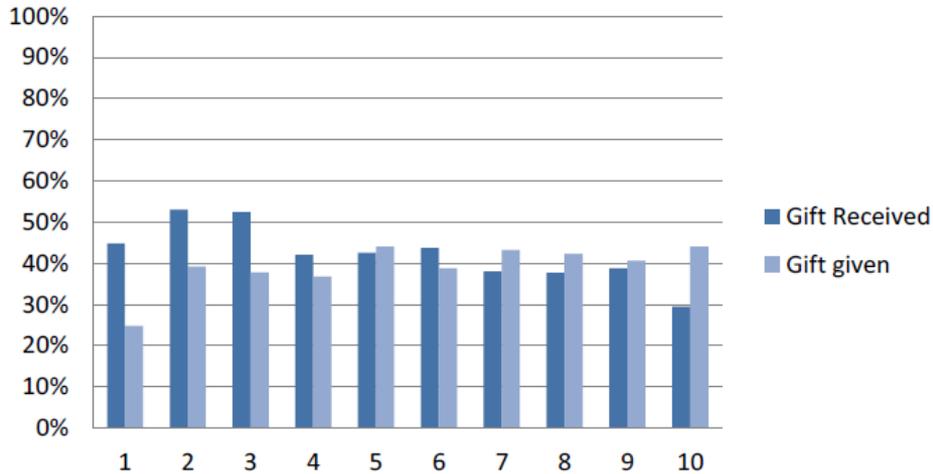
www.worldbank.org/en/country/pacificislands

Annex

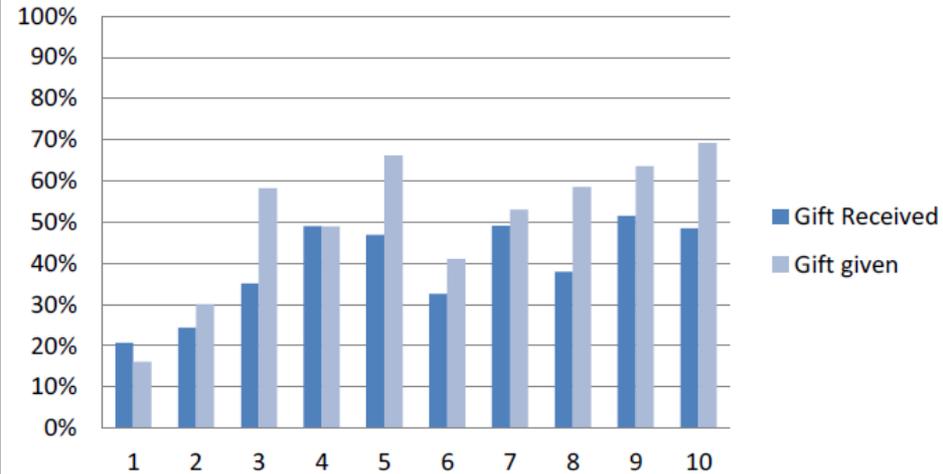
Evidence of traditional safety net structures from selected Pacific island countries with available data.

Incidence of giving and receiving gifts.

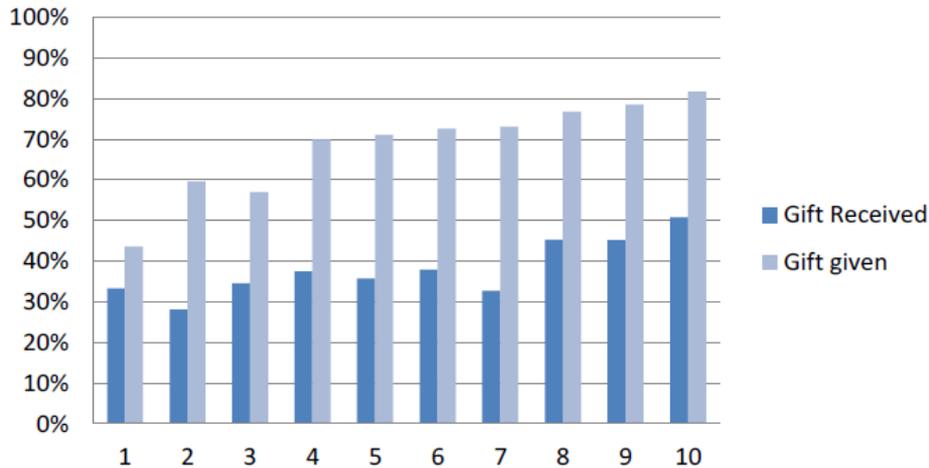
Fiji



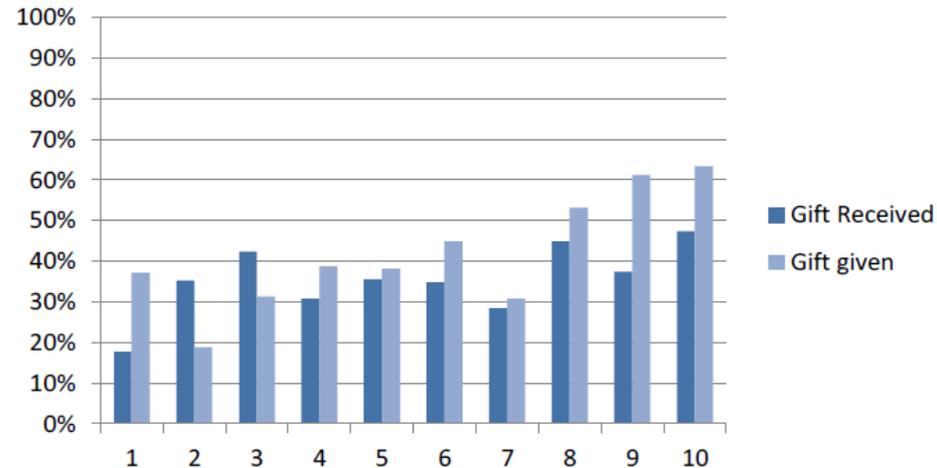
Kiribati



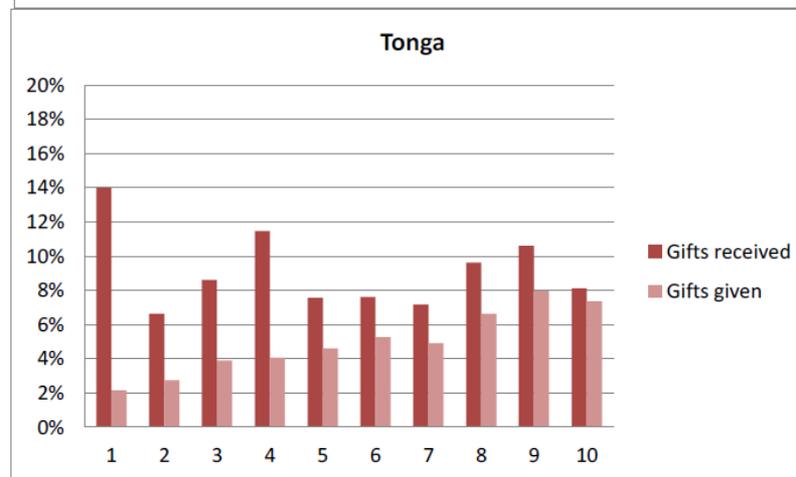
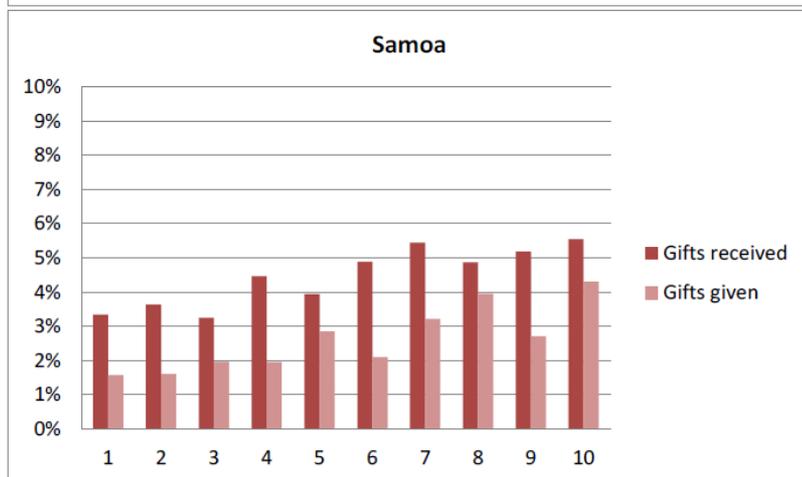
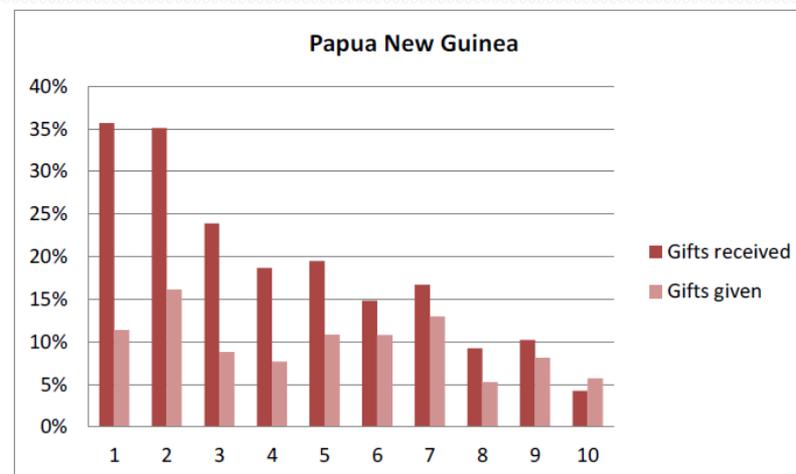
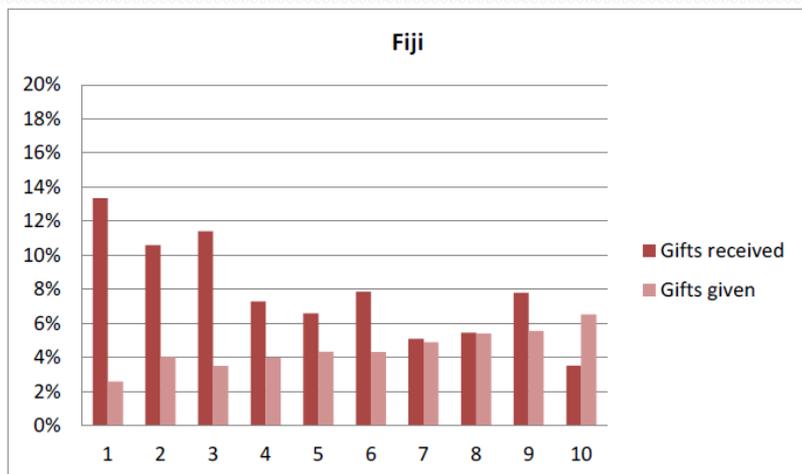
Tonga



Tuvalu



Relative benefits w.r.t. consumption group.



Notes: Data come from 14 day consumption diaries in each country, meaning that they capture relatively high-frequency exchanges. For Fiji, data also includes gifts received in the 12 months prior to survey.

Sources: World Bank staff estimates using Household Income and Expenditure Surveys