



Pacific Economic Governance Agencies Seminar Series (PEGASeS)

A Macroeconomic Assessment of Poverty and Hardship in the Pacific: Lessons, Challenges and Policy Responses for Achieving the MDGs

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Structure of Presentation

- Summary of macroeconomic performance of PICs
- Impact of monetisation and other emerging issues
- Poverty and hardship
- MDG progress
- Pro-poor policy responses

Growth rates in GDP 2003 - 2008

- Pacific average GDP growth = 3.1% p.a.
- Pacific average per capita GDP growth = 1.7% p.a.
- Asian averages; GDP growth per annum:
 - East Asia 8.4%
 - South Asia 8.2%
 - South-east Asia 6.0%

Table 1: Growth Rate of GDP (% pa)

Country	2004	2005	2006	2007*	2008**
Cook Islands	4.3	0.2	1.4	3.0	3.5
Federated States of Micronesia	-3.3	-0.6	-2.3	-2.5	-3.5
Fiji	5.4	0.7	3.6	-3.9	1.6
Kiribati	2.3	2.5	1.1	0.5	1.0
Nauru	-	-14.5	6.3	-27.3	-2.4
Palau	6.0	5.3	5.4	5.7	2.0
Papua New Guinea	2.7	3.4	2.6	6.2	6.6
Republic of Marshall Islands	5.6	1.7	1.3	2.0	1.0
Samoa	3.3	5.1	2.6	4.0	3.0
Solomon Islands	8.0	5.0	6.1	10.0	6.0
Tonga	1.4	2.3	1.9	-3.5	1.0
Tuvalu	4.0	2.0	1.0	2.0	2.0
Vanuatu	5.5	6.5	7.2	6.6	5.7
Average PICs***	3.8	2.9	2.3	3.1	4.4

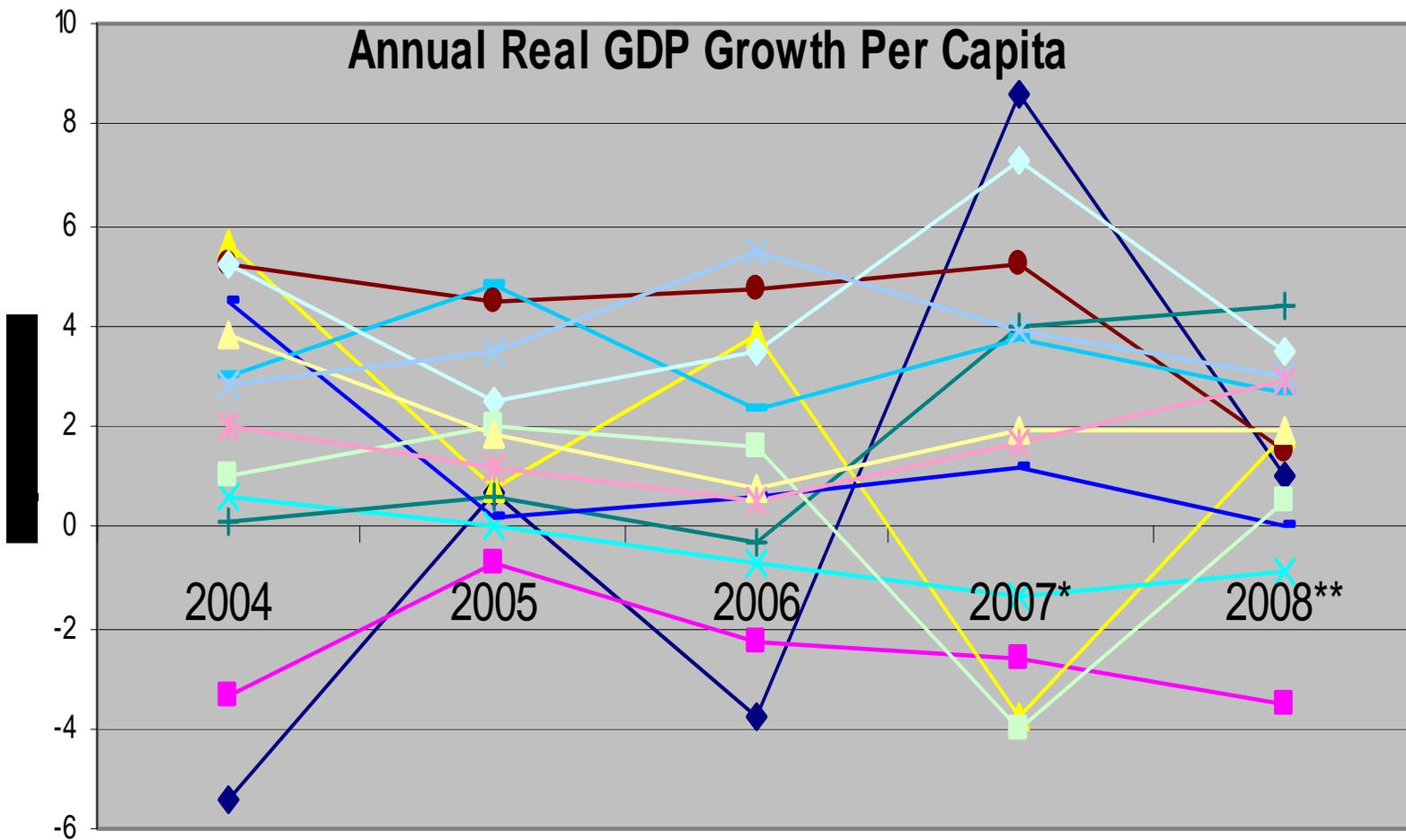
Source: ADB Asian Development Outlook 2008.

* estimated growth rates; ** forecast growth rates

*** includes Timor Leste but excludes Nauru & Niue

- data not available

Annual Real GDP Growth Per Capita

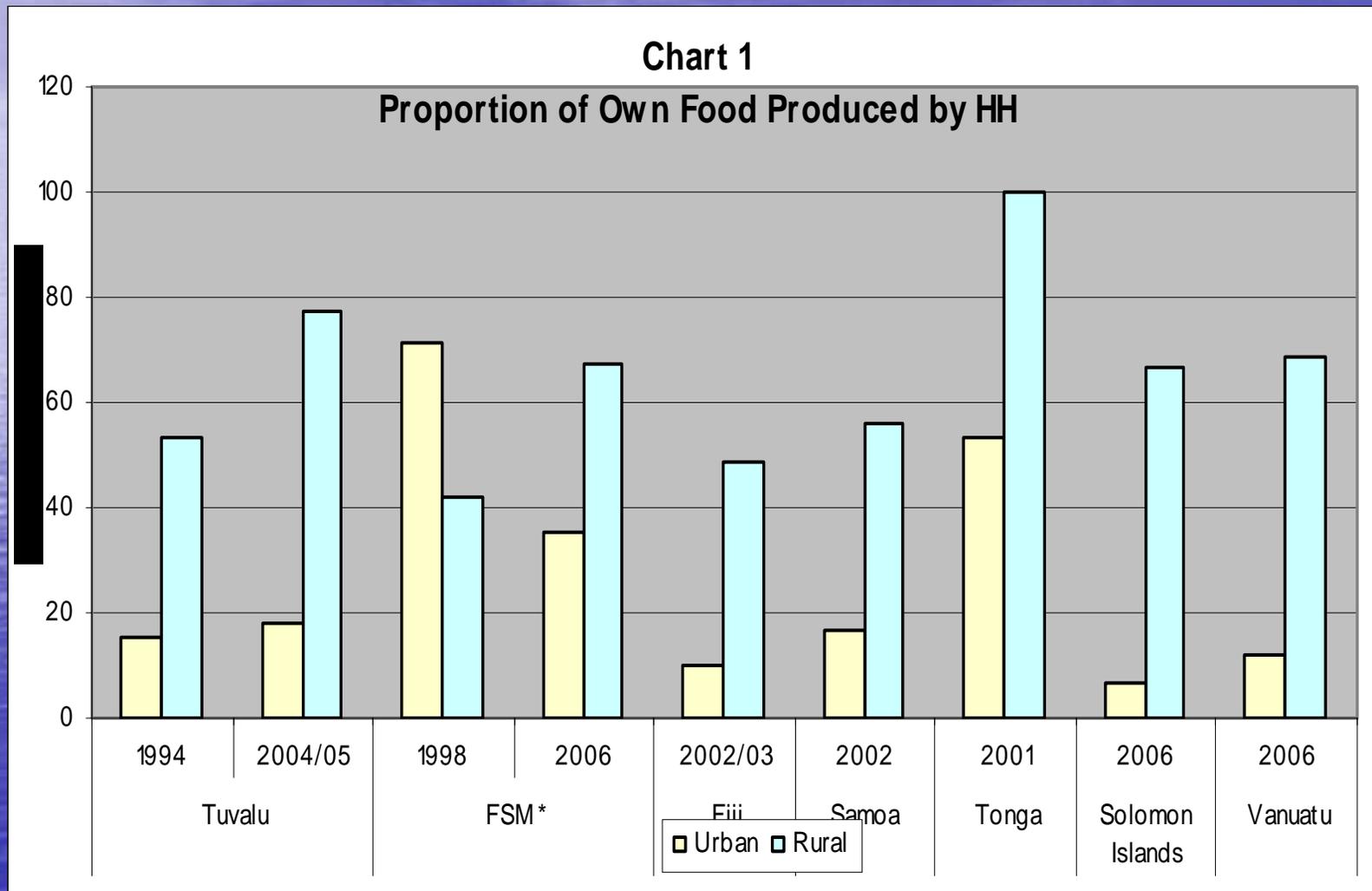


- ◆ Cook Islands
- ◆ Federated States of Micronesia
- ▲ Fiji
- ✕ Kiribati
- Palau
- ◆ Papua New Guinea
- Republic of Marshall Islands
- Samoa
- ◆ Solomon Islands
- Tonga
- ▲ Tuvalu
- ✕ Vanuatu
- ✕ Average PICs***

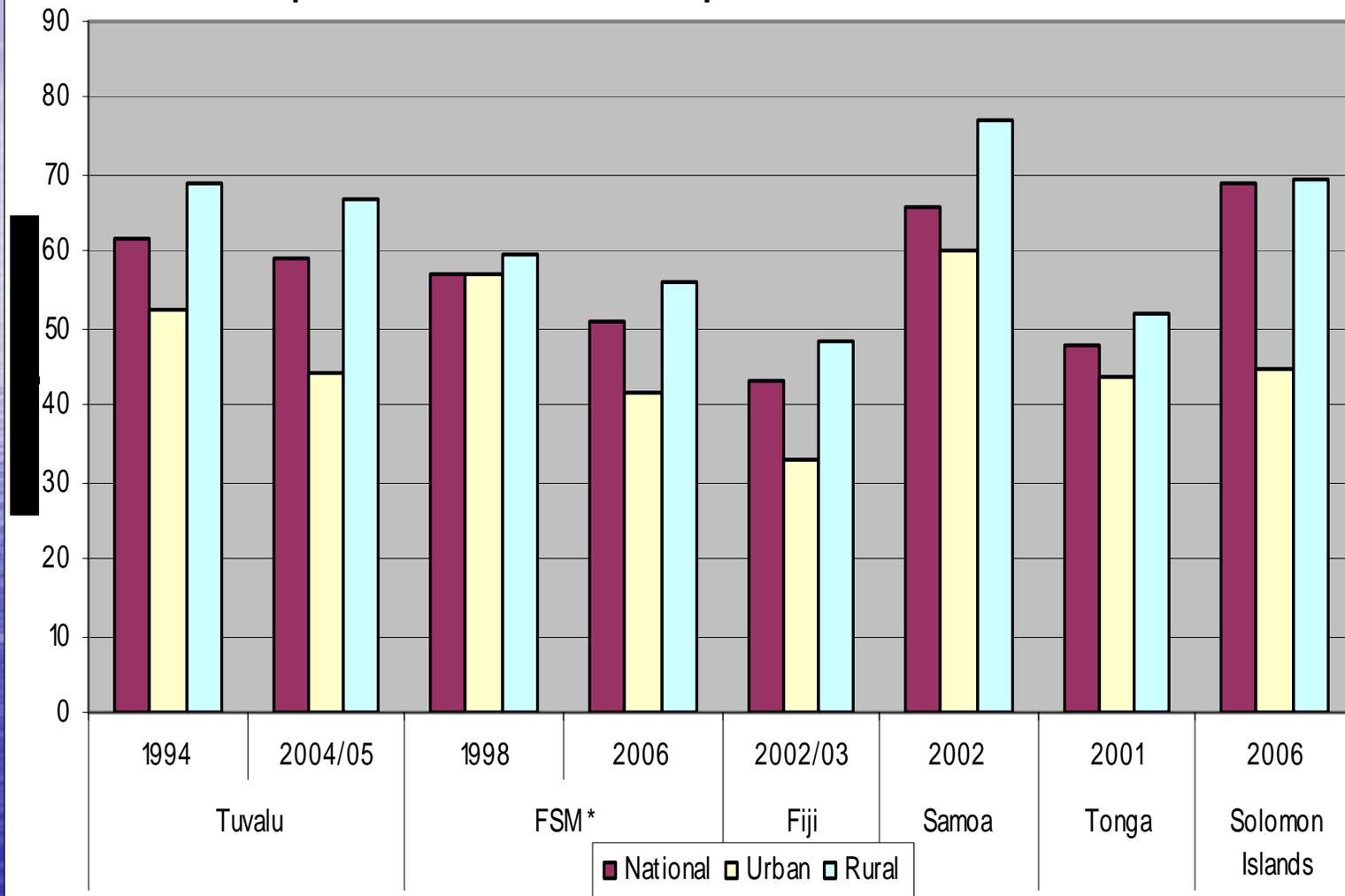
Rate of inflation has been worsening in the Pacific compared to most parts of Asia

Average Inflation Rates		
	2004 - 2006	2007 - 2008
Pacific	2.8	4.5
South Asia	5.8	5.4
South-east Asia	5.9	4.9
East Asia	2.3	4.3

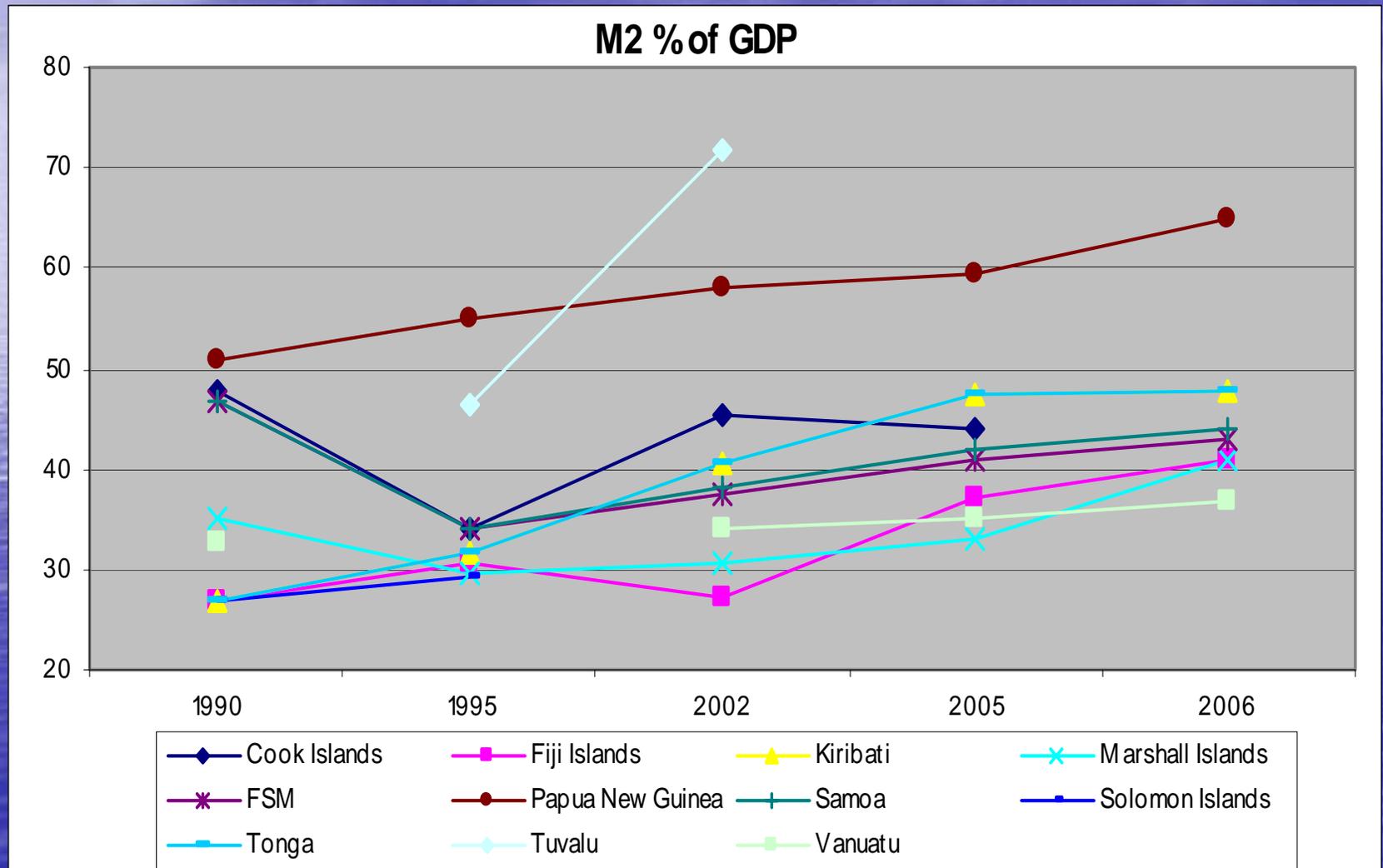
Food security an issue for urban households



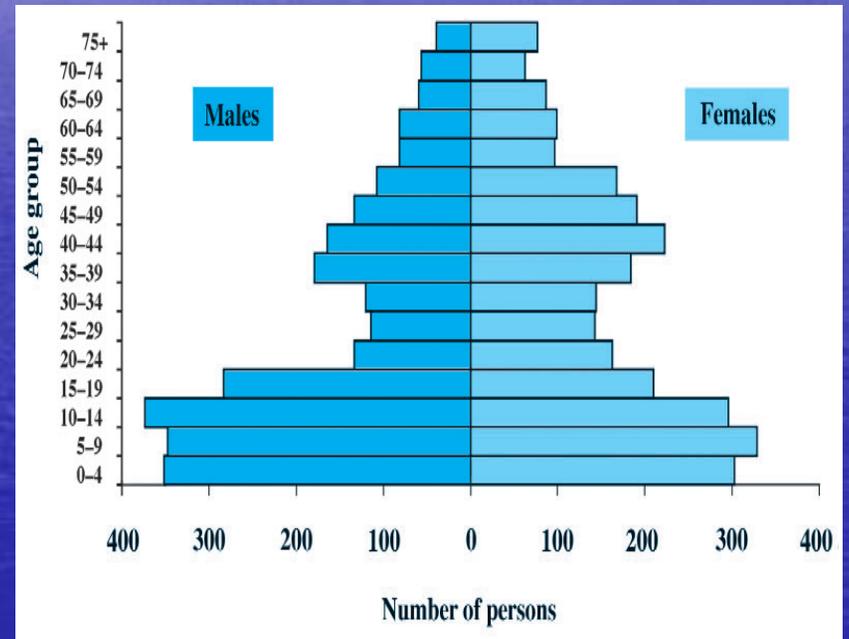
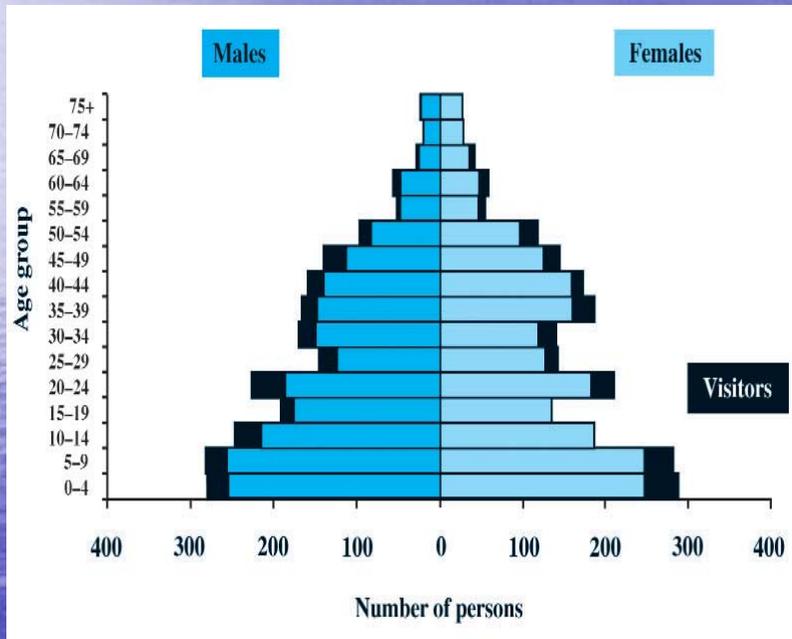
Proportion of Food in Total Expenditure of Low Income HH



Increasing monetisation of PICs: Money becoming more important in daily lives



Impact of out migration affects both urban and rural areas



A photograph of a rural village in the Pacific. In the center, there are several traditional huts with thatched roofs made of palm fronds. To the right, there is a building with a corrugated metal roof. The foreground is a grassy area with a low wall made of dark volcanic rocks. The background is a lush, green forest with tall trees and a hillside. The text "Poverty and Hardship in the Pacific" is overlaid in yellow.

Poverty and Hardship in the Pacific

Defining Poverty

- Poverty has many characteristics:

- Income Poverty

- Low income; or
 - Low consumption/expenditure



- Poverty of Opportunity/Access

- Lack of economic opportunities
 - Poor health and nutrition
 - Poor education and/or illiteracy
 - Poor housing and social environment, including access to efficient cost-effective energy sources
 - Social exclusion and/or discrimination
 - Vulnerability and insecurity
 - Lack of freedom, empowerment and participation



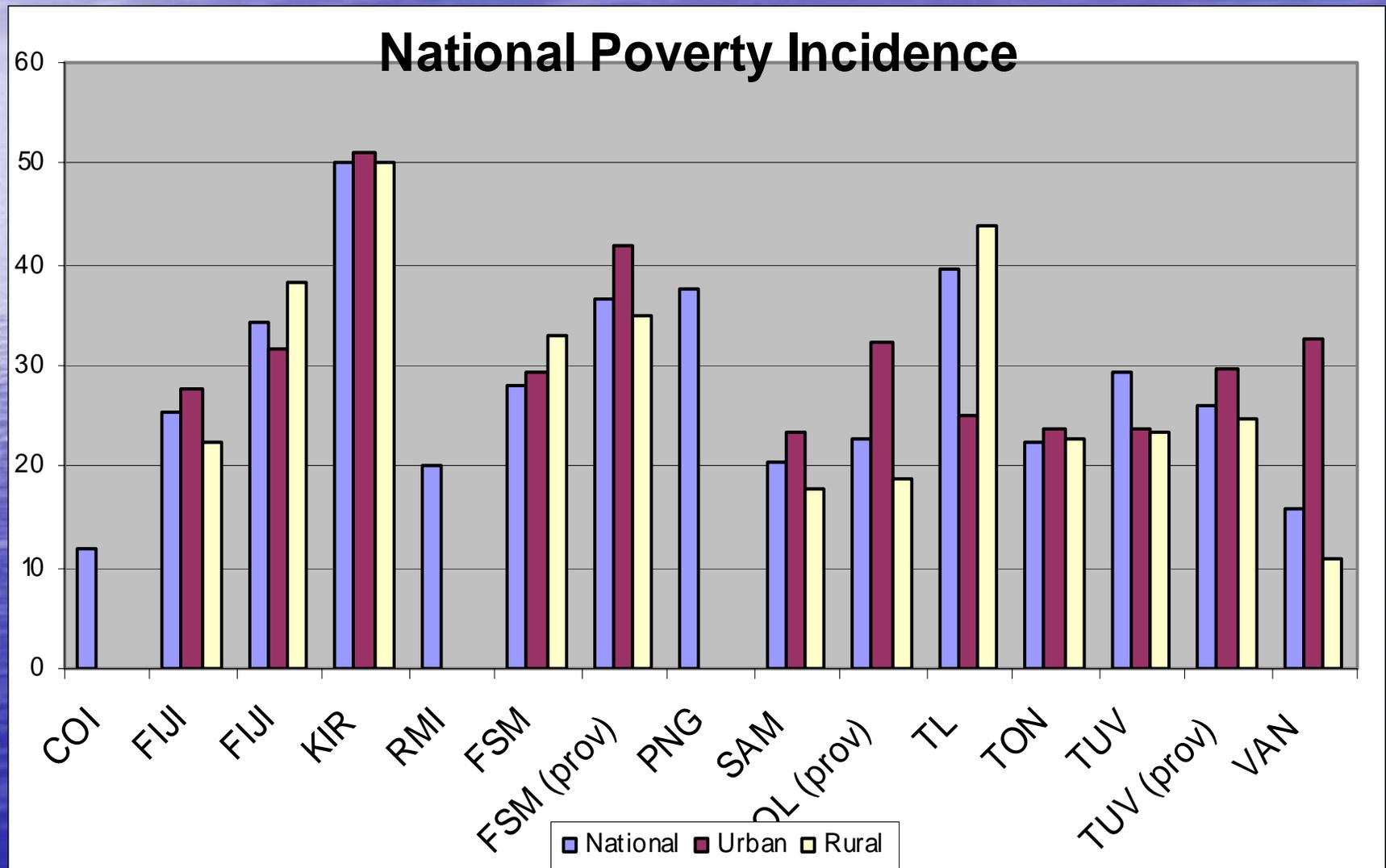
Poverty: A Vicious Circle

- Poverty Can Be Self-perpetuating
 - unemployment or low income leads to a
 - poor diet and frequently
 - poor health resulting in an impaired ability to concentrate or work
 - this results in
 - poor educational attainment and lack of skills
 - these conditions together
 - limit ability to take advantage of opportunities,
 - and lead to
 - unemployment
 - low income
 - social exclusion, and thus
 - perpetuate the cycle
- Pro-poor policies required to break this cycle

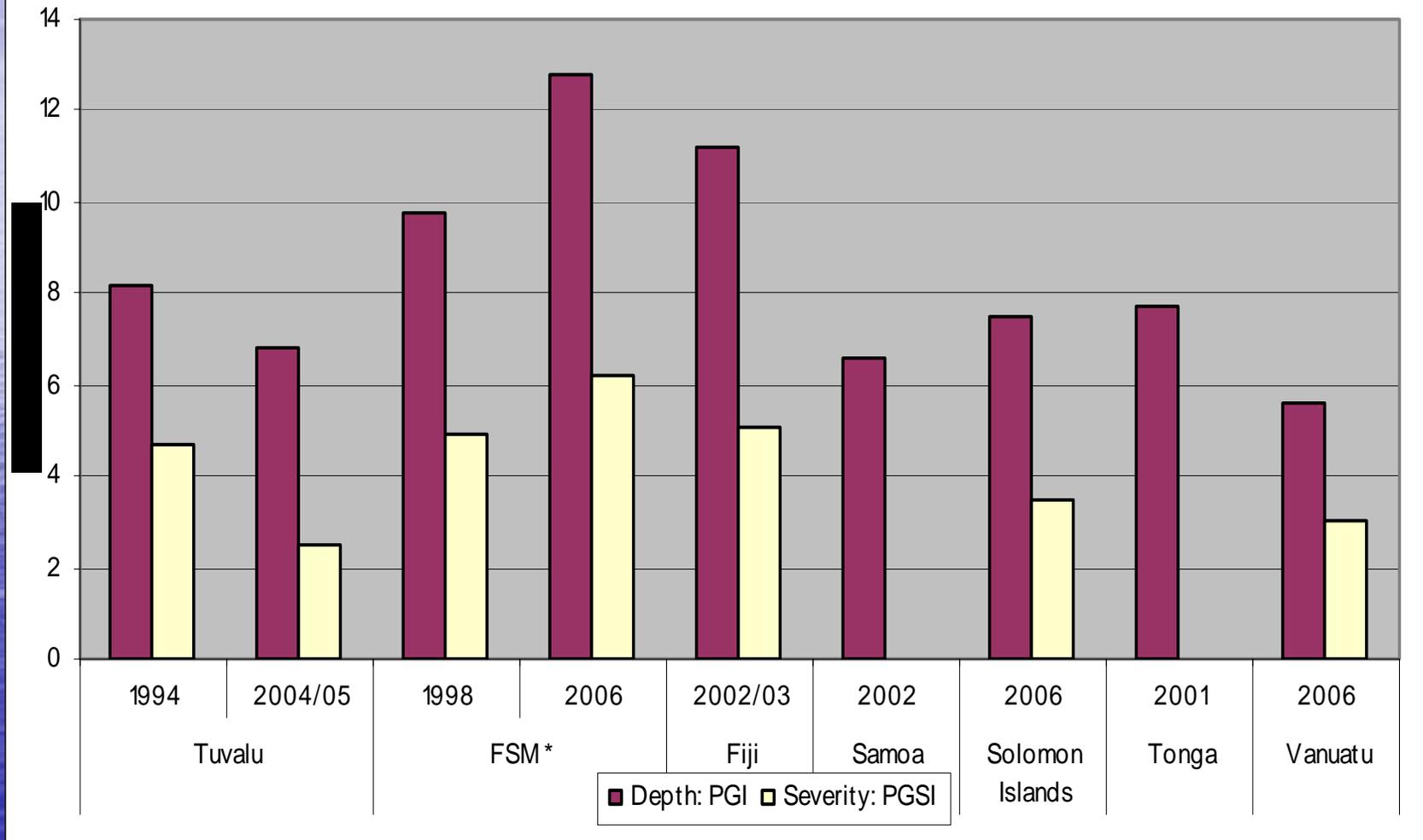
Poverty and Hardship as Policy Focus

- Poverty reduction and Hardship Alleviation are now a primary policy focus:
 - Governments are committed to achieving MDGs
 - Need for better understanding of the extent of poverty and hardship
 - Policy development based on analysis and facts
 - Targeted interventions
 - Measured outputs and outcomes
- Poverty Reduction Strategies and Pro-poor Policies
 - Equitable, pro-poor growth
 - Pro-poor and gender sensitive budgets

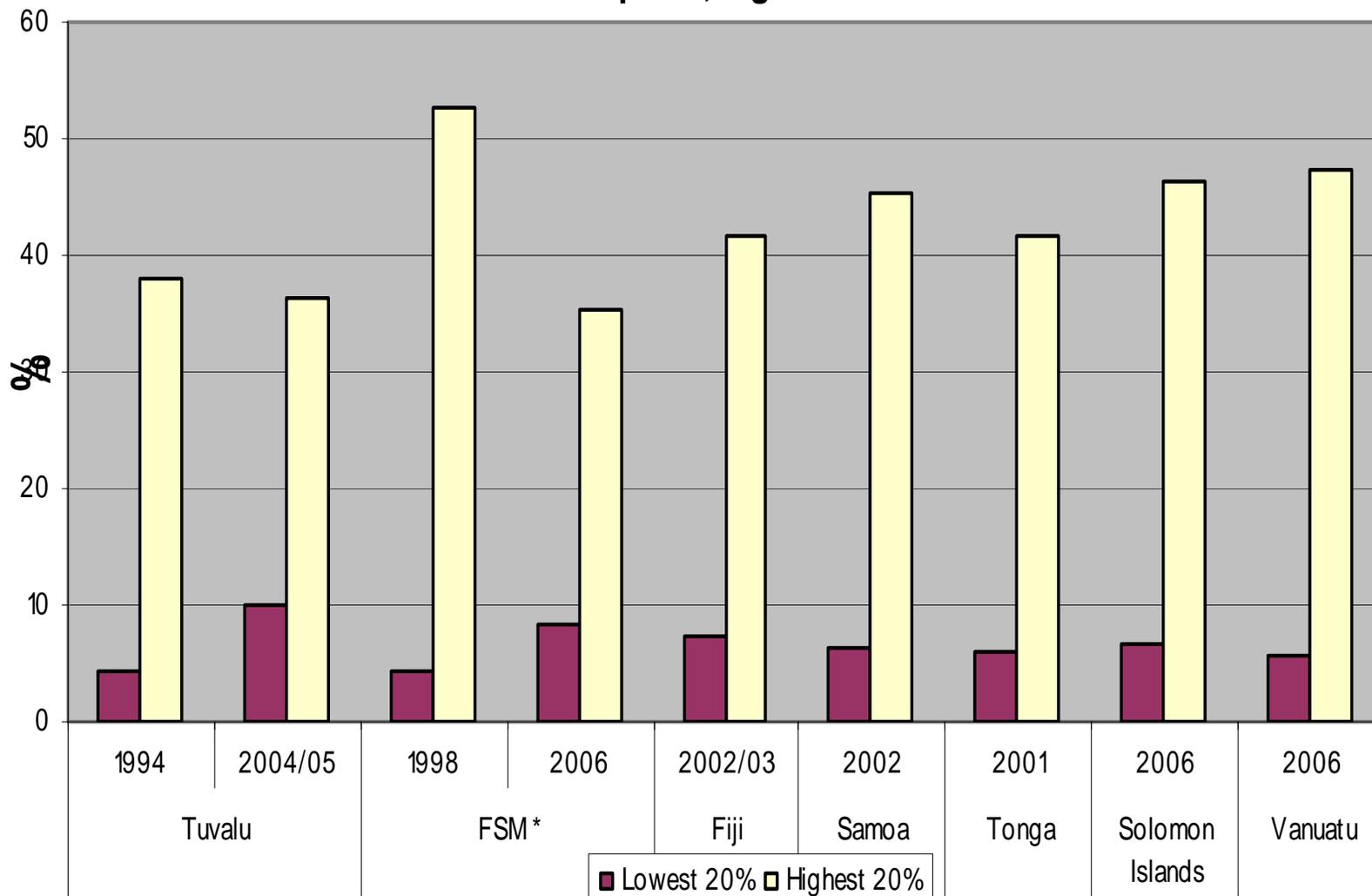
National Poverty Incidence (latest available data, various years)



Depth and Severity of Poverty: Poverty Gap and Squared Poverty Gap Indices



Share of Income/Consumption; Highest and Lowest Quintiles



Summary progress on the MDGs for each PIC

	GOAL 1	GOAL 1	GOAL 2	GOAL 3	GOAL 4	GOAL 5	GOAL 6	GOAL 7	
	poverty reduction	hunger reduction	universal primary education	gender equality in education	reduced child mortality	reduced maternal mortality	reverse major diseases	access to water & sanitation	Unlikely to achieve
Cook Islands	-	-	-			-	-	-	-
Fiji	-							-	2 goals
Kiribati	-				X	-	-		-
Marshall Islands	-	-			X	-	-		-
Micronesia	-	-	-	-		-	-		-
Nauru	-	-			-	-	-	-	-
Niue	-	-			-	-	-		-
Palau	-	-				-	-		-
Papua New Guinea	X		X		X		X	X	8 goals
Samoa	-						-		3 goals
Solomon Islands	-	X	-		X		-	-	-
Tokelau	-	-			-	-	-		-
Tonga	-	-				-	-		-
Tuvalu	-	-			X	-	-		-
Vanuatu	-						-	X	5 goals



On track



Off track



Off track, high negative levels



Lack of data

A photograph of a rural settlement, likely in a tropical region, featuring a river or stream flowing through the center. The banks are lined with lush green vegetation and some simple, modest buildings. The sky is overcast. The text 'Policy Responses for Reducing Hardship and Poverty and Achieving the MDGs' is overlaid in yellow with a black outline.

Policy Responses for Reducing Hardship and Poverty and Achieving the MDGs

Economic and Social Policy Issues 1

- Low rates of economic growth
- Population growth rate > economic growth rate
 - Declining (or stagnant) per capita incomes
 - Changing demographics
- Rising inflation rates (food, fuel & transport)
- Weakening levels of food security
- Private sector policy environment not conducive to investment & employment creation
- Weak fiscal situations and poorly defined budget parameters and priorities
 - Budget allocations are not priority or policy driven
 - Not always (often) linked to national strategies
- Governance standards are often weak

Economic and Social Policy Issues 2

- Standards of basic service delivery are often poor and access not equitable between urban and rural communities
- Weakening of social environment
 - Changing attitudes to traditional roles, customs and responsibilities:
 - Exposure to outside influences including: money, "western values" in social relations, alcohol/drugs, DVD/videos, access to internet, information and knowledge etc
 - Weakening of traditional family discipline and ties
 - Increasing social and domestic tension & GBV
 - Increasing incidence of NCDs and potential for rapid spread of HIV

Economic and Social Policy Issues 3

- Impact of economic reforms
 - Increases in user charges for government services
 - Changes in taxes and tariffs may lead to increases in basic food prices and other “essentials”
- Increasing monetisation of subsistence economies
- Lack of economic opportunity in the outer island/rural areas leads to urban drift/migration
 - Increasing dependency ratios in rural areas
 - Decreasing rural agricultural production
- Urbanisation, deterioration in environmental health and rising social tensions
- Increasing youth unemployment
 - Increasing labour mobility
- Lack of clearly defined pro-poor and sustainable development strategies to address these key issues

What is Pro-Poor Policy

- Pro-poor policy aims to target those who are most disadvantaged, in:
 - Low income/expenditure
 - Lack of economic opportunity or
 - High levels of hardship
- Pro-poor policies will lead to:
 - An increase in the income levels of the poor faster than the average rate of growth in income as a whole
 - A reduction in recorded poverty levels: in terms of MDG 1 or national poverty lines
 - An improvement in other MDG indicators, and
 - An improvement in the HDI and HPI indicators
- MDG Reports and poverty analysis suggest that growth has NOT been pro-poor - or at least not sufficiently pro-poor to be making a real impact on poverty and MDGs

“Good” Pro-poor Policy

- Policy may be pro-poor when:
 - It is labour rather than capital intensive
 - Targets sectors in which the poor/disadvantaged are employed or engaged
 - Rural: agriculture and fisheries
 - Urban: labour intensive sectors including construction, garments & personal services etc
 - It creates income and employment for the poor and disadvantaged:
 - Youth and other unemployed (low-skilled)
 - Women
 - Other disadvantaged groups (elderly, disabled, displaced people, rural/urban migrants)
 - Targeted at individual disadvantaged and poor groups
 - Serves to reduce inequality
- Broad-based economic growth is a necessary but not sufficient condition for poverty reduction

Pro-poor fiscal policy

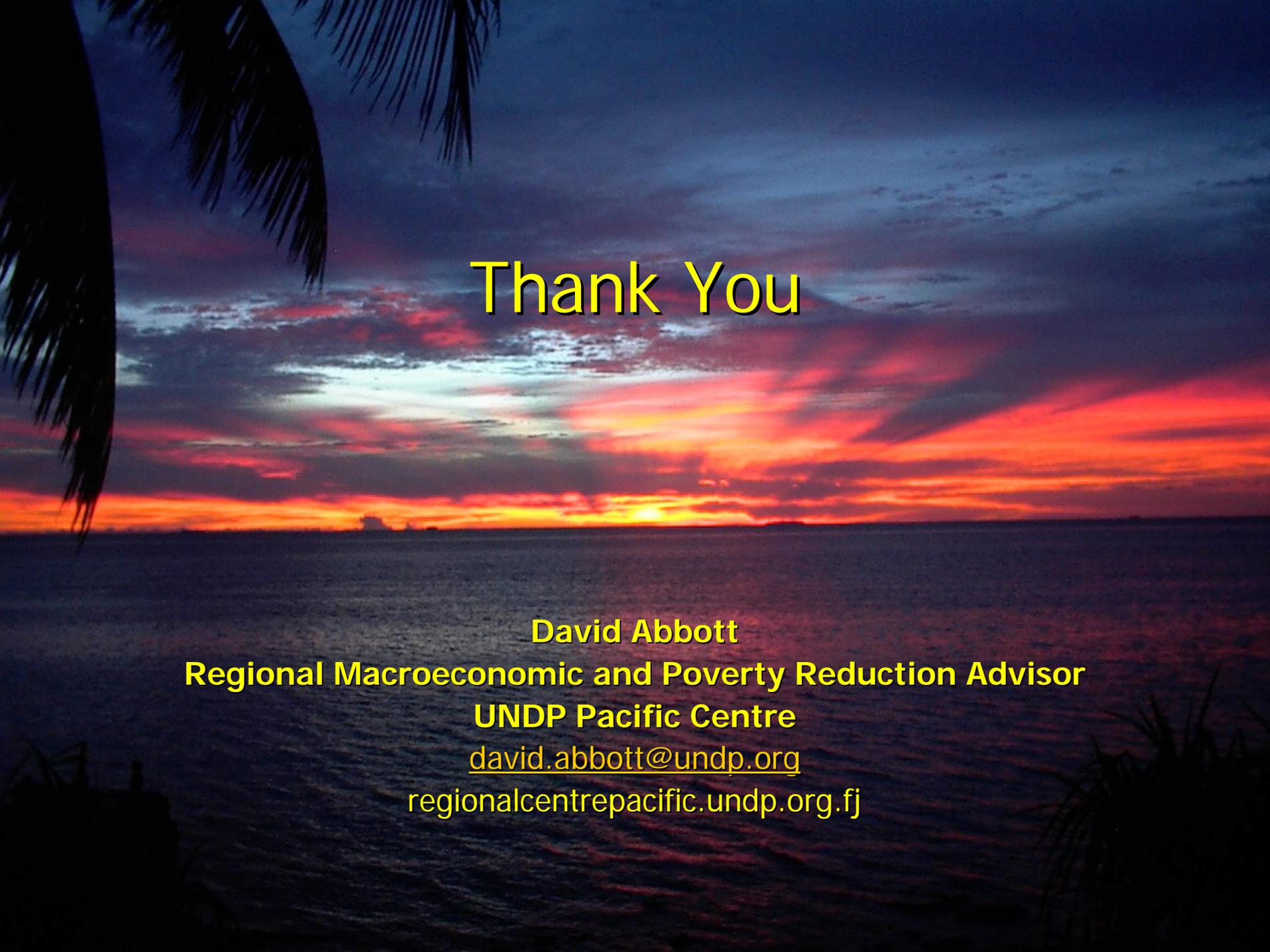
- Tax and tariff policy
 - Non-distorting and non-discretionary tax and tariff regimes
 - Progressive direct taxes
 - Indirect taxes with minimum impact on low income groups
- Transparent budgets
 - Subsidies, hidden and budgeted, all clearly identified and minimized, or targeted at specifically supporting the poor (e.g. welfare payments)
 - Fees and User charges based on “ability to pay”
 - Tax exemptions and other concessions for non-poor removed
 - Resource allocations increased for services used by poor and women including
 - Basic education and health
 - Water and sanitation
 - Rural transport and communications
 - Agricultural extension activities and markets access strengthened

Pro-Poor Policies: Summary

- Growth alone is not enough
- Patterns of growth are important
 - Growth in sectors in which poor are more likely to be involved, agriculture, fisheries, informal & low-skill activities
 - Rural sector must be made more attractive
- Enabling environment for economic opportunities to be created for the poor
 - Land reform and access to land for productive use
 - Access to basic services
 - Access to rural financial services, credit facilities and financial literacy programmes
 - Decentralization, local empowerment and participation
 - Good governance, transparency and accountability
 - Access to transport and markets
 - Access and other support to extension services

Pro-poor Policies: A Virtuous Circle

- The Growth Strategy
 - Creating sound macroeconomic and fiscal policy framework
 - Developing pro-poor, MDG-based, performance oriented budgets
 - Delivering cost-effective, efficient and quality services to all
 - Creating enabling environment for private sector
 - leads to
 - Creation of employment
 - Generation of new economic opportunities
 - Increasing incomes
 - Resulting in
 - Economic growth and reduction of poverty
 - Raising welfare and progress towards MDG achievement and a better life for all

A tropical sunset over the ocean with palm tree silhouettes. The sky is a mix of dark blue, orange, and red, with the sun low on the horizon. The water is dark blue with some ripples. Palm tree fronds are visible in the foreground, some on the left and some on the right.

Thank You

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