




Social protection and economic growth in Pacific Island countries

An emerging evidence base worldwide demonstrates that social protection promotes pro-poor economic growth through a variety of pathways, including: human capital, risk management, livelihoods, women's empowerment, and growth multipliers. The pathways apply equally to the Pacific as to other low and middle income developing countries.

Social protection that improves the health status of poor citizens and encourages improved education outcomes for children and young adults contributes to rising human capital in society as a whole. Interestingly, these effects often occur indirectly. For example, pension incomes have been found to improve the nutrition and school attendance of grandchildren. A transfer such as Samoa's school fee relief scheme – initiated in 2010 – promotes this effect directly. Social transfers (such as pensions, child grants, unemployment benefits etc.) help families manage risk by providing them with a predictable minimum income. This enables them to withstand minor livelihood shocks, prevents the erosion of assets when shocks occur, and makes it more feasible for them to search for jobs away from home (because basic consumption is protected to a degree). An example in the Pacific of a transfer that operates in this way is the Copra Fund Subsidy in Kiribati, which mitigates the risk associated with fluctuations in the copra price for copra growers, many of them living on remote islands. When transfers are given solely or equally to women (such as child grants and pensions) this can empower women socially and redress gender imbalances in economic participation and opportunity. Finally, transfers stimulate demand for goods and services, causing local economic growth outcomes (local multiplier effects).

Social protection is an important complement to economic growth strategies in PICs because they are particularly susceptible to the effects of global downturns due to their size (small domestic markets), isolation (high transportation costs and costly reliance on imported food and fuel), and dependence on foreign demand (trade and tourism). Adverse effects include reduced demand for commodity exports and tourism, increased transportation costs, reduced remittances from citizens working abroad, and inflationary pressures. For example, in Kiribati and Samoa food imports represent 36 and 56 per cent respectively of total food expenditure. Prices of imported food rose sharply during the 2008 food crisis, causing, for example, a 26 per cent price increase in the Solomon Islands. High food and fuel prices caused inflation to reach 18 per cent in the Solomon Islands and 19 per cent in Kiribati in 2008.

In summary, evolving global evidence demonstrates the positive role of social protection in promoting pro-poor and inclusive economic growth through several transmission mechanisms. A review of Pacific island experiences documents the applicability of these lessons for the PICs, in the face of global economic downturns and other shocks. Experience worldwide provides models for alternative social protection responses, which



vary with a country's social and policy context. The choices of some PICs (Kiribati and Samoa) to adopt social transfer programmes (specifically social pensions) highlight one kind of positive social protection response to the global economic downturn. These kinds of interventions are affordable and protect the consumption of the most vulnerable. In addition, the benefits stimulate short-term economic activity and improve resilience in a manner that strengthens prospects for long-term economic growth and development.