




# Poverty, vulnerability and social protection in the Pacific: The role of social transfers

The debate on poverty in the Pacific is influenced by some commonly held beliefs: that the region is mainly rural, that Pacific Islanders enjoy ‘subsistence affluence’, that cash is of little importance in rural areas, and that traditional support networks ensure no-one falls into extreme poverty. However, such views are being challenged. This briefing paper examines the evidence on poverty and vulnerability in the Pacific. It attempts to understand the causes of poverty and assesses whether social transfers—understood as regular and predictable cash transfers such as pensions, child grants, disability benefits and unemployment benefits—could play a role in tackling poverty.

In recent years, a series of household surveys have measured poverty rates across Pacific Island Countries (PICs). There are geographic variations to poverty within countries, although these are not consistent across the Pacific. In the Solomon Islands and Vanuatu, Basic Needs Poverty Line (BNPL) rates are around 32 per cent in the urban areas of Honiara and Port Vila but only 18 per cent and 10 per cent in rural areas. In Kiribati and Samoa, the differences between urban and rural areas are small. In Fiji, however, poverty is concentrated in rural areas, where the BNPL rate is 44 per cent compared with 26 per cent in towns, although the highest levels of poverty are in squatter settlements. Poverty and vulnerability in the Pacific are caused by limited livelihood opportunities, inadequate education and health services, exposure to shocks, weakening traditional support, and declining household access to land and other natural resources.

Social transfers are a policy option for tackling poverty and vulnerability to shocks. A range of formal government financed social transfer schemes operate across PICs. The most common are non-contributory universal pensions providing regular cash to everyone over a certain age. These operate in the Cook Islands, Kiribati, Nauru, Niue, Samoa and Tuvalu, while Fiji recently introduced food vouchers for everyone aged over 70 years. In Kiribati, everyone 67 years of age and over receives a monthly payment; in Samoa, it is everyone over the age of 65. Disability benefits operate in Nauru and the Cook Islands, which also has a grant for children up to 12 years of age. The oldest and largest program in the region—dating back to the 1920s—is Fiji’s Family Assistance Programme (FAP) which provides grants to poor people with disabilities, the elderly, the chronically ill and single parents.

There are indications that these programs are having a positive impact on poverty. Pensions in Kiribati and Samoa reduce the poverty gap in beneficiary households by 19 and 21 per cent, and the national poverty gap by 5 per cent and 9 per cent respectively. But social transfer programs not only affect poverty directly; they can also help children attend and perform better at school, enable families to invest in productive activities and provide an economic stimulus by increasing consumption and demand. This can be particularly significant in outer islands where local economies need a boost. Of course, a challenge for PICs is the cost of social transfer programs. Universal pensions cost 1 per



cent of GDP in Samoa and 0.93 per cent in Kiribati, while the Fiji FAP costs around 0.4 per cent. Governments need to make hard choices between competing priorities in a difficult fiscal environment, while involving citizens in decision making through the electoral process. However, governments interested in tackling poverty and promoting economic growth should seriously consider social transfers as a policy option within a broader social protection framework.