

# Poverty and Pro-poor Policies for Pacific Island Countries

*If inequality is to be reduced, then the patterns of growth are important; growth must occur in the sectors in which the poor and low-income groups are more likely to be involved, namely agriculture, fisheries, construction, personal services, small-scale manufacturing and informal activities.*

By David F. Abbott\*

The Governments and people of the Pacific are faced with what many perceive to be difficult choices between traditions and modernity, affecting customs and culture, lifestyles and the many facets of daily life. Inevitably development and progress mean change. Information, education and travel all introduce new concepts into society, and change threatens traditional values.-

Thus over the generations development and progress must be accepted as dynamic processes. For example, the changes brought about by the introduction of

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religion to Pacific societies in the nineteenth century – now the heart of much of what is accepted as Pacific tradition and custom – were probably far greater than any changes now taking place as a result of current economic and social reforms.

In the modern context, development is leading to an increasing monetization of societies. This tends to result in greater individualism which in turn leads to both a broadening of horizons and a narrowing and weakening of ties among family members. The consequence of this process has been the appearance in many Pacific island countries and territories of rising levels of hardship and poverty, of increasing degrees of inequality, of growing numbers of disadvantaged and marginalized persons.

These changes are manifest in many outer island and rural areas where dependency ratios are rising as more elderly family members are being left to care for grandchildren, when the younger generation move to urban centres. Thus the elderly, while perhaps no longer always being cared for in the traditional Pacific way, are now becoming increasingly burdened with additional responsibilities. It is also seen in the attitude of young people who are no longer generally satisfied with the prospect of a traditional Pacific subsistence lifestyle.

In short, the Pacific region appears to be experiencing increasing levels of hardship and poverty and a marginalization of vulnerable groups. National development strategies aiming at alleviating hardship and poverty through the achievement of the Millennium Development Goals (MDGs) need to recognize these dynamics.

Thus while many countries and areas in the Asian and Pacific region, led by high growth rates in India and China and relatively strong performance in other parts of South-East Asia, have made substantial progress towards achieving the MDGs and have improved levels of human development, many others are lagging behind and struggling to achieve the Goals, including many in the Pacific region. In general progress towards achieving the MDGs, and consequently improved levels of human development, has been uneven in the Pacific.

Although the latest Human Development Report (UNDP, 2007) provides data on only six Pacific island countries, it ranks Tonga and Samoa as being 55<sup>th</sup> and 77<sup>th</sup> (of 177 countries) in the Human Development Index (HDI). Fiji, ranked 92<sup>nd</sup> in the HDI, is ranked 50<sup>th</sup> (of 108) in terms of its Human Poverty Index (HPI). The three Melanesian countries of Vanuatu, Solomon Islands and Papua New Guinea are ranked 120, 129 and 145, respectively in the HDI and 56, 53 and 90, respectively in the HPI.

Although generalizations can be misleading given the diversity of Pacific island countries' situation, the overall trend is that the Polynesian countries have been performing relatively well, the Micronesian countries of the north Pacific have been struggling to maintain gains already made, while Melanesian countries, notably those that have been impacted by natural disasters or where there has been conflict or civil/political tension, a reversal of earlier development progress is being witnessed. The result is that many countries in the Pacific are off-track to achieve at least five or more of the eight Millennium Development Goals.

Weak fiscal situations, the impact of global externalities, concern over the future impact of climate change, and high levels of domestic rural/urban migration are all factors which are adversely affecting the ability and commitment of Governments in the Pacific to implement the policy initiatives necessary to realize significant achievements towards the Millennium Development Goals.

Indeed the impact of oil price rises, climate change and demography, including the consequences of labour mobility and the growing threat of HIV/AIDS, are having profound affects on the likely long-term sustainability of some small island States. These issues therefore set very challenging policy agendas for human development in the Pacific islands.

### **Economic performance**

In economic terms, growth rates in Pacific island countries have been generally low (3.3 per cent in 2006, with a forecast of 3.4 per cent in 2007, *Asian Development Outlook*, table 1) and, even when seemingly good as in Papua New Guinea riding the commodity boom, have not resulted in any noticeable reductions in poverty or inequality. In some countries, although the data may not be very robust, it would even seem that poverty and inequality have been increasing, with significant variations both within and between countries.

Although high commodity prices and other external conditions have all impacted largely negatively on the economies of the Pacific island countries, Papua New Guinea being the exception, growth has in large part, been constrained primarily by domestic factors. These include political instability, poor macro-economic management, corruption, poor governance, and a lack of will to implement much needed public sector and public enterprise reforms. Many such reforms, particularly in making the investment and regulatory environment more transparent for private sector growth and investment, and thus broadly pro-poor in likely outcome, would yield significant economic growth and poverty reducing gains at a minimum cost to the Governments in terms of foregone revenues or

up-front financial costs. Indeed Governments would ultimately gain significantly from greater tax revenues from new investments and employment creation.

Economic activity is increasingly becoming concentrated in urban centres. For example, recent work in Samoa suggested that some 70 per cent of GDP was being generated in the greater Apia area (ADB, 2001). It is perhaps little wonder then that many of those in the rural areas are migrating to the urban centres, hoping that they will be able to participate more fully in the formal economic activities of the country.

It is clear therefore that to date economic policies and growth strategies have not yielded the desired levels of pro-poor growth. Many countries are having difficulty balancing competing national priorities with severe resource constraints. Countries are struggling to enhance the effectiveness of limited, and in some cases, diminishing aid resources towards the achievement of better development outcomes. Therefore a much stronger pro-poor policy focus and commitment is required if progress is to be achieved.

**Table 1. GDP growth in Pacific island countries and territories**

Country/territory	2004	2005	2006	2007*
Cook Islands	3.1	2.7	0.8	2.5
Fiji	4.1	1.7	3.4	- 3.1
Kiribati	3.3	0.3	1.1	1.0
Micronesia (Federated States of )	-3.8	1.0	0.7	1.0
Nauru	-	-	-	-
Niue	-	-	-	-
Palau	4.9	5.5	5.7	5.5
Papua New Guinea	2.9	3.0	2.6	5.2
Marshall Islands	0.4	3.5	1.3	2.5
Samoa	3.7	5.5	2.6	3.1
Solomon Islands	4.5	4.4	6.1	6.3
Tonga	1.6	2.5	0.7	- 3.5
Tuvalu	4.0	2.0	3.0	2.5
Vanuatu	4.2	3.1	5.5	4.7
<b>Average</b>	<b>3.1</b>	<b>2.7</b>	<b>2.6</b>	<b>3.4</b>

Source: ADB, *Asian Development Outlook 2007 Update*.

Note: \* Excluding Nauru and Niue, for whom GDP information was not available but including data from Timor-Leste.

Thus the future success of the region in achieving sustainable improvements in human development depends in large measure on more focused pro-poor policies, as well as more employment and growth-oriented strategies, being implemented with greater vigour and commitment.

The causes of the poor economic performance in the region provide the rationale not only for the development of better overall growth policies, but more specifically, pro-poor policies which will help those who are increasingly being left behind by the uneven distribution of the growth which is taking place.

### **Poverty in the Pacific**

Until recently, poverty had not been considered as a serious issue in most countries of the region. Pacific societies have long been seen as traditional, caring for their family, clan or community through a culture of sharing, resulting in the continuing belief that poverty cannot and should not be a part of life. The suggestion that there might be poverty in some form is not, therefore, something that many Governments or people in the region have been prepared to accept. Indeed, the usual images of poverty with starving children, landless peasants, and men and women toiling with ox ploughs, do not generally spring to mind in relation to the Pacific. While Pacific island people might not be well off in financial or material terms, their strong family and community ties have traditionally provided social safety nets for the most disadvantaged and vulnerable.

Therefore, poverty in the Pacific island context does not generally mean hunger or destitution, but rather the continuous struggle to meet essential daily/weekly living expenses, particularly those requiring cash payments. Families constantly have to make choices between the competing demands for household expenditure and the limited availability of cash income to meet that expenditure; trade-offs are made between one bill and another, food or fees. Households deemed to be experiencing basic needs poverty are therefore facing hardship on a daily basis. They struggle to pay bills, and to purchase adequate and suitably nutritious food, regularly borrowing from “loan-sharks” who charge very high rates of interest for small unsecured loans in order to meet family commitments and community obligations. They are thus frequently, and occasionally constantly, in debt.

The latest available national poverty estimates suggest that overall, approximately one-in-four households across the region has a per capita income below the respective national poverty line (see table 2).

The figures also suggest that, with a couple of exceptions, hardship and poverty are equally felt by urban and rural families alike. This contrasts with most

other developing countries in the Asian and Pacific region where rural poverty tends to be higher than that experienced in urban centres. It suggests that whilst on the one hand the traditional subsistence lifestyle of the Pacific helps to underpin a minimum standard of living in the rural areas, the lack of overall economic growth in the economy as a whole and the urban areas in particular (a feature of most urban centres in Asia), is not enabling urban dwellers to improve their standards of living above the basic minimum.

**Table 2. National basic needs poverty incidence: head count indices**

Country	Population below national basic needs poverty line (percentage)			Data source
	National	Urban	Rural	
Cook Islands	12.0	na	na	1998 HIES
Fiji	25.5	27.6	22.4	1990/1991 HIES
Fiji	34.4	31.8	38.1	2002/2003 HIES
Kiribati	50.0	51.0	50.0	1996 HIES
Marshall Islands	20.0	na	na	1999 Census
Federated States of Micronesia	27.9	29.5	32.9	1998 HIES
Federated States of Micronesia (provisional)	36.7	42.0	35.0	2005 HIES
Papua New Guinea	37.5	na	na	1996 HIES
Samoa	20.3	23.3	17.9	2002 HIES
Solomon Islands (provisional)	22.7	32.2	18.8	2005/2006 HIES
Timor-Leste	39.7	25.0	44.0	2001 TLSS
Tonga	22.3	23.6	22.8	2002 HIES
Tuvalu	29.3	23.7	23.4	1994 HIES
Tuvalu (provisional)	25.9	29.8	24.7	2005 HIES
Vanuatu	40.0	na	na	1998 HIES

*Source:* ADB (2004a) and UNDP estimates.

Urban drift, leading to higher levels of unemployment and growing numbers of people living in squatter settlements and sub-standard housing conditions, result in a deteriorating social environment. Many of the poor live in low-quality housing without proper access to water, sanitation and other basic services. Poor housing conditions lead to poor health, poor employment prospects, and poor education

attainment. Children frequently miss school through ill-health or because school fees have not been paid. Adults are frequently poorly educated and thus unable to get anything but the lowest-paid and often casual employment, if such employment is even available. The cycle of poverty can therefore be perpetuated.

Increasing urbanization is placing ever greater burdens on urban infrastructure, basic services and environmental health. Greater resource allocation is necessary to meet the demands of the urban areas. As a consequence, there is growing inequity in access to basic services between the urban and rural areas, thus further exacerbating the desire to move to wherever services are perceived to be better.

Weak fiscal situations and poorly defined budget priorities compound the problems. Budget allocations are not necessarily responsive to the needs of the poorest and most disadvantaged; they are not focused on the need to achieve the Millennium Development targets at the aggregate level. Rarely are the budgets directly linked even to the national development strategies.

It has been argued (see for example ADB, 2004a, 2004f and 2005) that declining governance standards are also contributing to poor economic and MDG performance. High rates of population growth, particularly in the Melanesian and some Micronesian countries, make it more difficult to achieve real per capita increases in income, also putting pressure on government budgets. The increasing proportion of youth in the populations of many countries is leading to weakening in the overall social environment.

Lack of employment opportunities and in particular increasing youth unemployment, together with the growing numbers of people engaged in temporary labour mobility, both domestically and internationally, are becoming critical human development policy issues for many countries. The agenda of decent work for all is therefore very relevant to the Pacific region. The positive and negative impacts particularly on those, often the elderly, women and children, left behind in both rural and urban environments, is adding to the complexity of modernizing and monetizing Pacific island countries and meeting the human development needs of the most vulnerable.

Many disadvantaged groups do not have access to basic services such as telephone, electricity, financial services and basic goods. Lack of access to markets and poor knowledge of finance further marginalizes income opportunities for rural communities. Geographic impediments, inefficient state-owned enterprises and state-supported monopolies have historically obstructed the private sector from delivering services effectively, particularly in the rural areas.

The increasing prevalence of HIV/AIDS is now a significant human development challenge for an increasing number of Pacific island countries (see the article by Geoffrey Hayes in this same issue of the *Asia-Pacific Population Journal*). While most Pacific island countries have National Strategic HIV/AIDS plans and structures already in place, many of these plans are not costed and HIV/AIDS is not fully integrated in the overall development agenda. This is an area in which those countries will need support so as to integrate HIV/AIDS into their National Sustainable Development Strategies and work out appropriate financing strategies. Solid analysis, sharing of experience and policy options are required to convince policy makers and leaders that the epidemic requires more attention, pragmatism and resources if a human development disaster is to be averted. Efforts towards education and prevention need to continue in the face of increasing risks and rising HIV prevalence rates. Pacific island countries need to be further supported in their multisectoral response to include national leadership towards the epidemic, promote confidential and voluntary testing and counselling, provide universal access to treatment for those affected and infected, and address the stigma and discrimination often associated with the epidemic through rights-based responses.

Notwithstanding the lack of substantive progress towards their achievement, many Pacific island countries and territories are now increasingly taking the Millennium Development Goals, localized where necessary, as core policy targets and are keen to integrate these Goals into national strategies, both as goals and performance indicators. While some notable progress is being made on MDG reporting, countries have yet to recognize the implicit linkages existing between the MDGs, national and sectoral planning and budget instruments, the Mauritius Strategy, the Pacific Plan and other frameworks, including those pertaining to rights-based issues.

### **Poverty and monetization**

A critical factor in the poverty/hardship equation has been the increasing monetization of Pacific island societies. Many tend to blame this on increasing globalization and trade liberalization, but the reality is that this process is likely to continue at an accelerating pace. The Pacific region cannot escape this trend. As Domingo recently commented,<sup>1</sup> “Very soon, no corner of the world, no matter how remote, how backward, and how pristine, can remain as an isolated economic island. As economic, social, and political barriers and boundaries come down, the playing field will be further opened and leveled by powerful technologies that have become more available, accessible, affordable, installable, and portable”. The challenge for Governments is to minimize the adverse impacts of these global



linkages on the poor and most disadvantaged and to maximize the positive benefits for the economies as a whole.

Monetization and globalization are not, however, the underlying causes of growing poverty and hardship. They are, rather, the inevitable consequences of development promoted by international agencies and desired by Governments and people alike. They must be seen as presenting opportunities as well as challenges. National strategies need to be developed to meet those challenges and to take advantage of those opportunities.

Fiscal policy and broader economic reforms are themselves contributing to the increasing monetization of Pacific island economies and the consequent pressure on household finances; thus the economic reforms are in many cases contributing directly to the increasing levels of hardship and poverty that are reportedly being experienced by many households.

Of course the monetization of traditional, subsistence-based societies brings with it changes that are often uncomfortable (for a detailed discussion, see ADB, 2002). How is this happening? Increases in user charges for government services, particularly for health and education place particular burdens on low-income households. Even where education is nominally free, there are frequently additional costs now imposed by schools for books, materials, and building and maintenance funds, often as a result in funding cut-backs or simply lack of resources from national budgets. Introducing improved transport and communication services raises demand and the need to pay for them. Promoting the private sector increases the availability of goods and services and also the need for money with which to purchase them.

Changes in taxes and tariffs and the introduction of broad-based consumption (or value-added) taxes are frequently regressive for low-income households unless there are specific exemptions for basic foodstuffs and other “essentials”. Can the poor afford to pay? Where incomes are lowest and/or opportunities for employment or other income generation are limited there will be a tendency to migrate where opportunities are perceived to be greater. If this leads to rural depopulation, increasing dependency and a reduction in rural production or productivity, the situation becomes a self-feeding spiral.

The ratio of broad money supply (M2) to GDP in selected Pacific island countries is shown in table 3. In many countries, notably Kiribati, the Marshall Islands, Solomon Islands and Tonga, the ratio rose significantly in the period 1990-2002. In Samoa, the ratio fell in the early 1990s as the economy was hit by the cyclones of 1990 and 1991, the taro blight of 1993, and the financial crisis of the

national airline in 1994-1995. However, since 1995, the ratio has risen again as economic and public sector reforms have stimulated growth. Solomon Islands saw a decline in the ratio during the tensions of the turn of the century, but the ratio has climbed steadily as the recovery programme has progressed. Similarly, Fiji appears to have experienced a decline in the ratio after the 2000 coup, but again the ratio increased as the economy recovered through 2006.

The result of this monetization is that now even families in the most remote rural or outer island villages have to find cash for everyday needs, be it for school fees, utilities, newly essential store goods, social obligations, or church donations. Where social obligations could once have been met with woven-mats, traditional food, or other home-produced items, now there is an ever-increasing need to make cash or purchased contributions. All these add to the financial burdens experienced by families and consequently to their need for economic opportunities.

**Table 3. Increasing monetization: money supply (M2) in percentage of GDP**

Country	1990	1995	2002	2005	2006
Cook Islands	47.9	34.2	45.3	43.9	na
Fiji	50.9	55.0	39.3	44.2	na
Kiribati	na	51.1	71.2	na	na
Marshall Islands	na	46.3	71.8	na	na
Micronesia (Federated States of)	na	46.8	34.0	na	na
Papua New Guinea	35.2	29.7	30.6	33.0	40.8
Samoa	46.8	33.9	37.4	41.0	43.1
Solomon Islands	26.9	30.5	27.1	37.1	40.9
Tonga	27.0	31.5	40.6	47.3	47.8
Tuvalu	100.2	81.4	82.6	na	na
Vanuatu	104.1	111.5	109.6	105.9	103.4

The traditional flows of remittances, both factor incomes and unrequited transfers, into some countries (particularly Kiribati, Samoa, Tonga and Tuvalu) together with the increasing flows now being generated for Fiji from the global security industry, are giving rise to what many of the respondents in recent participatory assessments of hardship (PAH) termed laziness or over-dependence on others. This “easy money” was perceived by many to be a disincentive for young people to actively look for work. In Tonga and Tuvalu, remittances

equivalent to 48 per cent and 38 per cent of GDP in 2002, respectively were the most important source of foreign exchange revenues and a very important source of income for many families. In Kiribati and Samoa, where remittances were equivalent to 12 per cent of GDP in 2001 and 21 per cent of GDP in 2002, respectively, this source of income was also extremely important to many individual households. The recently introduced “Approved Contractor Scheme” enabling Pacific nationals to take up temporary work opportunities in New Zealand will add to the remittance flow.

Building financial literacy skills and providing financial services to those who were previously not in the formal cash economy is essential if the benefits of remittances are not to be wasted. The inclusion of entrepreneurship teaching in schools is another initiative that would assist young people to be better equipped for a monetized future.<sup>2</sup>

### **Youth unemployment: a critical poverty issue**

One of the difficulties in defining the extent of unemployment in island societies is that in official terms a person active in the subsistence economy is classed as being economically active and thus “employed” in the official ILO definition<sup>3</sup> can also claim to be “unemployed” in that he/she is seeking work in the formal economy. It is in this category that young people working in the village/subsistence environment are often deemed to be the “unemployed” in the sense that they do not have formal jobs, but are actually employed according to the official definitions.

For example, in their recent national censuses, Kiribati, Samoa, and Vanuatu all reported relatively low levels of youth unemployment but high rates of youth engaged in unpaid family activities or being not economically active. By contrast, the Marshall Islands and Federated States of Micronesia both reported high levels of unemployment, i.e., over 60 per cent and 35 per cent, respectively. In Micronesia, the rate was reported as 50 per cent in Chuuk, the largest state.

The scale of the potential youth unemployment problem can be gauged from education, employment, and census data that suggest that in general only around one fourth to one third of all those finishing school will likely be able to find regular work in the formal sector. Youth unemployment, however we care to define it, is therefore one of the most critical issues facing Governments of the Pacific region.

With increasing urbanization, the core of genuinely unemployed youth is certainly growing, particularly among those young people who have come to urban

centres for education and have failed to find work after finishing or quitting school (drop-outs and push-outs). Traditionally, those who could not find work in the formal sector would have been returned to the village and become economically active in rural agriculture or fishing, either for home consumption or for sale in the local market. They were unemployed in the sense of not having a formal job though willing to take work if it were available, but they nevertheless actively contributed to national output. This may no longer be the norm.

In recent years there has been a change in attitudes towards subsistence or traditional agriculture as a preferred lifestyle choice (or even an accepted inevitability). Rising rural dependency ratios and declining populations in some of the remoter regions of many countries provide evidence to support this. Although it may be true that some young people are “taking life easy” on the back of remittances, there are, nonetheless, many others who are un- or under-employed and therefore becoming a serious policy concern for Governments.

Youth are frequently reluctant to return to the traditional village environment because they have less freedom. Many prefer to have low-paid urban work, but which at least gives them cash for themselves. In the village, situation they would work as unpaid family workers and would be reliant on occasional ad-hoc cash payments from relatives. Many others perhaps prefer to be unemployed in urban centres and live off relatives, thus placing an additional burden on their families. Hanging around urban areas, drifting into petty crime, drugs, and alcohol, these young people are the social problems of today and the poor of tomorrow. Their contribution to national output is now probably negative. Rural safety nets are threatened; urban safety nets frequently do not exist.

Many of these young people are experiencing changed attitudes to traditional roles and responsibilities; for example the exposure to “outside influences” including cash, “western values” and mores in social relations; the easier availability of alcohol and drugs, access to DVD/videos and television programmes showing antisocial behaviour that many then take to be the norm. On the more positive side, access to information and knowledge through the internet is providing greater opportunities for understanding the place of the Pacific in the global context.

Cumulatively however, these influences are perceived to be leading to a weakening in traditional family ties and discipline within the family environment; this may be especially true where children live away from their parents with relatives in order to attend school or when they drift to the urban centres in search of work and join the growing numbers of unemployed youth. In the wider context,

there are increasing concerns for the impact on social cohesion and the increase in domestic tensions and violence within households.

In the participatory assessments which were conducted by the Asian Development Bank in nine Pacific island countries over 2001-2005, the people and the youth themselves were fully aware of the dangers. They placed high priority on the need for more organized youth facilities and activities and for acquiring more technical skills. They also placed high priority on the creation of new jobs or economic opportunities to actively engage the growing numbers of young people in the formal economy and to give them opportunities for advancement.

The youth unemployment figures and the annual gap between the number of graduates and the number of new jobs point to several policy issues. One option is to broaden the employment base by creating more low-paid, low-skilled employment in agriculture, tourism, or industry to enable households to increase the number of employed persons; another option is to deepen the employment base by strengthening vocational and technical training to raise skill levels so more young people have the skills and knowledge to create their own enterprises or could move to higher-skilled, higher-paid employment. This is becoming an increasingly important issue with the growing availability of opportunities for working overseas on temporary labour schemes. In reality, the preferred choice would likely be a combination of broadening and deepening the employment base to satisfy both needs.

### **Pro-poor policies**

Poverty reduction and hardship alleviation interventions aimed at pro-poor growth and achieving the Millennium Development Goals need to be adapted to particular circumstances, with due attention paid to the identified priorities and needs of those who are most disadvantaged. A one-size-fits-all policy approach needs to be avoided. A stronger, more consultative and participatory conceptual framework for setting and implementing development priorities and strategies that will help to achieve the Millennium Development Goals is needed.

Within this complex environment the need for more clearly defined pro-poor policies and development strategies linked to adequate resource allocation to address the critical issues is clear.

Within the broad policy context described in the earlier paragraphs, the characteristics of the policy measures which might deliver pro-poor growth can be broadly summarized as follows in terms of target beneficiaries and impacts;

- Labour rather than capital intensive; policy should aim to utilize a nation's most abundant and under-utilized resources, its people; unemployment, especially youth unemployment, is one of the most significant policy issues for all Pacific island countries, addressing this is critical if poverty reduction and hardship alleviation is to be realized.
- Target assets which the poor possess; in the Pacific almost everyone in the rural areas has access to land and/or marine resources; those in the urban centres have their labour; thus policies which are pro-poor would aim to improve the productivity and economic opportunities offered for the sustainable utilization of the land and marine resources by the rural poor; and in the urban centres would seek to create an environment in which new employment and economic opportunities for the often low or unskilled labour that constitute the majority of the urban poor.
- Target sectors in which the poor are employed or engaged; employment and household income and expenditure surveys all suggest that the poor are more likely to be engaged in agriculture and fishing (and subsistence cropping generally), construction, garment-making, other small-scale manufacturing industries and in personal services.
- Create 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); what is required are policies that both increase the number of employment opportunities as well as increasing productivity

### **Box 1**

#### **Patterns of growth are important**

- Growth in sectors in which poor are more likely to be involved, agriculture, fisheries, construction, retailing, small-scale manufacturing, personal services and informal activities
- Rural sector must be made more attractive

#### **Key issues for creating an enabling environment for economic opportunities to be created for the poor**

- Access to resources and assets
- Access to basic services
- Access to rural financial services, credit facilities and financial literacy programmes
- Decentralization, local empowerment and participation
- Good governance
- Land reform
- Access to transport and markets
- Access and other support to extension services

and the level of real incomes for the lowest paid such that they can be raised from “working poverty”

- Target areas where poor live (urban or rural); this criteria adds the spatial dimension the targeting of pro-poor policies
- Reduce inequality; and
- Maintain competitive prices for the products that the poor produce and for the essentials which they need to purchase; this means ensuring a competitive external exchange rate and a progressive domestic tax structure.

Growth is a necessary but not sufficient condition for poverty reduction. If inequality is to be reduced, then the patterns of growth are important; as already noted growth must occur in the sectors in which the poor and low-income groups are more likely to be involved, namely agriculture, fisheries, construction, personal services, small-scale manufacturing and informal activities. The rural sector in particular must be made more attractive.

Low incomes, hardship and poverty can be self-perpetuating and there is much evidence to suggest that these conditions, the vicious circle of self-perpetuating poverty can persist across generations; a household with a low income often has a poor diet, this can lead to poor health and an impaired ability to concentrate. As a result, children in low-income household are less likely to be able to maximize the benefits of any schooling that might be available, resulting in poor educational attainment and lack of skills. These conditions limit ability to take advantage of opportunities, and lead to unemployment, low income, social exclusion, and thus the cycle is perpetuated. Pro-poor and inclusive policies are required to break this cycle.

## Endnotes

1. Surviving globalization, Rene P. Domingo, Professor, Asian Institute of Management, Businessworldonline.com, Manila, Philippines, Monday, 21 June 2004.
2. United Nations Development Programme (UNDP) continues to support programmes for financial inclusion and entrepreneurship development in schools.
3. Unpaid family workers are deemed to be employed if they work at least one third of the normal working hours.

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