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SOCIAL POLICY IN A POST-CRISIS CONTEXT OF SMALL ISLAND DEVELOPING STATES: A SYNTHESIS

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Social Policy in the post- crisis context of Small Island Developing States: *A Synthesis*

Inclusive growth in the context of SIDS must be addressed within a framework of vulnerability and resilience, at both the macro and the micro levels. The transmission and dispersion of impacts from international events occurs quickly and perhaps more significantly in SIDS than in other countries. This paper seeks to identify potential options for SIDS which will foster resilient and sustainable growth with benefits for all in society.

February 5, 2010

by Leisa Perch and Rathin Roy

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Glossary of Acronyms

ADB – Asia Development Bank

CPA – Country Poverty Assessment

CGCED – Caribbean Group for Cooperation in Economic Development

BNPL – Basic Needs Poverty Line

ECCB – Eastern Caribbean Central Bank

ECCU – Eastern Caribbean Currency Union

FGD – Focus Group Discussions

GEF – Global Environmental Facility

FHH – Female-headed Household

HIES – Household Income and Expenditure Survey

HH – Head of Household

HIPC – Heavily Indebted Poor Country

HIV/AIDS – Human immunodeficiency virus/Acquired Immune Deficiency Syndrome

IPCC – Inter-government Panel on Climate Change

MICs – Middle Income Countries

MHH – Male-Headed Household

OECS – Organization of Eastern Caribbean States

PICs – Pacific Island Countries

PRSP – Poverty Reduction Strategy Paper

PRS – Poverty Reduction Strategies

PLHIV – Persons Living with HIV and or AIDS

PSIA – Poverty and Social Impact Analysis

PWDs – Persons with Disabilities

SIDS – Small Island Developing States

SIDSNET – SIDS Network

SIDS/POA – SIDS Plan of Action

SOPAC – Pacific Islands Applied Geo-science Commission

STDs – Sexually Transmitted Diseases

UNDP – United Nations Development Programme

UNESCAP – United Nations Economic and Social Commission for Asia and the Pacific

UNICEF – United Nations Children Fund

UNRISD – United Nations Research Institute for Social Development

WTO – World Trade Organization

WTTC – World Travel and Tourism Council

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Social Policy in the post-crisis context of SIDS: A Synthesis

by Ms. Leisa Perch¹ and Dr. Rathin Roy², IPC-IG

**Prepared for the Pacific Conference on the *Human Face* of the Global Economic Crisis
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(I) INTRODUCTION

This paper provides a synthesis view of the multifaceted impact of the global economic crisis on the SIDS, focusing on the Pacific and Caribbean regions. It shows that the social investment agenda, which has underpinned so much of the development progress of SIDS, has been particularly challenged by the Global Economic crisis and will require innovations and policy changes by SIDS in order to sustain and advance beyond current achievements. Global action will be required to enhance the available fiscal space for these actions. In addition, particular attention needs to be paid in the SIDS context to the design and implementation of social policies that reduce vulnerability, improve resilience to exogenous shocks and thus lower the human and productivity costs of the consequence of exposure to repeated exogenous shocks. These include high unemployment and underemployment, rising crime and persistent inequalities across income groups and between rural and urban communities. The transitive effects of exogenous shocks on the incomes, food security and access to basic public goods of poor and vulnerable households demonstrate the need for a new policy approach, one which lends itself better to increasing the resilience of SIDS to future exogenous shocks than is presently the case. The synthesis, based largely on experiences and lessons learnt from five countries from

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the Pacific³ and five in the Caribbean, seeks to advocate a “paradigm shift” in the approaches at the global and national level to the development cont

(II) SMALL ISLAND DEVELOPING STATES IN GLOBAL CONTEXT

Small Island Developing States first received global attention as a mini-lateral grouping in the mid 1990s when the first international conference was held in Barbados to focus on their specific development issues and challenges. The outcome was The Barbados Plan of Action for the Sustainable Development of Small Island Developing States. The most recent global strategic document on SIDS is the [Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of SIDS](#). The theme underlying both these strategies is that small islands share characteristics that make them economically, environmentally and socially vulnerable to external shocks over which they exercise little or no control, placing them at a distinct disadvantage.⁴ Hence, the metric by which these states are viewed within the development community and in international negotiations needs to take account of these characteristics. The strategies in both documents details who this may be done.

The special circumstances of SIDS have also been recognized in different ways by the international community, most significantly the United Nations system. The United Nations has established a specific SIDS unit within the United Nations Department of Social Affairs and also facilitating reporting and monitoring of the Barbados Plan of Action. The United Nations General Assembly reviews the SIDS POA every five years. A network for support to SIDS was also established to facilitate dialogue on SIDS issues as well as advocate for SIDS issues. SIDSNET⁵ was supported by the Alliance of Small Islands States

³ The focus countries for the paper are: i) for the Pacific: Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu; ii) for the Caribbean: Antigua and Barbuda, Barbados, the Commonwealth of Dominica, Montserrat and St. Kitts and Nevis.

⁴ United Nations Assembly. (1994). *Barbados Programme of Action A/CONF.167/9, Annex II*. Accessed from <http://www.sidsnet.org/docshare/other/BPOA.pdf>

⁵ The Small Island Developing States Networking (SIDSnet) is one of the effective means of building such partnerships at regional and global levels through the Internet and related information communication technologies (ICTs). SIDSnet was initiated in 1997 as a project of the Alliance of Small Island States (AOSIS), a coalition of 43 States drawn from Caribbean, Africa, Indian Ocean, Mediterranean, and Pacific. SIDSnet’s main goal has been to utilize electronic networking to link SIDS to support the implementation of the sustainable development objectives of the Barbados Programme of Action (BPoA). The project was initially funded by Sustainable Development Networking Programme (SDNP), Technical Cooperation among Developing Countries (TCDC) agencies, and the Bureau for Development Policy (BDP) of the United Nations Development Programme in conjunction with the Alliance of Small Island States (AOSIS). SIDSNet is unfortunately no longer fully functional.

(AOSIS)⁶ and through UNDESA. Additionally, a specific category of consideration has been provided for SIDS in the Global Environment Facility. Additionally, since 1985, the World Bank has maintained a "small island exception" in its policy of eligibility for IDA concessionary treatment. In the World Trade Organization (WTO), proposals for special treatment modalities of interest to SIDS have been considered under a "Work Programme on Small Economies" since 2002. It can therefore be concluded, that to some extent, SIDS have been recognized and accepted as a development typology within the global development framework. By the end of 2007, SIDS were receiving about 1.8 million in ODA (annually) with a recognition that much more was needed (OHRLLS 2007). Recent developments in the context of the international negotiations on climate change, point though to remaining concerns that the specific issues and challenges of SIDS are still being marginalized in the context of other interests.

Initially, environmental issues dominated much of the discourse on SIDS as the threat of climate variability and change became high points of the global agenda. More recently, the issue of their social vulnerability and the issue of social policy in small states have garnered increasing attention. The United Nations Research Institute for Social Development (UNRISD) along with the Commonwealth Secretariat and United Nations Children's Fund (UNICEF) have commissioned several forward thinking papers in 2009 on social policy in small states and the recent Economic and Social survey from UNESCAP on Asia and Pacific also brings many issues for SIDS into sharp focus including that of resilience (UNESCAP 2009). As the North begins to emerge from one of the worse economic crises in recent history, the experiences, challenges and successes of SIDS in responding to this exogenous challenge are receiving deserved attention.

As we write this paper, the need for SIDS to find ways to prepare for and withstand multiple shocks becomes clear as we witness the aftermath of an earthquake on already ravaged Haiti. The Haiti experience is one of unanticipated events but also of the inability to respond to recommendations of potential high level risk. It also speaks to the harsh reality of the multiplier effect of crises, which each in turn weaken a system to a point of devastation. The January 12th earthquake in Haiti comes upon the battering of the country by four storms in September 2008 as well as other crises, political and economic in

⁶ AOSIS is a coalition of 43 States drawn from Caribbean, Africa, Indian Ocean, Mediterranean, and Pacific island states which initiated SIDSNET and other mechanisms for engagement and joint action by SIDS.

nature. As Michael Elliott notes in his article of January 14th, "*a nation that was already on its knees had been knocked to the ground.*"

(III) OBSERVABLE AND IMPLIED DEVELOPMENT IMPACTS OF RECENT GLOBAL SHOCKS ON THE SIDS

There is little doubt that by the onset of the global financial crisis in late 2007 into 2008 and 9, most SIDS had experienced a "perfect storm" of crises critically challenging their capacity to sustain progress in growth and human development. By 2008, SIDS in general, were faced with a combined onslaught of the following:

- Underlying Energy Crisis escalating **energy costs** with implications also with competing interest of food production and bio-fuels for land resources;
- Rapid **climate change and intense climate variability** [active cyclone and hurricane seasons in 2007 and 2008; earthquakes; a tsunami in 2009];
- **Global financial crisis** – resulting in home losses, tightening of credit, downturn in markets, lack of confidence; and
- **Food crisis** – global food security under threat by high commodity prices, drought & other issues.

Monocultural economies and monopsonistic demand

Individually, any of these crises would significant challenges to economic growth and human development in any country. In the SIDS the impact is all the more pronounced because of the typically mono-cultural economy of the average SIDS. This monoculturalism is accentuated by a monopsonistic, and highly elastic, demand for the products of SIDS from a few rich countries. When a global crisis occurs, SIDS, therefore have very limited policy space to manoeuvre; domestic policies are of limited effectiveness in these circumstances. Unequal size and weight with respect to trading partners does not provide SIDS with adequate voice to individually negotiate when demand falls occur.

Table 1 below further highlights the level of this dependence which increases their exposure to small and large bumps, shifts and shocks:

Table 1. Economic dependency in selected SIDS

Country	Sectors contributing more than 10% of GDP	Sectors contributing more than 30% of GDP	Sectors contributing more than 50% of GDP
Antigua and Barbuda	Construction, Banking and Insurance, Government services	-	-
Barbados	Tourism, Wholesale and Retail, Government services	-	Combined services as a whole
Dominica	Agriculture, wholesale, bank and insurance	-	-
Fiji	Tourism, Sugar, Agriculture, Industry, government services-	-	-
Kiribati	Subsistence agriculture and fishing-	Government services-	-
Montserrat	Construction, Banks and Insurance	Government services	-
Samoa	Industry, agriculture and fisheries	Government services	Services (2005)
Solomon Islands	Agriculture, fishing and forestry	Government services	Services (2006)
St. Kitts and	Government services,	-	-

Country	Sectors contributing more than 10% of GDP	Sectors contributing more than 30% of GDP	Sectors contributing more than 50% of GDP
Nevis	Banking and insurance, Construction		
Vanuatu	Banking and Financial services, tourism	-	Services

Frequent climate related shocks

In addition, the frequency of adverse climate shocks compounds this problem of mono-cultural economic structure, a point that is well known and needs little elaboration. In the context of the recent GEC, Samoa's experience, for example, of the crisis has been no doubt magnified by the impact of the 2009 tsunami that created losses to the tune of 25 per cent of GDP (IMF 2009a). Additionally, Fiji experienced serious flooding and damage to agriculture and infrastructure in early 2008 and again in 2009.

Household income

Income impacts have been felt largely across all countries affected by the crisis, on the poor and non-poor. In the SIDS, income declines are observed to have been sharpest by those employed persons in informal sectors; the self-employed working in tourism sector or at companies or in jobs linked to tourist sector; migrants and immigrants; and on those who rely heavily on remittances to meet their basic needs.

The regional unemployment rate in South-East Asia and the Pacific is estimated to have risen to 5.6 per cent in 2009, up 0.2 percentage points versus 2007 (ILO 2009). The rate for men rose from 5.2 per cent to 5.5 per cent while for women, it remained nearly unchanged. Young people remain far more likely than adults to be unemployed, with the region's youth unemployment rate reaching 15.3 per cent in 2009, versus a rate of only 3.4 per cent for adults, meaning that opportunities for them to ease the burden caused by the crisis are almost non-existent. Even before the crisis young workers already faced substantial difficulties accessing decent and productive jobs prior to the economic crisis.

Youth unemployment is noted to be particularly acute in the Solomon Islands and Vanuatu. Fiji has about 16,000 school leavers annually (UNESCAP 2008b). This puts additional strain on those in the household who have jobs and also potentially exposes youth to vulnerable employment and other sources of income in their desperation to support families.

Although no household level income depletion numbers are as yet available, existing data gives insights to the level and depth of potential impacts. The 2009 Analytical Report on the Kiribati HIES noted that the economic crisis is likely to result in a ten percent increase of the Basic Needs Poverty Line (BNPL) and likely move an additional 5 per cent of households and population below the BNPL. Additionally, the HIES highlighted the income burden facing Kiribati households, even before the crisis. The 2006 survey revealed that on average every household in Kiribati spent at least \$1,600 more than what they earned every year, equivalent to around \$60 per fortnight (Kiribati National Statistics Office 2006, 22). With the GEC impacting directly on food prices, employment as well as remittances, this income deficit will inevitably deepen. Already, the proportion of employed people living below \$1.25 a day in the sub-region has increased from 35 per cent in 2007 to 38 per cent in 2008 (Chhibber 2009, 8).

National income, revenue-generation and fiscal space

The sectors highly exposed to the crisis have been those clearly dependent, on external forces. Despite positive aggregate growth across the region, as shown in Table 2 (*next page*), negative impacts have particularly affected Samoa, Fiji and the Solomon Islands. Specific impacts have included:

- The devaluation of the Fiji Islands dollar (expected to add to inflationary pressures in the Fiji Islands) (Jayaraman 2009).
- The decline of the market value of the Revenue Equalization Reserve Fund in Kiribati by 20 per cent in 2008. The country's principal source of budget financing was affected as withdrawals were necessary to cover the country's budget deficit. Reductions in income from internationally-invested trust and sovereign wealth funds will significantly affect the government's budgets in Kiribati (Chhibber 2009, 5).
- High fuel prices in Kiribati also significantly increased the debt of the electricity utility (UNESCAP 2009, 119).

- The fall in commodities prices for key agricultural products (mostly primary products).
- The fall in prices for exports such as timber and palm oil has particularly affected the Solomon Islands (Jayaraman 2009).
- National reserves are also under stress, limiting capacity for counter-cyclical strategies.

Table 2 (*below*) highlights trends in decline in real GDP before and during the crisis, limiting responsive and proactive measures by SIDS, confronted as they are with continued uncertainty.

Table 2. Per Capita GDP on selected Pacific SIDS

Per Capita GDP Growth in Pacific Island Countries, 1995 - 2009									
Country	% GDP growth pa			% Pop growth	Inflation: avg annual rate		GDP growth % per capita pa		
	1995-2004	2005 - 2008	2009 Forecast	1995-2008	2005 - 08	2009	1995-2004	2005-08	2009 estimate
Cook Is	3.1	0.2	-0.1	-3.4	4.1	6.5	6.5	-0.1	3.3
Fiji	2.6	-0.5	-1.0	1.0	4.4	7.0	1.6	-0.9	-2.0
Kiribati	4.1	1.9	1.0	1.0	3.3	6.6	2.3	-2.4	-0.0
Marshall Is	-2.0	1.4	0.5	2.6	6.8	9.6	-4.6	0.5	-2.1
FSM	-0.5	-1.0	0.5	0.1	4.0	2.9	-0.6	-1.0	0.4
Nauru	na	-0.6	1.0	2.4	3.3	1.0	na	-0.4	-1.4
Palau	na	3.0	-3.0	1.0	5.9	5.2	na	2.2	-4.0
PNG	2.0	5.0	4.5	2.7	4.0	7.0	0.1	2.1	1.0
Samoa	4.1	3.3	-0.0	1.0	5.7	5.7	3.1	2.5	-1.0
Solomon Is	-0.0	7.0	0.0	2.7	10.0	0.3	-3.5	4.0	-2.7
Tonga	2.2	1.0	-0.5	0.5	0.0	6.2	1.7	-0.1	-1.0
Tuvalu	3.3	1.6	1.0	1.3	3.6	3.0	2.0	1.2	-0.3
Vanuatu	1.0	6.8	4.0	2.6	3.2	4.3	-1.6	4.1	1.4

Source: Asian Development Outlook; Asian Development Bank April/Oct 2009, & UNDP PC estimates

Given the high dependency on public-sector led growth, the implications of the declines in GDP, have implications also for the recovery. Appendix 1 provides further information on measures undertaken by Pacific SIDS. SIDS across the board have favored measures which have implied foregone public revenues rather than those which required enhanced expenditure.

In Fiji, for example, government instituted a number of measures including:

- Removal of customs duties and VAT on several basic food items;

- Increased the income tax threshold; and
- Provided subsidies to bus operators (UNESCAP 2009).

These would have a negative impact on the revenue base and therefore on the ability of government to undertake counter-recessionary measures through expanding public spending without compromising fiscal prudence. In Antigua and Barbuda, revenue collection is expected to decline in 2009 by approximately 21 per cent instead of the 5 per cent expected before the crisis (Joseph-Brown 2009a, 30). By December 2009, the Government of Antigua and Barbuda had already mandated a 25 per cent cut in expenditure by all Ministries). In the case of Dominica, government measures to mitigate the costs of the crisis had already resulted in reduced government revenue – including measures to reduce taxes on cooking gas; tariffs on some products and refund tax payments to alleviate the income tax burden. This will result in EC\$ 6.0 million in foregone income for the government of Dominica (Junge 2009b). Amongst the most affected Pacific countries, Solomon Islands announced a 35 per cent reduction in all non-essential non-staff costs as royalty revenues from the logging industry declined sharply in late 2008 and early 2009. While no specific data is available yet to estimate the total fiscal impact of the above measures across the Pacific SIDS, there is little doubt that the impact in most countries is significant and limits the scope for the kind of Keynesian demand management countercyclical measures, that have been the focus of the global, G-20 led, debate on tacking the economic crisis⁷.

Consumer prices

One of the more visible impacts of the crisis has been the impact on consumer prices. For SIDS, in particular, consumer prices are tightly linked to energy prices, including that of food. SIDS tend to be high importers of food, sometimes importing goods that they can and do produce locally, in order to meet export commitments and maintain foreign exchange earnings. High transport costs, therefore, expose food imports to price fluctuations and variability. The price of fuel also has the capacity to inflate other costs. All but one country in the Pacific, Papua New Guinea, import more than 90 per cent of their fossil fuel requirements (Chhibber 2009).

⁷ Vanuatu's resilience/resistance so far to the crisis suggests that sound fiscal policy, proactive measures, constant monitoring and the buildup of credible reserves can assist governments to weather a narrowing of fiscal space.

The Honiara Consumer Price Index rose by 1.8 per cent (between February and March 2009, on top of an annual rate for 2008 of 18.1 per cent); the rise mainly due to increases in prices of fresh fruit and vegetables, beetle nut and petrol (Solomon Islands Statistics Department 2009). Likewise, In Kiribati, consumer price inflation has been high in the second half of 2008 reaching an annual rate of 18.6 per cent in the fourth-quarter of 2008. The price of rice, for example, doubled between December 2007 and June 2009 (Government of Kiribati and UNDP Pacific Centre 2009). The implied impact on the capacity of households poor and non-poor to meet their food needs is a significant one as prices have mostly affected staples. Inflation rates across the Pacific region have been visibly affected. Inflation ranged from 3.6 in Vanuatu to a high of 9.0 in Solomon Islands; Fiji's rate was 4.5 and Samoa's 5.2 (UNESCAP 2009, 112).

With already relatively high expenditure on food by the poor, this is likely to have significant impacts beyond diet and nutrition, to potential impacts on children's development, access to education and access to health care. In Samoa and Kiribati, it has been observed that poor households allocate more than 50 per cent of their financial resources to food (Government of Samoa and UNDP Pacific Centre 2009; Government of Kiribati and UNDP Pacific Centre 2009). In Fiji, it has also been noted that *"88 per cent of the increase in urban poverty depth from rising food prices is from **poor households becoming poorer** and only 12 per cent from households falling into poverty"* (UNICEF and UNDP 2009, 11).

With fluctuations occurring rapidly, corrective measures fall behind shifts, often with the gap between benefits and real prices widening considerably. To appreciate further the impact of the cost of living increases, a Cost of Living Review in Montserrat in 2008 has highlighted starkly the nature and width of the gap: *"Social Welfare beneficiaries are falling further and further into poverty as the cost of living increases, while benefits do not change. Shopping Basket and Utility costs both increased in 2008, but food price increases were the most dramatic with the typical basket increasing by over 7 percent and the nutritional basket by almost 165 percent (Felicien 2009b)."*

Policy options available to SIDS to address this issue are limited in the short term. Fiscal realities make it difficult for governments to subsidize consumption; supply responses are not feasible given the high share of imports in the supply of essential commodities.

In Kiribati, the impact of the crisis on food poverty seems particularly stark given the estimated impacts on the BNPL noted in the 2009 Analytical Report of the HIES. With inflation and higher costs, poor HH may need to make difficult decisions about food, proper diet and seeking medical attention. In the Solomon Islands, food expenditure for the lowest quintile was 68.4 per cent compared to 40.2 for the highest quintile (Analytical Report of the Solomon Islands HIES 2008, 17); in Samoa the corresponding figures are 55 per cent and 25 per cent respectively, demonstrating a disproportionate impact on the poor. This further implies high susceptibility to “food poverty” i.e. inability to meet basic food consumption requirements.

This pressure does not arrive simply from rising costs, but also from the multiple demands on income in poor HH; poor HH usually comprise numbers of children and elderly, sometimes surviving principally on one source of income. Data from the 2006 HIES in Kiribati shows that FHH were responsible for 18 per cent of all children and that one-third of these children were living in poor households. 10.7 per cent of all children were reported as living in households with a Head of Household (HH) of 60 years or over.

Where information exists, the gap between benefits and the cost of living, during the crisis, highlight significant challenges for the poor in particular. Existing social assistance programmes have been unable to match the rising cost of living in most countries. In Montserrat where comparative data was available over a period of years and a cost of living/hardship review was conducted in 2007/8, the gap between benefits and needs, were estimated at between \$320 and \$510 per single person household. The Cost of Living Report of 2008 indicated that a single person household required a minimum of between \$937.00 and \$1212.00 per month to survive; with a shortfall of between \$337.00 (36 per cent) and \$612.00 (50 per cent) per month (Felicien 2009b).

Health

Poor diet and inadequate nutrition emerged as potential impacts of the GEC from the analysis of the Samoa 2006 HIES in (Government of Samoa and UNDP Pacific Centre 2009). Poor diet and inadequate nutrition could likely lead to declining education outcomes particularly in young children and additional health issues at the household level. The poor and vulnerable are particularly vulnerable. Limited fiscal space to subsidise healthcare and food support impacts significantly on the food poor, an important component of which are the elderly, PLHIV and persons with disabilities, and their health.

Nutrition is a critical contributory factor for the management of HIV and AIDS. Equally, for the elderly consistent sources of nutrition are critical to avoid life-style diseases such as diabetes and hypertension or to manage them effectively⁸.

Though data is not available for household access to insurance in the Pacific, figures from WHO (2008) provide a proxy for the dependence on public provisioning of health care. Figures for the Pacific range from 64 to 92 per cent in terms of public expenditure on health as a percentage of total expenditure on health (see Table 3 and Figure 1 below and following page respectively).

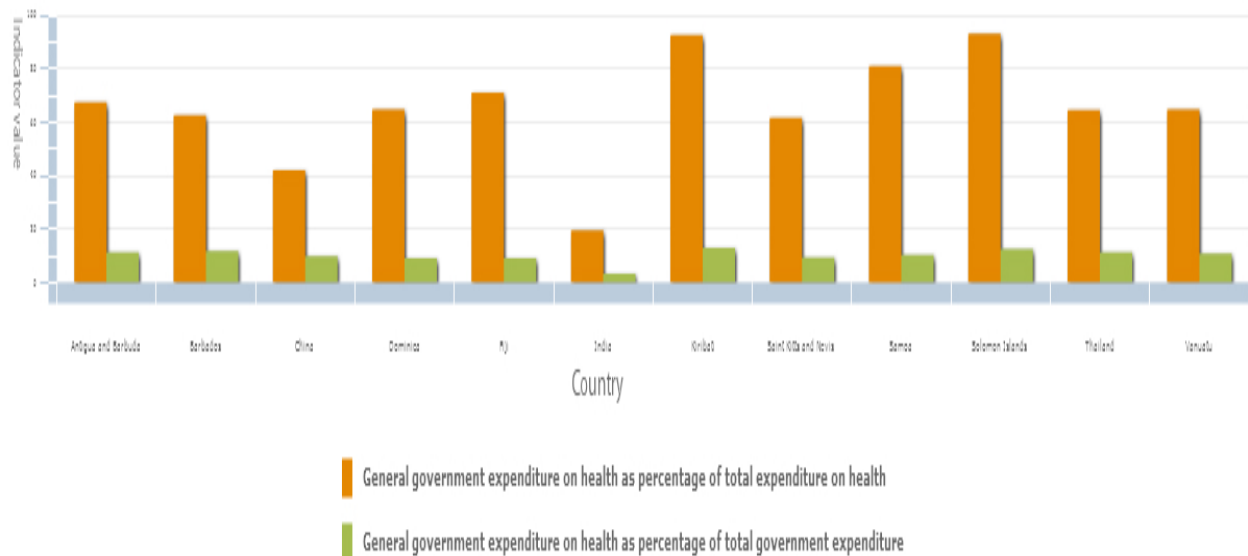
Table 3. Expenditure on health in selected SIDS

Country	Expenditure in health as % of total government expenditure	General government expenditure on health as % of total expenditure on health	Source
Antigua and Barbuda	11.3 (2006)	67.4	WHO 2008 Stats Database
Barbados	11.9(2006)	63.5(2005)	WHO 2008 Stats Database
Dominica	9.2 (2006)	64.5(2005)	WHO 2008 Stats Database
St Kitts and Nevis	9.5 (2006)	63.1% (2005)	WHO 2008 Stats Database
Fiji	9.1(2006)	70.9 (2006)	WHO 2008 Stats Database
Kiribati	13.0 (2006)	92.4 (2006)	WHO 2008 Stats Database
Samoa	10.5	81 (2006)	WHO 2008 Stats Database
Solomon Islands	12.6	93 (2006)	WHO 2008 Stats Database
Vanuatu	10.9	64.7	WHO 2008 Stats Database

Source: From WHO Stats Data base and ADB. WHO (<http://apps.who.int/whosis/data/Search.jsp>)

⁸ Increased tension in the household, due to income deficits, could in theory lead to the increased incidence of gender-based violence (GBV). While no data is available to point to specific increased in GBV, experience in other crises have shown that medium and long-term stress at the household level can lead to increased violence. Further, pressures to identify new sources of income could lead to risk-seeking behavior and risky sexual practices, contributing to STDs and HIV/AIDS.

General government expenditure on health in selected countries



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Figure 1. Comparison of public health expenditure in SIDS and 3 emerging economies

This critically highlights the level to which the state in SIDS subsidizes health care broadly across society. Comparing developing Asian economies – China, India and Thailand, the expenditure in SIDS is significantly higher except for Thailand.

Employment

Income losses through the crisis have arisen mainly through loss of employment and reduced hours. SIDS continue to be challenged to identify sustainable sources of income and livelihoods for its citizens. Youth employment and underemployment are particularly endemic in the Pacific (as well as the Caribbean). The lack of employment opportunities in the Solomon Islands for example provides specific challenges for households there with 25 per cent of HH recorded as being unemployed (Government of Solomon Islands and UNDP Pacific Centre, 2008, 34). In Honiara, those working full or part-time are almost as likely to be in the lowest as in the highest three deciles suggesting that many persons were earning

below what was needed to meet their basic needs and fell into the category of the “working poor”. While own-consumption likely provided some level of cover for HH in some circumstances, it also likely exposes them, in others, to income deficits as a result of the increase in costs of food and agricultural inputs. The existing high levels of unemployment further put pressure on those with jobs, to maintain them at all costs; even with low wages and long hours.

According to the ILO (2009), the regional unemployment rate in South-East Asia and the Pacific is estimated to have risen to 5.6 per cent in 2009. The rate for men rose from 5.2 per cent to 5.5 per cent while for women, it remained nearly unchanged. As formal wage employment remains low in many Pacific SIDS including Vanuatu where the formal wage sector accounted for only 18 per cent of the working age (15-64 years) population (Duncan and Nakagawa 2006, 39), forms of sustainable income and protective mechanisms become imperative particularly in times of crisis.

Informal sector employment, which seems to dominate the labour market dynamics of SIDS, is characterized by a number of factors which expose households to significant vulnerability i.e. seasonality, high mobility and turnover and the lack of structural protective mechanisms. This results in stochastic uncertainty governed by micro-factors well outside of the control of individuals themselves and

even governments. HH dependent on income from the informal sector experience a greater level of uncertainty than experienced by those in regular wage labour, exogenously inelastic.

Box 1. Gender dimensions in employment

Another facet to the transmission of the crisis through employment is the segregation of the labour market in SIDS. Evidence suggests that employment in the Pacific is to some extent divided along gender lines – which can result in impacts disproportionately affecting either men or women, depending on the sector most affected. Pre-crisis data on employment in the Pacific, noting a substantial gender gap in labour force participation in South-East Asia and the Pacific, suggest significant impacts on households with only one employed adult or on those headed by women. Data from the ILO (2009) indicates that 82 per cent of men of working age (15 years and older) active in the labour market versus approximately 57 per cent of women (page 34); with the implication that a number of households may have only one consistent income-earner.

Additionally, the domination of men in the private sector compared to women in the public sector exposed men specifically to income losses from the crisis as it impacts on the tourism and construction sectors in particular. Female headed households are often dependent on insecure jobs or employment in the informal sector.

Remittances

In the Pacific, remittances have traditionally been very important. Data suggests modest to high contributions to GDP across PICs: in Samoa, more than 20 per cent of GDP comes from remittances (UNESCAP 2009, 118); in Kiribati, remittances contributed about 10 per cent of all household income, with only a slighter less contribution to rural households (Government of Kiribati 2006, 14). It is estimated that remittances from seafarers alone contributed 14 per cent of GDP across the last decade in Kiribati (Browne and Mineshima 2007, 3) and in Fiji the share of GDP is estimated at 7 per cent in 2005. Remittances, therefore, make a significant contribution to GDP and also to private income and expenditure at the household level. These contributions for family and relatives from overseas have evolved in many ways as a private form of assistance, allowing many households, poor and non-poor, to weather crises and also meet their basic needs. The contribution to households in Kiribati, which experience an income deficit annually, would be significant.

The crisis is also likely to impact through declining migrant work opportunities as well as rising unemployment levels and other knock-on effects in migrant-receiving countries. These economies have been highly affected by the crisis as well; experiencing high job losses and rising debt has plagued some countries as housing bubbles have burst. This will directly impact on the capacity for relatives overseas to send remittances at all or to maintain similar levels of contributions. This also reduces the options available to those still residing in PICs, who may otherwise have seen migration as a short or long-term solution to household income challenges. So far, observed impacts in Fiji are not insignificant. The Reserve Bank of Fiji has reported that the value of remittances fell by 25 per cent between 2007 and 2008, and is forecast to decline by a further 15 per cent in 2009 (Chhibber 2009, 7). Some of the decline in remittances has been exacerbated by the weakening in the US\$ exchange rate.

The news is not all negative however; seasonal work schemes between PICs and Australia and New Zealand are expected to continue to provide opportunities for remittances and other private transfers. Additionally, as those economies recover, opportunities for new work are likely to arise. The issue of remittances also raises interesting questions for SIDS in terms of education and labour market dynamics. Should SIDS purposely and pro-actively identify a portion of its labour force for migrant work as part of a defined labour market policy? It seems that Pacific SIDS have done this to some extent with quota programmes in

Australia and New Zealand and the seafarers programme linked to the International Maritime Organization (see Box 2 right).

As the Caribbean continues to be a source of skilled labour in the form of nurses, teachers, and, in the past policemen and bus drivers, for other territories of Great Britain as well as Great Britain, the US and Canada, there is growing recognition that this has resulted in

Box 2. Source of Remittances (Reproduced from Connell and Brown, 2005)

Fiji: Emigration as a result of ethnic tensions in the late 80s and early 2000s by Indo-Fijians including doctors, nurses and computer specialists, to Australia, Canada and New Zealand resulted in a decline in the Indo-Fijian share in the population from about 50 percent to 40 percent. Approximately 80,000 persons migrated in total. Ethnic Fijians have also been longstanding participants in United Nations peacekeeping forces, contract workers in Afghanistan and Iraq, and professional rugby players in Australia, New Zealand and Europe.

Kiribati: Seafarers who have been certified as high quality by the International Maritime Organization are employed on vessels operating worldwide. They normally obtain renewable one-year contracts following graduation from the Kiribati Maritime Training Institute, which was established with United Kingdom assistance in the 1970s.

Samoa: Large communities from Samoa have existed in New Zealand for many years and generally maintain very close links with their home countries, even after two or three generations. There are also sizeable numbers in Australia and the United States, primarily employed in construction, and agriculture. Numbers living abroad exceed the local population. Well-established links ensure a continued flow of migrants, even as substantial numbers regularly return home, especially in retirement.

Solomon Islands and Vanuatu: Emigration from these two countries has been very small since independence, notwithstanding relatively low growth and high unemployment rates over long periods. The reasons for this may include the very small number of skilled citizens, less pronounced links than Samoa and Tonga with New Zealand, the high percentage of the population living in rural areas where knowledge of jobs abroad is minimal, and the continued importance of the wontok system whereby a relatively high percentage of earnings would need to be widely shared with neighbors.

significant loss in returns on public investments, especially in education and health. There is little data to prove that remittances have provided compensating benefits.

Tourism

Tourism is the leading export for many SIDS; in Vanuatu, construction, along with tourism, services and real estate were the main drivers for the economy in 2008/9 (ADB 2009, 1). In 2006, it contributed 15 per cent of GDP in Fiji (UNESCAP 2008). As unemployment and economic uncertainty persist in source countries, impacts on tourism arrivals and receipts have been visible. The combined decline in the tourism (see table 4 next page) and construction sectors, have affected GDP, employment and incomes significantly. In 2006, the tourism sector provided 1.9 million jobs overall in the Pacific region, representing 14.5 per cent of total employment. In the same year, it provided 31.0 per cent of total employment in Fiji and 42.4 per cent in Vanuatu (UNESCAP 2008, 174), indicating severe impacts for employment and income for those countries as a result of any decline in the sector. In 2008, contribution to employment was estimated at 24.7 per cent of Fiji and 35.4 per cent for Vanuatu; and contribution to GDP (direct and indirect) at 26 per cent and 39 per cent respectively (WTTC Database 2010). These challenges and impacts are consistent also with experiences in the Caribbean, highlighting the structural vulnerabilities of the tourism sector as a whole (*see table 4 below*).

Table 4. Annual Percentage Change in Tourist Arrivals selected SIDS (2007-9)

Destination	2007	2008	2009(YTD)
Antigua & Barbuda	3.2	1.5	-12.9
Barbados	1.8	-0.9	-8.5
Dominica	-8.8	2.6	-3.5
Montserrat	-2.7	-5.0	-15.3
St. Kitts and Nevis	-7.4	-13.6	-
Fiji	-1.5	8.8	-24% (average for Jan-March)
Kiribati	42	-32.8	..
Solomon Islands	17

Destination	2007	2008	2009(YTD)
Vanuatu	9.1	16	..

Source: CTO, Government Statistics website (Vanuatu, Solomon Islands, Kiribati and Fiji; UNDP Pacific Centre

Data from the IMF World Economic Outlook (2009) noted the following impacts for Tourism in the Pacific:

- Decline in tourist arrivals in 2009 by 5.5 per cent for all PICs
- Actual year-to- year: arrivals from Australia and New Zealand have decreased by 13 per cent by March 2009
- Approximately, a 29.8 per cent decline in tourism is forecast for Fiji (using data from the Government of Fiji Statistics Department on tourism arrivals; we estimate that for the first three months of 2009, arrival declined on average about 24 per cent in comparison to the same period for the previous year)⁹.

Box 3. The experience of Nevis in the English-speaking Caribbean

The closure of the Four Seasons Hotel, Nevis' largest and most significant hotel, for most of 2009 has had significant effect on both employment (10 per cent of the labour force has been impacted) as well as revenue-generation for the government. The closure has resulted in a decline of 30% of income for the Nevis government and resulted in significant expenditure squeezes. Out of a labour force of 6,290, with unemployment rate already at a rate of 8.2 (Felicien 2009b), a further 700 employees have been out of work for a year. This experience highlights the dangers of dependency on one or two sources for income and employment.

Differentiated impacts within countries

For multi-island nation states like Fiji, Solomon Islands and Vanuatu (as well as Antigua and Barbuda and St. Kitts and Nevis in the English Caribbean), care must always be taken to avoid assumptions that impacts in the main island reflect those in the outer islands. In

⁹ Fiscal measures to promote tourism in the Pacific underscore the vulnerability of the sector. WTO (2009) outlines a number measures undertaken by the Government of Fiji with respect to Marketing, Travel Facilitation and Public/Private Partnerships, indicating an implied need for bolstering and possibly stimulus to the sector. No data was available for the other 4 Pacific countries covered by this paper.

Solomon Islands and other countries in the Pacific, varied experiences of hardship have been observed with higher levels of inequality seen in the urban (compared to rural) households and the costs of food has been usually higher in urban centres as compared to rural communities. In Vanuatu, the poverty gap index for Port Vila, at 10.6, was higher than for the rest of the country, suggesting a notable difference between the better off and the poor in the national capital (ADB 2009). In Kiribati, the reduction in cruise vessel visits to the Line Islands is having a severe impact on the livelihoods of the people on the isolated island of Tabueran (Government of Kiribati and UNDP Pacific Centre 2009).

Equally, while normally analysis looks at remittances from outside of the country, it is worthy of note that for remote parts of such large islands as Tanna, Vanuatu, remittances from urban migrants are the single largest source of income in several villages (Connell and Brown 2005, from Winthorpe 2004).

Gender

Gender has consistently been a source of inequality in SIDS. Under-represented in the formal sector, labour market segmentation still results in jobs that are “traditionally female” (UNESCAP 2008b), which likely limit employment possibilities for males, particularly young males, as well as opportunities for women to explore new opportunities.

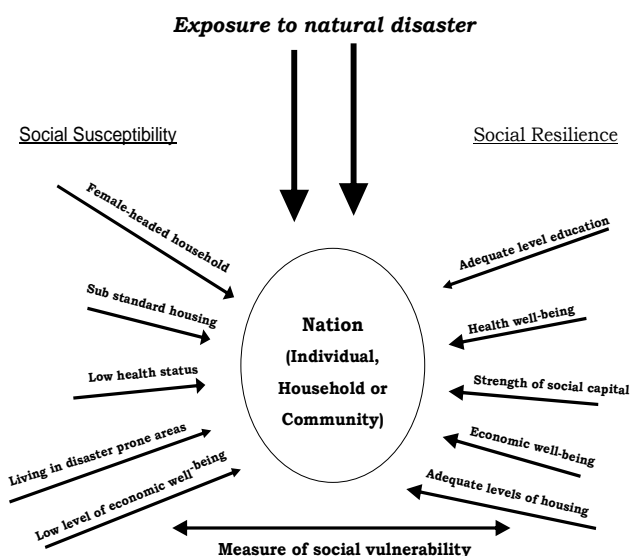
In the Solomon Islands, FHH seems to be slightly disadvantaged overall with slightly higher representation in the three lowest expenditure deciles and higher representation in poor rural households (Government of Solomon Islands and UNDP Pacific Centre, 4). Combined with the fact that less than a third of the employed are women (UNESCAP 2008b, 4) and that FHH represent 6.5 per cent of all HH, out of which 7.3 per cent fall below the BNPL, FHH are clearly challenged to cope in the ongoing crisis.

In Kiribati outmigration of working-age males from some islands has led to an increase in dependency rates such that there are insufficient numbers of young men to undertake much of the traditional work associated with subsistence livelihoods (Government of Kiribati and UNDP Pacific Centre 2009, 27). This facet of employment and gender inequity is not unique to PICs. In the English-speaking Caribbean, labour force participation for men and women are also unequal:

- In St. Kitts and Nevis the labour force participation rate for women was 71.6 per cent compared to 87.2 per cent for men (St. Kitts and Nevis CPA 2008, 25);
- In Antigua and Barbuda and Barbados, the differences were more marginal (female unemployment; in Barbados female unemployment has been slightly higher than male employment across 2008 and 2009: 9.4 per cent vs. 7.8 per cent in 2008 and 10.1 per cent to 9.9 per cent in early 2009 (Joseph-Brown 2009b, 30).

(IV) IMPLICATIONS OF THE CRISIS ON SOCIAL VULNERABILITY IN SIDS

Social Vulnerability reflects the degree to which societies or socio-economic groups of people are affected negatively by stresses and hazards— internal and external – that negatively impact on the social cohesion of a country. While the social vulnerabilities caused by these stresses and hazards are no more endemic to SIDS than to other developing countries, the natural recurrence rate in SIDS is higher (IPC 2007). Given SIDS’s limited capacity to respond adequately, the social impact of such stresses could be permanent and not transitory as in many other country cases.



Source: Kambon, 2005 – Presentation on Social Vulnerability and PRSPs.

Social vulnerability can be analyzed by identifying the transmission mechanisms of macro level exogenous shocks on households. Table 5 (below and next page) provides an example of such impacts, all of which increase social vulnerability.

Table 5. Transmission channels of Economic crisis and impacts at the macro and micro levels

	Transmission Channel	Macro Level impacts	Micro (Household) Level impacts
1.	Income	<ul style="list-style-type: none"> • Decline in exports limit 	<ul style="list-style-type: none"> • Lower incomes leading to reduced consumption and switching

	Transmission Channel	Macro Level impacts	Micro (Household) Level impacts
		<p>government revenue</p> <ul style="list-style-type: none"> • Loss of employment and income limit government revenue from income tax and customs duties • Limit government capacity to implement programmes and pressures social provisioning 	<p>behaviour</p> <ul style="list-style-type: none"> • Inability to pay bills and increasing private debt • Limited capacity to meet basic needs for food and non-food items
2.	Employment	<ul style="list-style-type: none"> • Loss of employment and income limit government revenue from income tax and customs duties • Greater pressure on government for social assistance for unemployed • Government capacity to focus on efficiency in public sector hampered by need for jobs 	<ul style="list-style-type: none"> • Loss of jobs leading to lower income and spill-on effects • New entrants to labour market exceed availability of jobs – youth unemployment and unemployment skyrockets; • Increased activity by households in the informal and illegal economy;
3.	Consumption	<ul style="list-style-type: none"> • Slowing domestic economy affects lending, and access to credit; • Affects revenue of small and large businesses • Reduced consumption leading to reduced private sector activity 	<ul style="list-style-type: none"> • Declining food consumption leading to malnourishment and increased morbidity – health impacts • Increasing dependence on subsistence and own-production

	Transmission Channel	Macro Level impacts	Micro (Household) Level impacts
6.	Health	<ul style="list-style-type: none"> • Health budget squeeze • Increase in non-communicable diseases (NCDs) due to diet changes • PLHIV and PWD need more public assistance as private assistance dries up or slows 	<ul style="list-style-type: none"> • Reduced access to health care due to limited government support or subsidies • Rising cost of some medicines • Sexually risky behaviour expands as coping strategy
8.	Revenue and fiscal space	<ul style="list-style-type: none"> • Redistribution of funds away from social transfers and publicly funded programs, • Weakening of social protection mechanisms 	<ul style="list-style-type: none"> • Poor and vulnerable depend more on private sources of assistance • Increasing underemployment just to make ends meet
9.	Remittances	<ul style="list-style-type: none"> • Reduction in contribution to GDP • Increasing number of households needing assistance 	<ul style="list-style-type: none"> • Direct impact of household income and expenditure • Implications for education and health costs particularly for children
10.	Tourism	<ul style="list-style-type: none"> • Declining tourism arrivals and tourism receipts • Hotels close or narrow operations and reduced private sector activity • High job losses or reduced hours 	<ul style="list-style-type: none"> • Loss of income for main breadwinner (s) • Small business including handicraft immediately impacted • Search for alternative sources of livelihood
11.	Exports and imports	<ul style="list-style-type: none"> • Reduced exports leading to reduced private sector activity 	<ul style="list-style-type: none"> • Consumer prices and affordability of items • Access to inputs for small businesses

	Transmission Channel	Macro Level impacts	Micro (Household) Level impacts
		<ul style="list-style-type: none"> • balance of payments crises and fiscal deficits • Higher demand for government-led solutions 	<ul style="list-style-type: none"> • or own-production • Jobs
12.	Increased consumer prices	<ul style="list-style-type: none"> • Government subsidies? • Reduced private sector activity 	<ul style="list-style-type: none"> • Reduced household consumption
13.	Debt	<ul style="list-style-type: none"> • Competition for scarce resources among national interests • Inability to repay loans and meet repayment commitments from commercial and other loans 	<ul style="list-style-type: none"> • Private debt increases • Inability to make repayment commitments

From the review in the preceding section, it is clear that many of these transmission mechanisms have been at work in the SIDS leading to a sharp rise in social vulnerability. The Income impact, for example, is not just the direct loss of income but additively, the impact of limited government revenue to limit or compensate for income losses, high youth employment, job losses and reduced hours, declining remittances and the negative effect of price volatility on poor and vulnerable households. In the Pacific the traditional extended family social structure can mean that even the households of those in relatively well-paid public or private sector jobs can still fall below the basic needs poverty line. The numbers living in the households of those in formal employment are often swelled by visiting relatives who will expect to be looked after by their better-off kinfolk.

In addition, the escalating pressures from natural disasters on a constrained fiscal environment are highly significant for SIDS. Appendix 2 to this paper has sought to capture some of the disasters affecting SIDS in the Pacific and the Caribbean over the last 20 or so years. In some countries more than 40 per cent of the population has been

affected during a typical disaster year e.g. Tonga and Samoa. As in the Caribbean, impacts are not felt through the number of deaths but through the lost of social and economic investment (UNDP Pacific Regional Centre 2008).

On the surface, SIDS like most MICs, spend a lot on health and education and have made significant progress. These investments have resulted in relatively high literacy levels [upper 90 per cent for most SIDS] and long life expectancy (UNDP 2009a). Prasad and Kausimae (2009, 29) note in the case of the Solomon Islands that *“in terms of social policies the Solomon Islands, like many other small developing states, concentrated on education and health as major priorities, with some attention on the housing sector”*. Through these investments governments have, to some extent, attempted to guarantee *“access for all”*. The capacity of SIDS to sustain the levels, however, is in doubt (see Table 6 below).

Table 6. Percentage (%) expenditure in education in selected SIDS

Country	public expenditure in education as % of GDP	Public expenditure in education as % of all government expenditure	Source
Antigua and Barbuda	3.87 (2002)	..	UNData*
Barbados	6.7 (2008)	15.7 (2008)	UNESCO
Dominica	4.8 (2008)	11.3 (2008)	UNESCO
Montserrat	
St Kitts and Nevis	9.66 (2005)	12.7% (2003)	UNData
Fiji	6.24.4 (2007)	20% (2004)	ESCAP Statistical Yearbook for Asia and Pacific**
Kiribati	12.9 (2008)	..	ESCAP Statistical Yearbook for Asia and Pacific
Samoa	7.5, (2008)	14% (2002)	ADB, 2009
Solomon Islands	5.4% (2004)	25.97.% (2005)	ESCAP Statistical Yearbook for Asia and

Country	public expenditure in education as % of GDP	Public expenditure in education as % of all government expenditure	Source
			Pacific; Prasad and Kausimae, 2009
Vanuatu	6.1 (2008)	28.1(2008)	Vanuatu Economic Report, pp.31 and UNESCO

Source: *http://data.un.org/Data.aspx?d=UNESCO&f=series%3AXGDP_FSGOV
**<http://www.unescap.org/stat/data/syb2008/index.asp>
<http://stats.uis.unesco.org/unesco/TableViewer/tableView.aspx>

As a result, *Human Development* in SIDS has been steady and measured as high. Across both regions, most countries fall with the range of **medium** to **high** human development; Barbados alone falls into the category of very high development and is the only SIDS to have achieved this level. HDI rates for Pacific countries have been generally robust with countries maintaining steady progress and often improving their HDI; between 1998 and 2005 Vanuatu progressed from 140 out of 174 to 120 out of 177 countries (ADB 2009, 3). The Caribbean, on average, is higher ranked than the Pacific in the HDI with Barbados ranking at 37 and St. Kitts and Nevis at 50, Samoa at 94 and Fiji at 108 (UNDP 2009).

However, the track record on poverty and inequality has not been as positive (*Table 7 next page*). Even when it was robust, economic growth failed to reduce the levels of poor including the food and asset poor (UNDP Pacific Centre 2008, 84). Analysis from the 2006 HIES for Samoa notes that: “Despite the six-years of relatively good economic growth that was achieved in the period between the household surveys of 2002 and 2008, the level of hardship and poverty being experienced by the least well-off in Samoa society has not improved. The increase in the level of inequality as measured by the Gini coefficient and the accompanying increase in the depth of poverty as measured by the poverty gap index, suggest that the economic growth did not really benefit the most disadvantaged” (Government of Samoa and UNDP Pacific Centre, Draft Poverty Report 2009, 13).

The experience of poverty in SIDS has differed significantly from that of other countries. Poverty has taken the form of disadvantage; relative in terms of the income and capability to address basic needs, rather than an experience of absolute deprivation. This has often

been demonstrated by the struggle of poor and vulnerable households to meet their food needs, their dependence on government assistance for long periods of time and their dependence on relatives overseas for remittances to supplement household incomes (Analytical Reports from Kiribati and Samoa HIES Reports 2009; CPAs in the English-speaking Caribbean between 2001-2008). Poverty in SIDS has also become intertwined with “inequality”. This has manifested itself usually through gaps in terms of access and assets between men and women, adults and children as well as between different income groups across society¹⁰. Poverty and inequality have persisted, despite significant investments in education and health.

Table 7. Socio-economic indicators for selected SIDS*

Country	Population	HDI Rank	GDP per capita*	Poverty rate (head count index) (%)	Gini-coefficient
Antigua and Barbuda	85,362	37	17,966	18.3	0.49
Barbados	274,000	47	18,691	13.9 9(1997 CPA, new CPA underway)	..
Dominica	71,898	73	7,893	39.0	0.35
St. Kitts and Nevis	45,000	62	14,481	21.8	0.45
Montserrat	5,000	..	3,400
Samoa	187,000	94	4,467	20.2 %	0.47 (2008)
Solomon Islands	506,992	135	1,725	32.2(2006)	0.36
Kiribati	92,533	..	1,295	21.8%	0.39 (2006 HIES Survey)
Fiji	837,271 (2007)	108	4,304	34.4. (2002/3)	..
Vanuatu	124,737 (2009 Census Report)	126	3,666	27.2 (2006)	0.41

**Adapted by authors from various sources including HDR 2009 and various CPA reports. [*PPP US\$ 2007. Sources: HDR 2009, Synthesis report for Economic crisis PSIA/CPA Reports, PSIA Reports for Samoa and Kiribati by Stats office and UNDP Pacific Centre (drafts September 2009); Statistical Office websites, Solomon Islands HIES 2005/6].*

¹⁰ It has long been recognized and accepted in both Caribbean and Pacific SIDS, that measures of consumption and expenditure are a more reliable methodology for estimating poverty and hardship as compared to income. Most of the availability poverty data in both the Caribbean and the Pacific come from expenditure and consumption based surveys.

When there is high social vulnerability, it becomes particularly important to pay attention to the impact of exogenous shocks on the non-poor. The non-poor include those likely to stimulate economic recovery including the expansion of jobs and new sectors. Although not easy to prove, it is clear that the crisis has had implications for their livelihoods as well. The non-poor have also experienced losses through the decline in business profitability or even closure as well as the loss of investments. As a result, these “new poor” are unlikely to easily qualify for government assistance under the existing rules for social welfare provisioning. We have examined a number of Economic crisis PSIA completed in 2009 for the Caribbean and similar analysis of HIES in the Pacific, and find little evidence of specific approaches to address the “new poor”. Junge 2009a (page 31) notes specifically in the case of the 7 studies on the Economic crisis in the Caribbean, that “in general, there have been relatively few new social protection measures, and they have been minor in scope”. Appendix 1 provides further details of the range of measures implemented in both regions, as data has been available¹¹.

Thus SIDS have invested heavily in a human development strategy, specifically in two public goods, health and education. This has delivered some results. However, poverty continues to be significant and the poverty elasticity of growth does not appear to be high. Thus, to simply equate SIDS with other middle income countries using per capita GDP and investments in health and education as metrics is misleading. With this background the impact of the crisis as seen through the prism of social vulnerability is all the more pronounced.

(V) POLICY FOCUS

The performance of SIDS on poverty and vulnerability, is, then, much lower than would be expected for their HDI ranking. Therefore more attention needs to be paid to the design of social policy than is presently the case.

¹¹Information from Dominica shows starkly that the non-poor are only slightly less dependent on remittances than the poor – highlighting a little known vulnerability within non-poor households. Remittances were a source of support to 38% of the poor and 35% of the non-poor (Junge, 2009b, sourced from the 2003 CPA results). This also requires us to adapt our understanding of the non-poor.

In this context the areas of focus are:

The role of Social Policy

(1) Define and measure vulnerability so that its reduction can be a concrete policy target:

In the Caribbean, there has been some attempt to quantify social vulnerability in the context of poverty and inequalities in an effort to improve planning and decision-making. It is estimated that on average 5 per cent of the populations of Pacific island countries have

per capita income/expenditure

no more than ten percent above the poverty line. Thus, with a fall of around ten percent in the real income of these vulnerable

households poverty would increase by five percentage points. Poverty

assessments in this region, funded by the Caribbean

Development Bank with the support of DFID and in collaboration with UNDP and other partners, have

integrated concepts

of vulnerability and well-being. *Box 2* (above) outlines the approach used in the Caribbean region to estimate both vulnerability and poverty. This methodology is worthy of some review by the Pacific.

Box 2. Pushing the Envelope: Estimating Poverty and Vulnerability in the Caribbean

In collaboration with the Department for International Development of the UK (DFID-UK), Inter-American Development Bank (IADB) and the UNDP as well as other development partners, the Caribbean Development Bank has facilitated the expansion of poverty monitoring to include the concept of vulnerability.

Known as Country Poverty Assessments (CPAs), the Bank has supported Caribbean governments, particularly those in the OECS, to update information on poverty and vulnerability over the last 10 years.

The *vulnerability line* is set at 125 per cent of the poverty line (that is 25 per cent above it). It measures the number of persons who are susceptible to falling below the poverty line, should an unanticipated event such as a natural disaster or some types of economic shocks were to eventuate. Vulnerability is calculated at an agreed standard of 125 per cent of the poverty line or 25 per cent above the poverty line. Most CPAs comprise: a Survey of Living Conditions (SLC) and a Household Budgetary Survey (HBS) as well as a Participatory Poverty Assessment (PPA), which allow the voices of the poor themselves to be heard. CPAs define the percentage of individuals and households in poverty and which are vulnerable and advance the process for putting *a face to vulnerability* in the context of the Caribbean.

Extracted from the Antigua and Barbuda and St. Kitts and Nevis CPAs 2005/6 and 2007-8) on the CDB website – www.caribank.org

(2) Move from welfarist frameworks to targeted actions to reduce social vulnerability:

We find Bertram's (2009) definition of the "welfare state" in the context of SIDS particularly useful in understanding the paradoxical nature of social policy in SIDS. Universal is not always inclusive. While these investments have been development interventions, they have also been a form of unconditional income transfer and social protection that are fiscally constraining and difficult to sustain. Employment in the private sector is unable to provide/guarantee the kind of "security" that comes with employment in the public sector, thereby diminishing the preference for private sector jobs and, consequently, limiting the scope for entrepreneur-led economic diversification. This highlights the need to avoid the transformation of state-sponsored assistance and welfare into a form of "*perverse subsidy*". By that we mean, that rather than "protecting" in the short-term, these interventions stymie creativity and create dependency in poor and vulnerable households.¹²

To enable this shift in policy approach it will be necessary to have a better understanding of income and income sources of poor and vulnerable households than is presently the case. Evidence from CPAs and HIES in the Caribbean and Pacific respectively, underscore the fact that many poor and vulnerable households experience higher levels of and frequency of unemployment than non-poor households. This will require the collection of qualitative and quantitative data, integrated policy approaches (including agriculture, social welfare, labour, insurance, gender, education and health) and the adjustment of existing social policy interventions to address uncertainty.

(3) Improve the design of social policy frameworks

Institutional management and implementation of social policy in the SIDS has tended to be treated as a "black box"; technically the business of all but centered in one Ministry overwhelmed with programmes. In many cases, social development and social protection are tasked to one Ministry burdened with many issues, few technical staff

¹² The specific strategy of the Government of Fiji to reduce the roll of persons on welfare, is perhaps most telling in this regard. The 2008 Annual Report on Social Welfare identified a goal of reducing the number of persons qualifying for family assistance to 20,000 from 26,926.

and issues experts and under constant budget pressure (Thomas 2001; James and Noel-Debique 2005). This limits capacity for inclusion and consultation. Often, various forms of legislation exist which govern social development and social policy in SIDS. In Fiji, according to the 2008 Annual Report of the Ministry of Health, Women, Social Welfare and Poverty Alleviation, the work of the Ministry on Social Welfare and Women is governed by at least 6 pieces of legislation covering juveniles, adoptions, social justices, disabilities, probation and community work. Health is covered by seventeen (17) pieces of legislation. The work of the Ministry on Social Welfare and Women in Fiji alone covers eleven (11) social policy issues. In brief, the intention is not to create a European-style welfare state but rather to create an institutional mechanism that is nuanced in its targeting of scarce public resources to address poverty and inequality.

(4) **Integrate Risk Reduction in development planning:** The experience of Grenada (in the Caribbean) post-Ivan and Emily in 2004 and 5 respectively is striking in this regard. As a result of Ivan alone, a Category 3 storm, 212 per cent of GDP was lost and, 90 per cent of housing stock damaged including government offices. The Pacific region is no stranger to this type of event - it has been deemed the most disaster-affected region in the world. Natural disasters have affected more than 3.4 million people in the region since 1950. Disasters can no longer remain outside of the scope of social planning, dealt with as somewhat separate to the people they affect. Many efforts which have focused on “managing risk or managing the event” have failed to address the underlying reasons for severity of impact. While a hurricane cannot be prevented, the impact it has can be mitigated by a number of factors – properly constructed housing and other settlements and buildings, houses built in stable and secure areas, proper drainage including effective tree and plant cover (to absorb high volumes of water); timely and appropriate house maintenance and observance of public announcements and removal to shelters in a timely fashion. The regularity of the events (sometimes several in a season or several in one month) and the continuing severity of the impact of natural disasters underscore the need for a transition from “crisis management or response” to “risk reduction and resilience-building”. There is little evidence that global instruments such as PRSPs have really addressed risk reduction; we have been unable to identify a coherent risk reduction strategy embodied in a PRSP to-date.

(5) Address labour market issues and take advantage of opportunities like “green jobs”:

A key question posed by the crisis and the multiplier effects of recent crises, is how can SIDS identify sustainable forms of income-generating activities? This is an economic issue as well as a social one – the structure of the labour market is formed by economic imperatives and therefore the solutions must be social and economic. Considering the above, structural reforms within the new framework are required that promote more inclusive labour markets, active labour market policies and quality education and training programmes. ADB, 2009b, demonstrates this clearly (page 11). Critically, investments in training should be responsive to market needs, trends and forecasts.

The scope for “green jobs” needs to be explored by SIDS. Significant potential exists to improve productivity and reduce environmental impacts through access to micro-technologies for renewable energy e.g. the agricultural sector. Equally, opportunities exist to jobs and small business development in eco-tourism and natural resource management, eco-friendly products and services and carbon-reducing operations across the tourism sector. These types of combined development initiatives could be impactful for SIDS, bringing benefits across a number of crucial areas, maximizing resources and bringing more timely results. They would also serve to diversify away from public-sector led growth, enable new businesses to develop and eventually ease some of the existing fiscal constraints.

Box 3: Social partnership in Barbados – an avenue for responsive price control

A very important element in Barbados development landscape is the “Negotiated Prices and Income Protocol (Social Contract)”, was developed in 1991. One of the main objectives of this Protocol is to regulate wages and prices, as well as encourage job security through support to policies designed to maintain jobs and increase employment. This has encouraged a culture of consultation among the Government, employers and trade unions and a formal Tripartite Committee was established to resolve problems, avoid work stoppages, and contribute to investment goals and policies on taxation and revenue generation. The Social Contract is now in its Sixth Protocol.

(Sourced in summary from Joseph-Brown, 2009b)

(6) Enhance development partner coherence through joint and multi-country programming:

In recognition of their small size and limited political power at the global level, SIDS in the Caribbean and the Pacific have formed regional economic and political networks and systems. It has already benefited the individual regions also in their efforts to respond to specific issues of security, management of the seas and their

resources, energy issues and access to markets. It is also likely that this regionalized approach, which could lead to a new kind of “*multi-country programming*”, can also be a source of resilience. Certainly the designation of multi-country offices in the Pacific (Fiji) and the Caribbean (Barbados, Jamaica, Trinidad and Tobago) as well as the establishment of regional service centres locally, speaks to a recognition by UNDP and many UN system agencies of the benefits of this approach.

The role of Economic Management

If the crisis and its aftermath have widened the acceptability of any one proposition, it is that economic growth by itself is not a panacea against poverty and inequality; it is clear that economic growth was necessary but not sufficient for social development. The key question here is: Is the fact of poverty a consequence of the lack of opportunities to participate in the income and wealth generating process that is very clearly in place (albeit with high vulnerability to exogenous shocks) in most SIDS? And, if so, is this something that can be addressed by appropriate domestic policies or would the structural changes required to address the issue involve a globally co-ordinated response?

(1) Advocate global action to create a HIPC initiative for the SIDS: Resources, however, do matter. The macroeconomic shocks experienced by SIDS have in some cases, been intensified by a weak economic policy environment that resulted in large and persistent fiscal deficits and consequent high debt to GDP ratios, particularly external debt to GDP ratios (*Table 8 below*). Account balances in the Pacific, along with minimal and declining reserves make for a tenuous fiscal environment. In the Caribbean, debt-to-GDP ratios are particularly high, challenging macro-economic and fiscal management; to-date the Pacific have avoided these levels but they should be mindful that it is a potential reality for them as well. One of the smallest SIDS, St. Kitts and Nevis, has one of the highest debts to GDP ratios in the world, 187 per cent (IMF 2009c).

Table 8. Select economic data for SIDS

Country	External current account balance	Debt service ratio (% of revenue, 2007)	Debt to GDP (2007 for Caribbean SIDS, 2009 for some Pacific SIDS)
Antigua and	-31.	24%	90%

Country	External current account balance	Debt service ratio (% of revenue, 2007)	Debt to GDP (2007 for Caribbean SIDS, 2009 for some Pacific SIDS)
Barbuda			
Barbados	-10.6	19%	79%
Dominica	-35.0	85%	100%
Fiji	-662.0 (2009)	14.2 (2006 e/WB)	2.2 (% of exports and gas)
Kiribati	-28,350	3.6% (2006)	..
Montserrat	-25.8
Samoa	-67,3	6% (2006)	39% (2006)
Solomon Islands	- 2,428	2% (2006)	25% (80% in 2006)
St. Kitts and Nevis	-23.6	39%	187.2%
Vanuatu	- 19,870	1,7% (2006)	32% (2006)

Source: Generated by authors from data from multiple sources (IMF 2009; CIA World FactBook 2009; UNICEF 2009; ADB, 2008)

These adverse fiscal indicators are not solely due to misplaced laxity in fiscal policy; they are, to an extent, also due to the expensive stabilization policies that these countries had to put in place when faced with dramatic cyclical downturns in their monocultural and remittance – dependent economies. In some cases, like the sugar industry of St. Kitts, technological and productive barriers emerged creating a vicious cycle of public debt as the government sought to spend on stabilizing what was essentially an emerging structural problem. Thus the legacy effect of public debt, limits current and future fiscal space. **It is difficult to see how this can be addressed without a Heavily Indebted Poor Country (HIPC)-like initiative designed for the SIDS that is designed to allow space in the post HIPC adjustment path for probable but temporally unpredictable exogenous shocks. In this context, the middle-income country (MIC) designation for most SIDS which has resulted in their graduation from access to concessional loans and funding, is a misnomer and does not accurately reflect the critical vulnerabilities of SIDS, often ignoring significant inequalities. This is an important policy issue which needs to be addressed. At the present time it is largely avoided.**

(2) Deeper Regional co-ordination: The existence of the Eastern Caribbean Currency Union and the support of the ECCB helped Eastern Caribbean states organize, cope and respond to the crisis, individually and as a group. The ECCU’s Eight Point

Stabilization programme agreed to by all members¹³ has also supported joint action in social protection and benefits from expertise at the regional level. In the context of the macroeconomic measures proposed here, such an approach would add to the plausibility and feasibility of initiatives to address high public debt as well as to create a fund to respond to exogenous shocks. Given its efficacy in the Caribbean, current coordination and arrangements could be expanded in the Pacific to include currency and economic arrangements. The role of regional institutions and organizations in facilitating timely response and changes processes is already recognized in the Pacific region (Slade 2009). This also allows for cyclical approaches to country support and the socialization of risk.

(3) Socialization of Risk or Risk-sharing: already exists in the form of Caribbean (Catastrophe Risk Insurance Facility (CCRIF¹⁴). This concept, we propose, needs to be broadened and integrated into the macro policy framework for SIDS at a global level. SIDS can do little to limit their innate exposure to the global environment nor fundamentally reduce the risks from environmental change. As part of their resilience-building efforts, such initiatives would provide a countercyclical support mechanism.

(4) A Stability and Social Investment Facility for the SIDS: Dervis and Birdsall (2006) have elegantly outlined the design principles for such a fund in the case of larger middle

¹³ The Eight Point Stabilization Plan included focus on three elements: stabilization, stimulus and structural reform. In respect of Social Safety Nets, governments agreed to support the following measures: (i) Greater coordination and collaboration within and among countries in the implementation of social protection systems; (ii) Improved targeting of social protection programmes; (iii) Rationalization and consolidation of social protection programmes to improve efficiency and to establish priorities; and (iv) Initiatives geared towards moving persons out of poverty including education enhancement, training and retraining, temporary work programmes and small business development programmes. There was also an agreement to ensure that social safety nets in the ECCU were streamlined and targeted as a means of managing the cost –impact of the social protection mechanisms on member states’ expenditure. More information can be found at: News Room Press Releases: Communiqué of the 6th Special Meeting of the Monetary Council, St Kitts And Nevis, 18 September 2009. Accessed from <http://www.eccb-centralbank.org/News/press2.asp?pressID=340>

¹⁴ CCRIF is one of the ways the Caribbean region has begun to take a proactive stance against natural disasters. The CCRIF is a parametric insurance facility, owned, operated and registered in the Caribbean for Caribbean governments. It insures government risk and is designed to limit the financial impact of catastrophic hurricanes and earthquakes to Caribbean governments by quickly providing short term liquidity when a policy is triggered. It is the world's first regional insurance fund, giving Caribbean governments the unique opportunity to purchase earthquake and hurricane catastrophe coverage not available elsewhere and with lowest-possible pricing. <http://www.ccrif.org/main.php?main=9>

income countries. Given that the SIDS are, by and large, in the same category, the case for exploring this instrument is, in our view, tangible and persuasive. The virtuous macroeconomic benefits for using such a fund to expand social protection in times of crisis should, at least make the instrumental case for the use of this fund to address social as well as economic or sectoral vulnerability in the case of the SIDS.

Box. 5. A Stability and Social Investment Facility for the SIDS

Dervis and Birdsall (2006) proposed a “Stability and Social Investment Facility” (SSF) to be housed either at the IMF or the World Bank. As long-term facility to help high-debt emerging market countries cope with and ultimately overcome what will otherwise remain a chronic structural weakness. In our view, the creation of such an institution for the SIDS, possibly with support from regional development banks working in collaboration would also serve to overcome the chronic structural weaknesses that we have identified in the preceding sections. The SSF would be an instrument providing a steady and predictable source of funds for addressing structural change as well as a strong policy signal to help high-debt emerging-market economies reduce their debt burden without having to forgo vital pro-poor social expenditures and growth programs. The financial cost to the donor community would be the interest subsidy built into the SSF; were the subsidy 200 basis points, the cost in the first year would be \$20 million for every \$1 billion of lending.

- (5) Explore new sources of finance:** Climate Change threatens to further challenge the development dynamics in SIDS with increasing natural events and other long term changes. It is both a challenge and an opportunity. The second meeting of Ministers of the four BASIC (Brazil, South Africa, India and China) Group countries which took place in New Delhi, India, on 24 January 2010, called for the early flow of the pledged US\$10 billion in 2010, with a focus on the least developed countries, small island developing States and African countries (UNEP 2010). This follows the consensus by participants at the Commonwealth Heads of Government meeting in December 2009, which called for the Copenhagen Launch Fund, to be initiated in 2010 and build up to US\$10 billion per year by 2012, to dedicate 10 per cent of its resources to small island states (Commonwealth Secretariat 2009). SIDS must ensure these funds are available as soon as possible and must take full advantage. These should be used to address fundamental vulnerabilities and used to the maximum. Hard choices are needed including the institutionalization of building codes, the prevention of building on and near fragile shore-lines and the punishment of environmental degradation.
- (6) Avoid making government the employer of last resort:** The role of government as the largest employer and the high contribution of government services as a significant

generator of GDP and income, are also important sources of potential vulnerability. In Kiribati, the public sector dominates the domestic economy providing almost 66 per cent of all paid employment and close to half the monetary GDP (Government of Kiribati and UNDP Pacific Centre 2009). In Vanuatu, more than 50 per cent of the recurrent budget is spent on the public wage bill (ADB 2009, 7); in 2003 Government services as a source of labour was second only to Wholesale and Retail (Prasad and Kausimae 2009). This has significant implications for government's flexibility (fiscally and through social assistance) to respond to crises.

As we hopefully move into a post-GEC period from 2011 onwards, we have proposed certain aggregate, but necessary measures, which the development community could, in partnership with the governments and peoples of the SIDS, consider to make sure things are better in the future. In so doing, we have made the case that in the case of the SIDS, social protection needs to be at the heart of efforts to mitigate the impact of exogenous shocks. There remain issues of a structural nature which require action and are key to improving resilience, as opposed to enhancing vulnerability, including:

- How can the pro poor content of economic growth be enhanced, given the volatility in the income and revenue bases of SIDS at the country *and* household levels?
- What can be done to rapidly and sustainably diversify the economies of the SIDS?
- Small-scale societies which are also micro-states are usually constructed socially on small, independent communities. They are usually self-contained in all social respects and inclusive, possessing their own organs of political representation and a self-conscious political identity. Within this reality lies many sources of social capacity and capital which can build social resilience (Bertram 2009). This is an important advantage underlying the political economy of many SIDS countries, which have, in our view, catalyzed the positive and successful responses to the crisis that we have highlighted above. Thus, how can policy processes be improved by learning from the positive experiences in responding to the challenge of the crisis?

(VI) CONCLUDING REMARKS

With access to health services ranging from the low 80s to 100 per cent, school participation at high levels and literacy and life expectancy well above average, we can see that the SIDS have secured human development in the dimensions that are often missing in other countries – access to public and merit goods – but have, paradoxically, been

unable to address some of the more fundamental ills of underdevelopment, namely poverty, vulnerability and inequality. In addition the fiscal and macroeconomic position of the SIDS continues to be highly vulnerable given the high levels of public debt and other macro and fiscal challenges highlighted earlier.

The crisis, signals a general need for SIDS to focus on building *resilience*. This does not negate, but rather reinforces, the need for action by the global community. This is not just about more development assistance. SIDS will likely always need some level of external assistance for problems well outside of their control and capacity, given their huge exposure to exogenous shocks; it is globally recognized that SIDS will require the long-term support of the global community. Like any development solution or approach, “resilience” cannot stand alone. We recommend it as an addition to the existing frameworks and a strengthened underlying concept for change rather than the sole solution to enhanced policy making and results in SIDS. This will make the difference, we believe, between surviving and thriving.

The case of the SIDS, is illustrative for all nations. It makes explicit a global truth that is all too often ignored by large fast growing developing nations, as well as the international community, excited by the prospect of the rise of significant new emerging economies, technologies and opportunities afforded by globalization. It is that the impact of the crisis is not about income levels, trade, the world of finance, or the changing balance of economic power between nations. It is, first and foremost, about people and societies, about their vulnerability to, and ability to resile, from events that take place in a wider world in which their voice and ability to be taken account of at the high tables of decision making, is limited if not negligible.

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Table 9. Response Measures undertaken in response to the Global Economic crisis by selected SIDS

Country	Response measures
Antigua and Barbuda	<ul style="list-style-type: none"> ▪ No special relief measures except to retain certain key social protection measures of <ul style="list-style-type: none"> ▪ School Uniform Grant ▪ School Meals Programme, ▪ Home Improvement Grant, ▪ Poverty Alleviation Grant, ▪ GRACE Programme (for the elderly and eligible), ▪ Job Training initiatives, ▪ Senior Citizens Utility Subsidy Programme ▪ Peoples Benefit Programme implemented by PDV Caribe and funded with resources made available through the Petro Caribe arrangement. ▪ Fiscal Consolidation measures to reduce expenditure and raise revenue
Barbados	<ul style="list-style-type: none"> ▪ Removal of subsidy on fuel, allowing prices to pass through to the consumer. ▪ Implementation of programme to allow employers to defer a portion of their NIS contributions for employees for one year, to be repaid at a low interest rate in exchange for their agreement to maintain the workforce levels. ▪ Companies/contractors who owe taxes and contributions will still be eligible to tender for government contracts once an agreement for payment has been made. Persons in arrears are also allowed a 50% reduction in outstanding taxes and contributions. ▪ Companies/contractors who are owed by Government can recover up to 90% of the monies owed to them by government through an arrangement with the Central Bank, which allows the Commercial Banks to provide these loans. ▪ Providing support to the Tourism sector, through a Tourism Unemployment Relief Fund of 25 million Barbados dollars.
Dominica	<ul style="list-style-type: none"> ▪ Increase in tax free allowance from \$15,000 to \$18,000 per annum ▪ Reduction in tax rates by 2% points on all tax brackets. Cost: \$4.9 million (Jan - June) ▪ Tax exemptions on pensioner`s income ▪ 10% increase in allowances granted under social assistance programmes, covering: young people; clothing and transportation allowances for disadvantaged students; grants to institutions that care

Country	Response measures
	<p>for disadvantaged persons.</p> <ul style="list-style-type: none"> ▪ 50% increase in amounts paid as assistance raising monthly assistance from EC\$100 to EC\$150 (from July 2008) ▪ public assistance raised to centenarians - EC\$500 (24 beneficiaries) ▪ Initiative to improve targeting of subsidies ▪ Red clinic' - weekly assistance to petitioners
Montserrat	<ul style="list-style-type: none"> ▪ Cutbacks in government expenditure across the board, including expenditure on social protection and health budgets ▪ Cutbacks in training and development budgets ▪ Continuing construction projects as a way of keeping economy growing ▪ No public sector layoffs or salary cuts ▪ Support to the tourism sector – tourism challenge fund ▪ Increased attention to the deepening and widening of the social safety net to take care of the poor and vulnerable ▪ Government is pushing a return to agriculture as a means of to providing food security
St. Kitts and Nevis	<ul style="list-style-type: none"> ▪ With effect from January 2009, small hotels were exempted from duty and consumption tax on food and beverage. These concessions were later extended to the restaurant sector ▪ Nevis established a Tourism Contingency Fund (which is funded by an additional 1 percent charge on hotel accommodation tax) ▪ Additional concessions made in respect of small hotels – such as duty free concessions for refurbishment. ▪ All expenditures in Nevis have to be approved by the Ministry of Finance (an interim measure) to ensure expenditure control ▪ All social programs that are supportive in nature have been maintained, but some developmental line items have been cut from individual Ministries and department. ▪ The Social Development Ministry has started making strides towards improving targeting. ▪ Introduction of the YES programme. ▪ In Nevis, capital infrastructure projects introduced, funded by social security loan
Fiji	<ul style="list-style-type: none"> ▪ Removal of customs duties and VAT on several basic food items ▪ Increased the income tax threshold ▪ Provided subsidies to bus operators. ▪ Instituted a significant increase in Government spending on education now accounting for one sixth of total current spending, followed by

Country	Response measures
	<p>spending on public order, safety and defense, and economic affairs.</p> <ul style="list-style-type: none"> ▪ Increased expenditure for improving public infrastructure ▪ Reduction in the company tax (expected in 2009 to counteract downward pressures on growth from the financial crisis) ▪ Incentives for investment including tax free holidays and tax free zones ▪ Eased monetary conditions ▪ Currency devaluation ▪ Institution of a “free bus fare” programme for families with incomes less than F\$15000 per annum but this is still being organised, it is scheduled to take effect in February 2010
Kiribati	<ul style="list-style-type: none"> ▪
Samoa	<ul style="list-style-type: none"> ▪ Increased spending in education ▪ Eased monetary conditions ▪ Reduction in lending rate from 7.8% to 5% in early 2009 ▪ Government is instituting a “School Fee Grant Programme”, but again this is still in the final design stage and has not yet been fully implemented
Solomon Islands	<ul style="list-style-type: none"> ▪ Improve tax administration and widen the tax base - the reference price of logs was revised to reflect international market prices and ad hoc tax exemptions were narrowed ▪ Control inflation through the tightening of monetary policies ▪ Solomon Islands announced a 35% reduction in all non-essential non-staff costs as royalty revenues from the logging industry declined sharply in late 2008 and early 2009
Vanuatu	<ul style="list-style-type: none"> ▪ Strengthen land registration and titling needs to be strengthened, operations of public-sector enterprises improved and infrastructural bottlenecks resolved to improve investment both local and foreign. ▪ Focus on public/private sector partnerships ▪ RBV reduced rediscount rate to 6% ▪ Substantial cuts to school fees for primary level

For the Caribbean, reproduced from Junge, 2009/ summarized from Economic crisis PSIA Reports; For the Pacific, summarized from UNESCAP 2009.

Table 10. Recent disasters in SIDS (1990-2009)

Country	Type of Disaster	Date of Occurrence	Impacts	Costs to GDP	Source
Antigua and Barbuda	Hurricane Luis	1995	70% of houses were damaged or destroyed on Barbuda, and nearly half of the houses on Antigua were eradicated. Much of the islands experienced power outages and disrupted water systems. In all, 3 people were killed, with 165 injured and 1,700 people in shelter and leaving 3,200 homeless.	The government estimated a damage total of \$350 million	Caribbean – Hurricane Luiz Sep (UN DHA Situation Reports 1 – 10)
	Hurricane Georges	1998	Strong winds caused severe property damage, mostly caused to roofs. 10-20% of houses were greatly impacted, including three schools. High winds during the passage of the hurricane downed telephone and power lines, causing loss of communication and power across much of the island. Between Barbuda and Antigua, Georges killed 2 people and left 3,800 homeless.	\$159.9 million	http://wapedia.mobi/en/Hurricane_Georges
	Hurricane Jose	1999	Across the Island the storm left one person dead, 18 hospitalized and over 500 homeless. 815 houses suffered roof loss ranging from partially damage to completely destroy. The telephone and electricity service was also disrupted, with approximately 50% of the telephones out of service and 90% of the	-	Antigua and Barbuda: Hurricane Jose.

			island without electricity.		
	Hurricane Fabian	2003	The hurricane produced storm surge damage in Antigua and Barbuda, where some boats were slightly damaged.	-	Oficina Nacional de Meteorología, Centro de Información Huracanes
	Hurricane Omar	2008	It was assessed that approximately 5,160 houses sustained flood damages. The intense rains caused damages to roads in several areas. Meanwhile the agriculture sector and coastal areas suffered severe damages, as crops were lost and fishermen traps were completely destroyed by the passing of the storm.	Damages in Barbuda were estimated at \$18 million.	Hurricane Omar Antigua and Barbuda Tropical Cyclone Report
Barbados For more events: http://74.125.47.132/search?q=cach+e:ood+2004&cd=14j:www.islandvulnerability.org/BarbadosEventsBoruff.doc+Barbados+flood+2004&...	Hurricane Klaus	1990	Flooding from the rainfall blocked a few roads and forced a few families to move to safer areas; lightning from the outskirts of the storm left a portion of the island without power.	-	Storm Klaus Bears Down on Caribbean, Hurricane Warnings Issued
	Hurricane Janet	1995	Janet passed just south of Barbados on September 22, the first hurricane to strike the island in 57 years; maximum winds on the south side of the island were estimated by locals at 110-120 mph. There were 38 deaths reported on Barbados.	-	1995 Monthly Weather Review
	Hurricane Joyce	2000	Barbados experienced the highest sustained winds Joyce brought to any land area. There, the winds were 35 mph (60 km/h), gusting to	-	Tropical Cyclone Report Hurricane Joyce

d=1&hl=pt-BR&ct=clnk&gl=br&client=firefox-a			45 mph (70 km/h). Neither Barbados, Trinidad and Tobago, nor Grenada reported serious effects from Joyce.		
	Hurricane Ivan	2004	-	\$5 million in total direct damage	http://wapedia.mobi/en/Hurricane_Ivan
	Flood	2004	Three days of heavy rainfall caused flooding and landslides in Northern Districts. Flash flooding in Northern districts. Flood waters reached as high as 4 feet in Sunset Crest , St. James; Persons rescued from vehicles.		
Dominica	Hurricane Klaus	1990	On Dominica, winds from the hurricane damaged power lines and downed trees in the northern portion of the island	-	Storm Klaus Bears Down on Caribbean, Hurricane Warnings Issued
	Hurricane Luis	1995	Dominica experienced between 60% to 80% damage to the banana crops. Luis claimed the life of a fisherman in the raging seas. While overall damages was fairly minor, Luis left 1.000 homeless and property damage was estimated at \$47 million	-	Dominica – Hurricane Situation Report no. 3
	Hurricane Dean	2007	Dean killed three people and devastated banana and sugar crops a day earlier as it crossed small eastern Caribbean islands.	~\$162 million	Hurricane Dean Gains Caribbean Strentht
Montserrat	Hurricane Hugo	1989	90% of all structures were destroyed in the British overseas territory, including the	US\$240 million in	Commonwealth Secretariat

			island's hospital and virtually all the homes of its 12,000 residents. Tourism and agriculture were also severely hit.	damages	— Montserrat
	Soufriere Hills volcano	1995	In July 1995, Montserrat's Soufriere Hills volcano, dormant throughout recorded history, rumbled to life and began an eruption which eventually buried the island's capital, Plymouth, in more than 12 metres (39 ft) of mud, destroyed its airport and docking facilities, and rendered the southern half of the island uninhabitable. Following the destruction of Plymouth, more than half of the population left the island due to the economic disruption and lack of housing.	-	Montserrat Volcano Observatory
St Kitts and Nevis	Hurricane Luis	1995	Some infrastructure of Saint Kitts and Nevis were damaged, with troubles especially occurring to the poor water system. Luis caused minor to moderate house and crop damage amounting to \$197 million	-	Wikipedia
	Hurricane Georges	1998	While passing over St. Kitts, downing power lines, telephone lines, and trees across the island. Lack of electricity resulted in damage to water facilities, as well. George's high winds caused extensive property damage, damaging 60-85% of the houses on the island, and destroying 25% of homes leaving 1/5 houses uninhabitable. Rainfall and debris killed several hundred livestock and seriously	According to a preliminary damage assessment conducted by the St. Kitts National Emergency Management Agency, total damage	St. Kitts National Emergency Management Agency

			damaged coconut trees, amounting to \$2.5 million (1998 USD) in agricultural damage.	equals \$445 million.	
Fiji	Fijian Military Coup 1987	1987 and 2000	In 1987, soldiers were responsible for two military coups, and in 2000, the Military organized a countercoup to quash George Speight's civilian coup. Since 2000, the Military has had a sometimes tense relationship with the Qarase government, and has strongly opposed its plans to establish a Commission with the power to compensate victims and pardon perpetrators of the coup. Among other objections, the Military claims that its integrity and discipline would be undermined if soldiers who mutinied in the 2000 upheaval were to be pardoned.		
	Tropical Cyclone Kina	1992	There were widespread damage along the Coastal Area. In several points of the country, electrical power and the telephone system has been affected. Problems with water contamination were also related as well with floods.	The Government estimated a damage of 100 million dollars.	http://www.reliefweb.int/rwarchive/rwb.nsf/db900sid/ACOS-64DDYY?OpenDocument&rc=5&emid=ACOS-635P39
	Niño Southern Oscillation (ENSO)	1997/98	Losses in sugar cane industry around FJ\$104 million while other agriculture losses including livestock death amounted to FJ\$15 million	-	Climate Change and Food Security in Pacific Island Countries
	Tropical	2001	Although it does not appear to have caused any widespread severe damage during its	-	http://www.cidi.org:8080/di

	Cyclone Paula		passage across Fiji, the cyclone worst affected the Yasawa and Mamanuca Group in the Northwest, Southwestern Viti Levu, Kadavu, parts of Lomaiviti and the Southern Lau Group.		saster/01a/ixl119.html
	Tropical Depression 10F	2004	The storm was given the number 22P by the Joint Typhoon Warning Center. It was responsible for causing severe flooding to Fiji and at least ten deaths	-	The South Pacific and southeast Indian Ocean tropical cyclone season 2003-04
	Cyclone Daman	2007	Cyclone Daman brought heavy rain which caused floods and landslides within Fiji's northern division. This led to several international and domestic flights being canceled on December 7.	The total cost to Fiji from Cyclone Daman was F\$500,000 (2007)	Seasonal Summary 2007-08
	Cyclone Gene	2008	FJ\$45 millions in damages to agriculture, infrastructure, utilities and property. It grinded Fiji to a halt leaving half the country without power and taps running dry for a large part of yesterday. It also left four people dead.	The government had to provide FJ\$1.7 million worth on food rations.	Climate Change and Food Security in Pacific Island Countries
Samoa	Cyclonea Ofa	1990	Cyclone Ofa caused extensive damage and destruction in Western Samoa with considerable loss of life. The monetary value of the damage has been set in the millions of dollars.	-	Survey of Cyclone Ofa Damage to the Northern Coast of Upolu, Western Samoa
	Tropical Cyclone Val	1991	The cyclone raged for approximately four	-	Wikipedia

			days and severely stripped 90% of the island, causing 13 deaths and destroying about half of the island's coconut trees, resulting in a tremendous blow to the country's economy.		
	Pacific Islands Tsunami	September 2009	At least 143 people were killed in Samoa, 22 people in American Samoa and 7 people on Niuatoputapu, Tonga. 310 people have been reported as injured, five are missing and about 3,200 people (640 families) have been left homeless in Samoa (OCHA).	Reconstruction costs in Samoa are estimated at USD 150 million.	The South Pacific Island Earthquake and Tsunami
Solomon Islands	Ethnic Conflicts	1998	In late 1998 groups of militant youth on the main island of Guadalcanal embarked on a violent campaign of intimidation against settlers from other parts of the country and, in particular, those from the neighbouring island of Malaita. Over 20,000 people were displaced from their homes in rural Guadalcanal. In response an armed Malaitan group - the Malaitan Eagle Force - was formed in the national capital, Honiara, and fighting broke out between the militant groups. The conflict has been represented widely as the outcome of 'ethnic tensions' between the people of Guadalcanal and Malaita.	Armed conflict in Solomon Islands, which began in October 1998, has resulted in a rapidly deteriorating human rights situation, with civilians suffering abuses by all sides, including abductions, torture, rape and killings, forced displacement, looting and burning down of homes.	Introduction: Conflict and peacemaking in Solomon Islands http://rspas.anu.edu.au/papers/melanesia/conference_papers/2001/01_Solomons_Dinnen_Intro.pdf Solomon Island: a forgotten conflict http://www.amnesty.org/en/library/info/ASA43/005/2000/en
	Tropical Cyclone Beni	2003			

Vanuatu	1998 Crisis	1998			
	Tropical Cyclone Paula	2001	the Government reports damage to 45-50 % of houses and gardens, 35 % of water supplies, 20 % of schools, 15 % of medical centres and 25 % of other infrastructure.	-	http://www.cidi.org:8080/diaster/01a/ixl119.html
	Cyclone Zoe	2002	Vanuatu was inundated with seawater with villagers collecting fish from their village greens.	-	Wikipedia
	Tropical Cyclone Ivy	2004	Tropical Cyclone Ivy has affected more than 54,000 people (or a quarter of the national population). Over 95 % of water storage facilities, water sources and systems in the affected islands were damaged.	-	Monthly Global Tropical Cyclone Summary February 2004