



Inclusive Growth, Poverty and Inequality in Pacific Island Countries

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14th GDN Conference, Manila, Philippines

June 19 – 21, 2013

What is Inclusive Growth?

- Not all growth periods are inclusive.
- How can growth be classified as inclusive? How do we separate inclusive growth from those that are not?
- Klasen (2010) provides two criteria:
 - ✓ “Nondiscriminatory” growth.
 - ✓ “Disadvantage-reducing” growth.

What is Inclusive Growth?

- Thus inclusive growth is not quite the same as pro-poor growth.
- Inclusive growth extends beyond people below the poverty line.
- Inclusive growth is more broad: growth which benefit all segments of society, including the poor, the near-poor, middle income groups, and even the rich.
- Inclusive growth can easily be extended to non-income dimensions of well-being: **inclusive development** (McKinley, 2010; Rauniyar and Kanbur, 2010)

Measuring Inclusive Growth

- McKinley (2010) proposes four indicators:
 - Growth, productive employment and economic infrastructure
 - Income poverty and equity, including gender equity
 - Human capabilities
 - Social protection

Pacific Island Countries: Some Facts

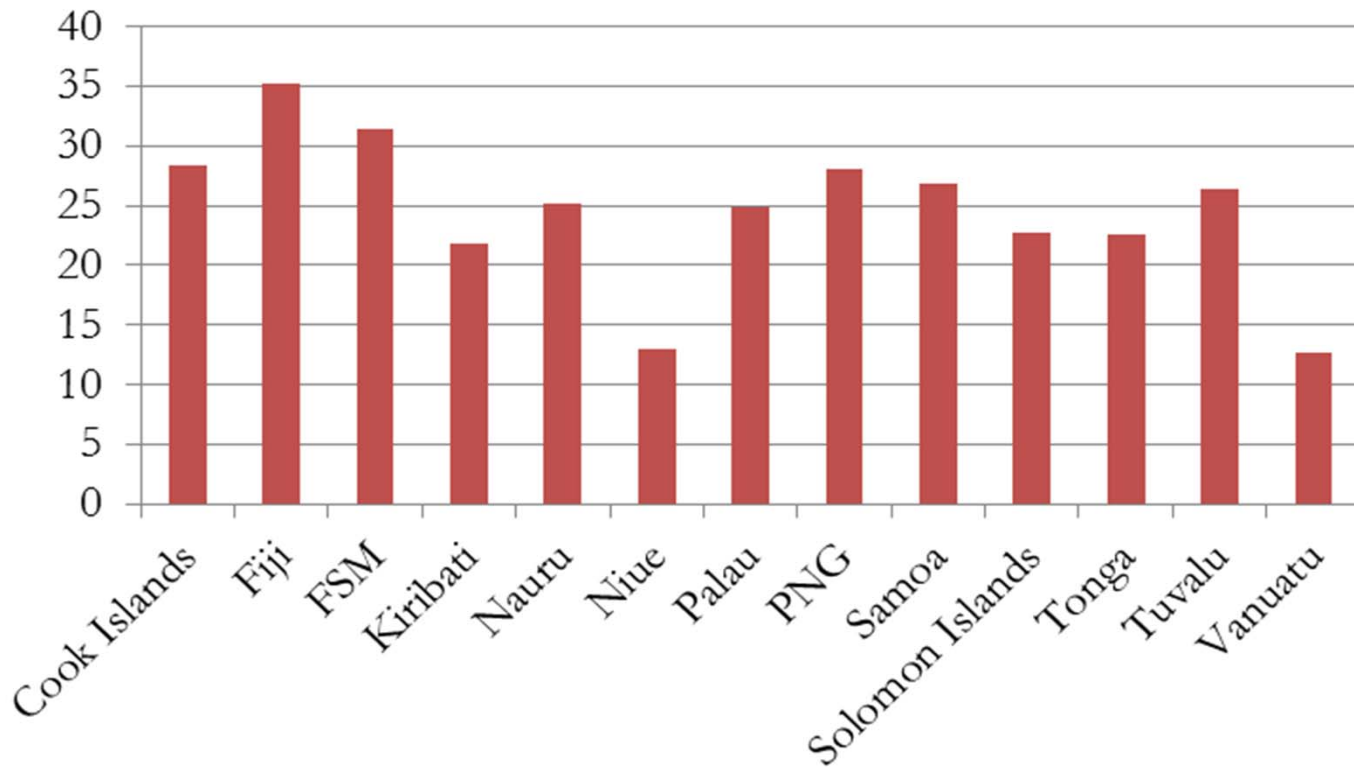
- Growth in the Pacific Island Countries (PICs) has been weak over the last decade.
- Integration of with Australia, New Zealand, and emerging Asia has increased over the last two decades.
- Stronger linkages with Australia and New Zealand are well established.
- Linkages with emerging Asia, including China, have also grown substantially, especially over the last 10 years.

Pacific Island Countries: Some Facts

- Most PICs are heavily dependent on tourism and agricultural sectors.
- Structural changes during the last decade: decline in agricultural and industry sectors and increasing importance of the services sector in some countries.
- Inflation is always a concern in PICs; largely driven by changes in external food and energy prices (UN ESCAP, 2013).

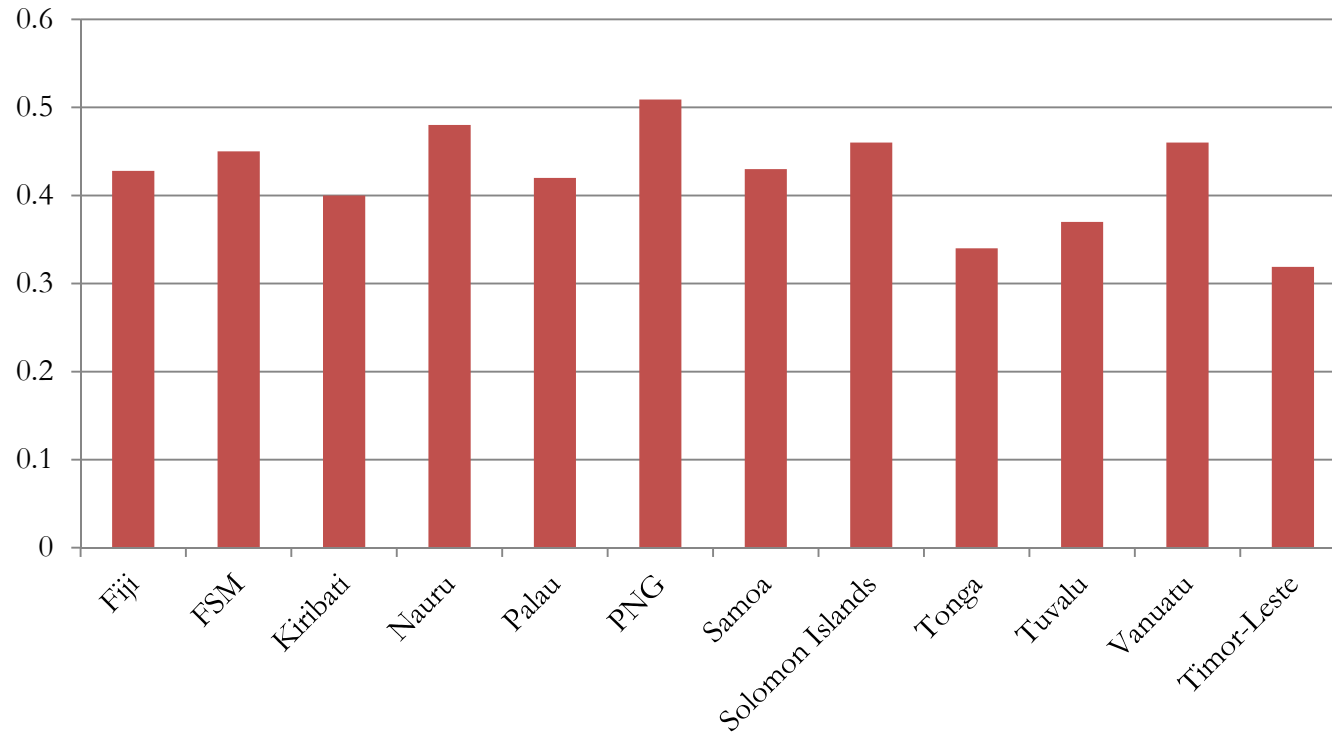
Pacific Island Countries: Poverty

- **Percent Proportion of Population below Basic Needs Poverty Line (BNPL)**



Pacific Island Countries: Gini Index

- **Gini Index**



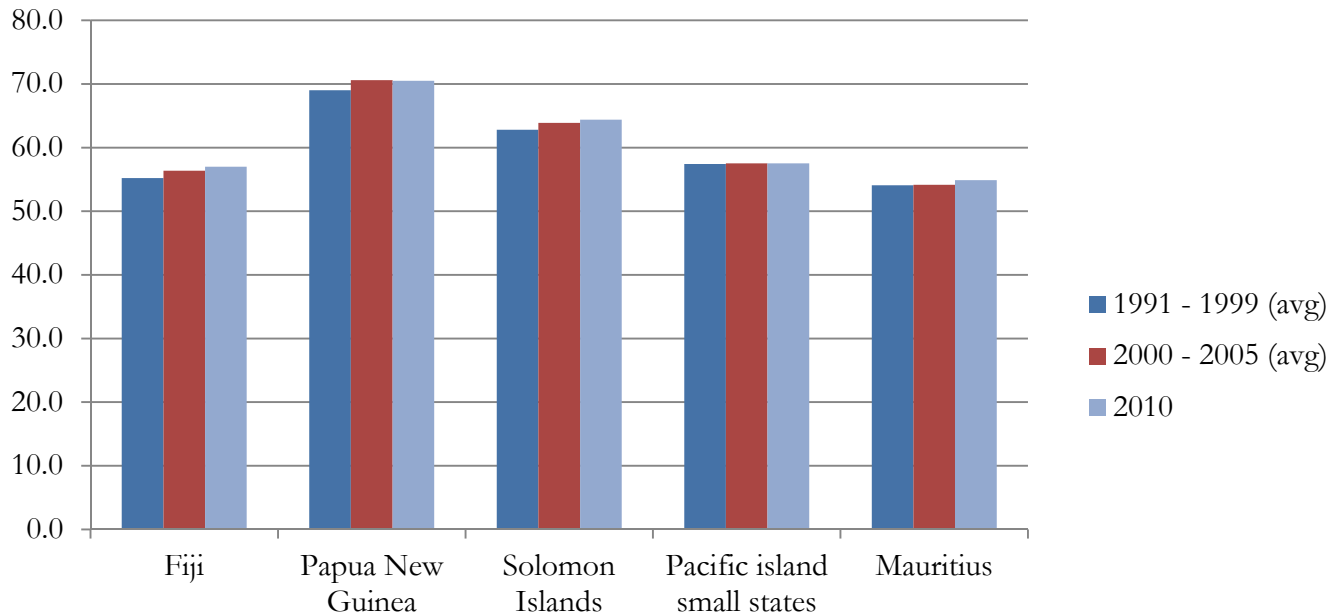
Pacific Island Countries: GDP Growth

- Annual Growth Rate of GDP (%)

	2004	2005	2006	2007	2008	2009	2010	2011
Fiji	5.5	2.5	1.9	-0.9	-1.4	-1.3	-0.2	2.1
Kiribati	0.2	0.3	1.2	0.5	-2.4	-2.3	-1.4	1.8
PNG	0.6	3.9	2.3	7.2	6.6	6.1	7.6	8.9
Samoa	4.2	7.0	2.1	1.8	4.3	-5.1	0.4	2.0
Solomon Islands	8.1	12.9	4.0	6.4	7.1	-4.7	7.8	10.7
Timor-Leste	4.4	6.5	-3.2	11.7	14.6	12.8	9.5	10.6
Tonga	2.2	0.7	-4.5	-2.4	0.5	0.9	1.6	1.5
Tuvalu	-1.4	-3.8	2.6	5.5	7.6	-1.7	-2.9	1.1
Vanuatu	4.5	5.2	7.4	6.5	6.2	3.5	1.5	2.5

Pacific Island Countries: GDP Growth

- Employment to Population Ratio (%)



Benchmarking the Constraints

- **Constraints to Participating in Agricultural Growth:**
 - ✓ Limited market access because of high transaction costs
 - ✓ Weak property rights for land
 - ✓ Weak incentives for production for poor farmers
 - ✓ Low levels of technology for use by poor farmers to enhance productivity
 - ✓ Risk associated with agriculture

Benchmarking the Constraints

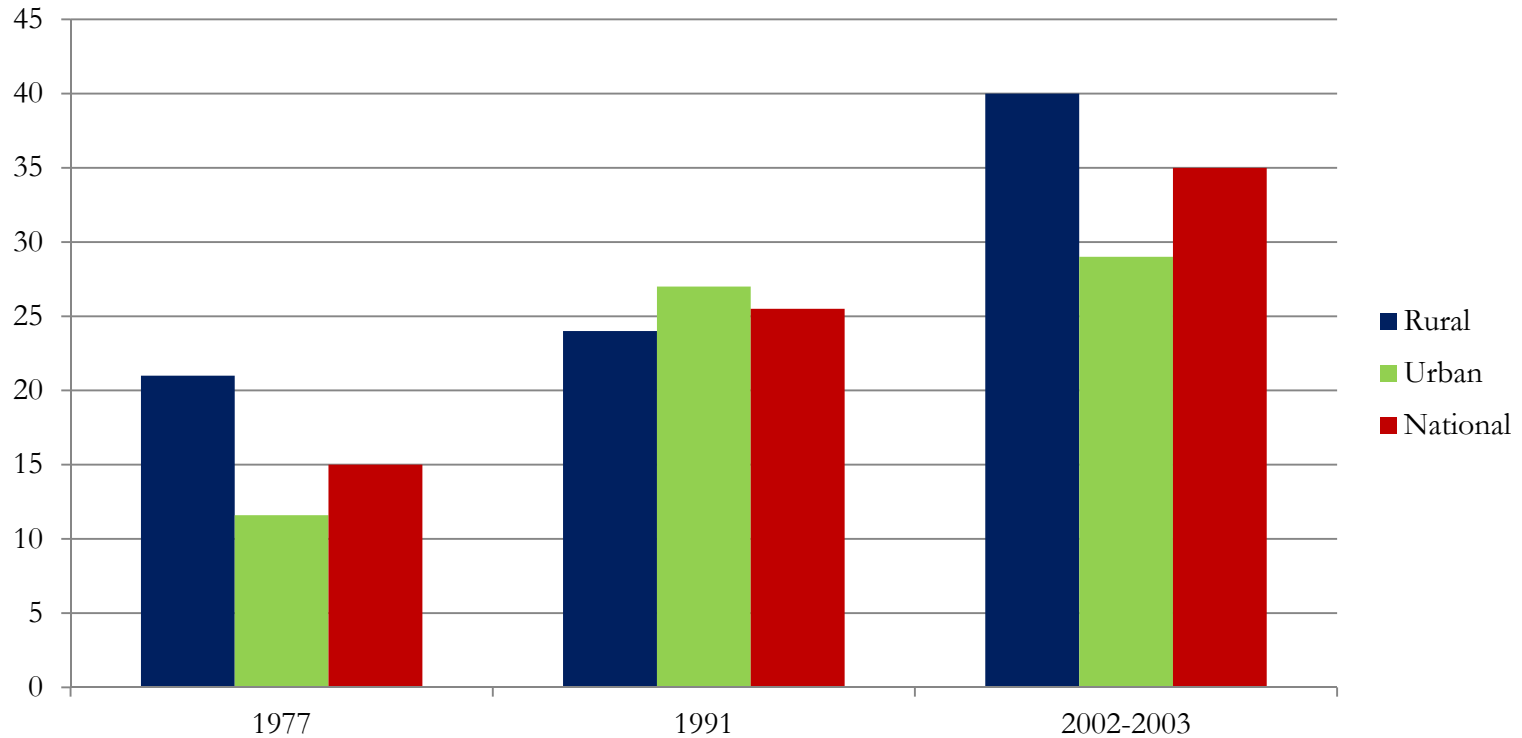
- **Constraints to Participating in Non Agricultural Growth:**
 - ✓ Poor investment climate
 - ✓ Rising skill requirements of non agricultural employment
 - ✓ Labour market regulations
 - ✓ Lack of access to infrastructure

Macroeconomic Policies

- **Macroeconomic Policies for Inclusive Development:**
 - ✓ Greater emphasis on the quality and composition of public expenditure
 - ✓ Higher investment in health, education and social security
 - ✓ Higher public investment in environment
 - ✓ Inclusive finance

Inclusive Growth: The Case of Fiji

- Incidence of Poverty (% of population): 1977, 1991 and 2002/2003

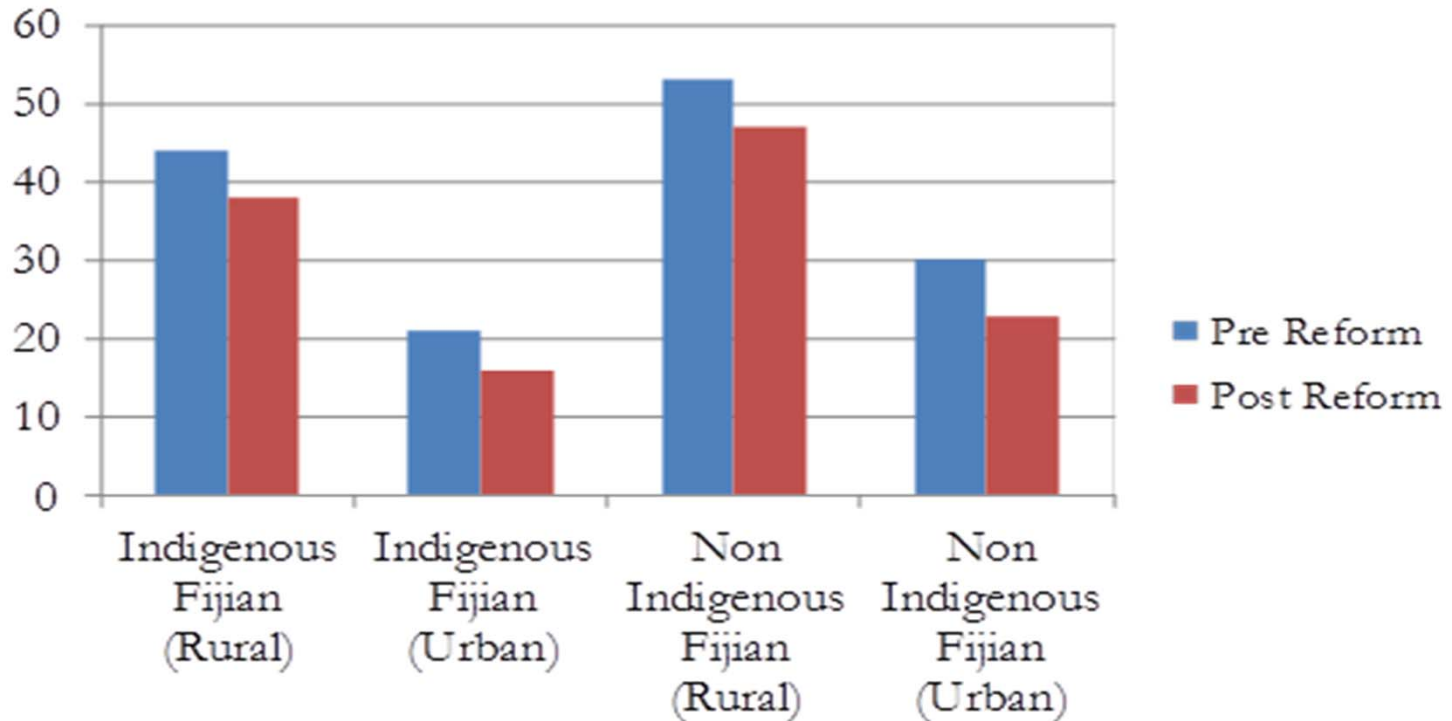


Inclusive Growth: The Case of Fiji

- **Policy Simulation: Will trade liberalization contribute to poverty reduction?**
 - ✓ Use a **CGE model** of the Fiji economy with a **microsimulation model** to investigate the impact of tariff elimination on poverty.
 - ✓ The CGE model is used to simulate changes in trade policy at the macroeconomic level, which are then passed on to the microsimulation model.
 - ✓ The theoretical structure of the CGE model closely follows the Australian ORANI model (Dixon, et al. 1987).

Inclusive Growth: The Case of Fiji

- **Percentage of Households in Poverty: Pre and Post Trade Liberalization**



Inclusive Growth: The Case of Fiji

- **Per cent of Population** in Poverty based on BNPL of F\$33 PAE per week by Division: Pre and Post Trade Liberalization

