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Republic of Vanuatu: Updating and Improving the Social Protection Index (Cofinanced by the Republic of Korea e-Asia and Knowledge Partnership Fund)

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For Asian Development Bank

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Asian Development Bank

CURRENCY EQUIVALENTS

Exchange Rate: USD\$1 = Vatu 92.5

ABBREVIATIONS AND ACRONYMS

ADB	–	Asian Development Bank
BNPL	–	Basic Needs Poverty Line
C & P	–	Care & Protection Allowance
FAP	–	Family Assistance Program
DMC	–	Developing Member Countries
GDP	–	Gross Domestic Product
GNI	–	Gross National Income
GOV	–	Government of Vanuatu
ILO	–	International Labour Organisation
IMF	–	International Monetary Fund
LFS	–	Labour Force Survey
LMP	–	Labour Market Programs
MoE	–	Ministry of Education
NGO	–	Non-Government Organization
PEN	–	Pension
SDB	–	Special Death Benefit
SP	–	Social Protection
SPI	–	Social Protection Index
TA	–	Technical Assistance
TOR	–	Terms of Reference
VAT	–	Value Added Tax
VNPF	–	Vanuatu National Provident Fund
WB	–	World Bank

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I. INTRODUCTION

A. Background

1. Asian Development Bank's (ADB) development of the social protection index contributed to the strengthening of social protection programs in developing member countries (DMCs). ADB continues its work on updating and improving the Social Protection Index (SPI). The SPI update addresses and incorporates lessons learned from two technical assistance projects¹ that developed the SPI for 36 countries in Asia and the Pacific and introduces new components and institutional arrangements to sustain the effective use of social protection indicators in policy analysis and formulation in the DMCs.

2. These initiatives implemented under the ADB commissioned regional technical assistance project² seeks to (i) improve the methodology in defining social protection for each DMC in order to ensure comparability among DMCs; (ii) improve data gathering for statistical analysis on social protection; and (iii) develop capacity of DMCs in monitoring the SPI and allow comparisons between countries and over time on implementation performance.

3. This country study provides updated information and data on social protection programs, and calculates the SPI for Vanuatu in view of the revised SPI methodology. The SPI can be updated periodically to assess progress in social protection programs in the country and analyse deeper aspects of targeting, coverage and expenditures on various social protection programs; for example, on the breadth (coverage) of social insurance versus social assistance or labour market programs, or on the depth (size of benefit) of various categories of social protection. The revised SPI methodology also provides scope to measure the gender responsiveness of programs, and poverty targeting of programs.³

4. The primary objective of the Vanuatu Country Report is to present the results of the research on social protection programs and policies in Vanuatu from all related ministries; summarizing quantitative information on these activities to enable the formulation of a national Social Protection Index (SPI).

B. Definition of Social Protection

5. Social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income.

6. This definition categorizes all programs under the traditional components of social protection as social insurance, social assistance and labour market programs. Microfinance as a form of social protection is excluded from the calculation of SPI since it does not involve a transfer in cash or kind and beneficiaries incur loans or debt instead of transfers. Three social protection programs are: (i) social insurance (i.e., the categories of old-age insurance, programs for the disabled, and health expenditure on insurance and pensions; (ii) social assistance (i.e.,

¹ ADB. 2003. *Technical Assistance for Social Protection Index for Committed Poverty Reduction*. Manila (TA 6120-REG); ADB. 2006. *Technical Assistance for Scaling Up of the Social Protection Index for Committed Poverty Reduction*. Manila (TA 6308-REG).

² ADB. 2010. *Technical Assistance for Updating and Improving the Social Protection Index*. Manila (TA 7601-REG).

³ To be able to calculate with relative accuracy the poverty-targeting rate of programs, household surveys need to contain a social protection data. However, the data of the survey was not available at the time of writing this report.

the categories of non-contributory health insurance, conditional cash transfers, child protection, and unconditional cash transfers; and (iii) labour market programs as shown in Table 1.

Table 1: Social Protection Categories and Types of Programs

Social Protection Category	Type of Program
Social Insurance Programs	<ul style="list-style-type: none"> • Pensions • Unemployment Benefits • Health Insurance - but not universal health insurance • Other social insurance (maternity, disability benefits)
Social Assistance	<ul style="list-style-type: none"> • Assistance for the elderly (e.g., non-contributory basic allowances for the elderly, old-age allowances) • Health assistance (e.g., reduced medical fees for vulnerable groups) • Child protection (school feeding, scholarships, fee waivers, allowances for orphans, street children initiatives) • Family allowances (e.g., in-kind or cash transfers to assist families with young children to meet part of their basic needs) – excluding any transfers through the tax system • Welfare and social services targeted at the sick, the poor, the disabled, and other vulnerable groups • Disaster relief and assistance • Cash/in-kind transfer (e.g., food stamps, food aid) • Temporary subsidies for utilities and staple foods - only if imposed in times of crisis and if targeted at particular vulnerable groups. General subsidies are excluded even if their rationale is to assist the poor • Land tax exemptions
Labor Market Programs	<ul style="list-style-type: none"> • Direct employment generation through public works programs – including food for work programs • Direct employment generation through loan-based programs – included if loans are subsidized and/or job creation is an explicit objective of the program • Labor exchanges and other employment services – if distinct from social insurance and including retrenchment programs • Unemployment benefits – if distinct from social insurance and including retrenchment programs • Skills development and training – included if targeted at particular groups (e.g., the unemployed or disadvantaged children. General vocational training is excluded).

7. There is no formal definition of social protection in the Republic of Vanuatu. Social protection consists of a mixture of informal arrangements focusing on extended families and Wantoks, the contributory Vanuatu National Provident Fund, and a range of employment-linked entitlement for wage and salaried earners in the formal sector. There are also a small number of formal economy voluntary arrangements, notably those organised by the Teachers Union. A few activities are provided by NGOs, and the Government funds most of the cost of the education and health sectors. In addition, the Employment Act mandates employer provision of a number of benefits to formal economy workers.

8. For the majority of the population embedded in the informal economy, the main forms of social protection are the network of traditional extended families and *Wantok*-linked mutual assistance or resource sharing arrangements which form part of traditional Vanuatu culture. Wantoks are socio-cultural, linguistic, and kinship-linked groups which play a major role in traditional society. People in need will usually approach others in these networks for assistance, while extended families traditionally care for dependent children and frail elderly people.

9. Most of the traditional arrangements could be described as being based on actual or ascribed kinship, and on reciprocity leading to mutual resource sharing and risk pooling. Other elements include reparations for wrongdoing. Until recently, the traditional Vanuatu system has worked fairly well in providing social protection to its members, but is coming under increasing pressure as a result of other social problems and the impact of migration in neighbouring towns. While the system is still strong, the erosion of traditional arrangements will create a need for formal social insurance and some elements of social assistance.

C. Report Structure

10. The Vanuatu Country Report is structured as follows:

- (i) Chapter II contains a brief overview of the social and economic development in Vanuatu.
- (ii) Chapter III describes current social protection activities and programs in the country using ADB's typology.
- (iii) Chapter IV provides an overview of the derivation of SPI and its disaggregation.
- (iv) Chapter V presents the analysis of the country results.
- (v) Chapter VI discusses the conclusion and recommendations.

II. COUNTRY OVERVIEW

A. Geography

11. The Republic of Vanuatu is an archipelago comprising 83 islands in the Western Pacific Ocean, dispersed from latitude 13 – 22 degrees south. The total land area is 12,189 kms with a total Extended Economic Zone of about 680,000 kms. Most of the islands are volcanic in origin, with typically high mountains in the center and fringed by lower coastal zones where most of the population is concentrated. The dispersion of the islands creates administrative difficulties in communication, provision of services, and access, which is only possible by sea or air.

12. More importantly Vanuatu is geographically located in a region on the Pacific ring of fire that makes it vulnerable to earthquakes, volcanic eruptions with nine active volcanoes, and tsunamis. Vanuatu is also in one of the most active cyclonic areas in the Pacific region and the country faces risks from cyclones almost every year, resulting in loss of income and capacity.

13. While mitigation against cyclones can be achieved by having an effective disaster recovery system, a comprehensive social protection system would also alleviate much of the subsequent loss of income and resultant economic downturns caused by this form of natural disaster.

B. Demographic Profile

14. The 2009 census determined that the total population is about 234,000. This compares with 186,678 people in 1999, and represents an increase of 25.4% or 47,345 people. The population increase represents an average annual growth rate of 2.3%.

15. The urban population is 57,195 people (24.4%) of the total population. This includes the towns of Luganville in Sanma with 13,156 people, and Port Vila in the Shefa province with 44,039 people.

16. The average population density for Vanuatu is 19 people/km². This varies widely between provinces. For example, Shefa has 52 people/km², while Torba and Sanma has only 11 people/km².

17. The census counts 47,373 private households with 228,883 household members, which represents 4.8 people per household on average. More than 10% or 25,451 of the population living in private households are households with 10 or more people.

18. Vanuatu also presents other complexities with 80 -100 languages locally spoken. The *lingua franca* is Bislama which is mostly based on English and a form of pidgin. Other languages are English and French.

C. Economy

19. Vanuatu's economy is dominated by agriculture and the services sector. The agriculture sector is not only important in terms of its overall contribution to GDP which is about 20%, but for foreign exchange earned through export earnings. Copra, coconut oil, beef, cocoa, sawn timber, cowhides, kava and coconut meal earn about 80% of all exports. These exports are highly vulnerable to changing world prices.

20. A gradual decline in exports has contributed substantially to an increasing imbalance in trade. Vanuatu is a tax haven offering offshore banking facilities. There are no taxes on personal income, corporate profits, capital gains, or any other taxes for foreign firms.

D. Poverty and Inequality

21. Vanuatu Poverty level has not reached the level where it can be considered a threat to the society. Vanuatu does not have to face acute poverty in terms of destitution but much of the population of Vanuatu earns below the poverty level. According to ADB recent estimates, 40% of all Ni-Vanuatu and 50% of the rural population have incomes below the International Poverty line of \$1.25 per capita per day.

22. A poverty assessment program conducted by ADB was organized in 2002 by the Government with the natives asked to speak about their poverty in order to assess Vanuatu's level of poverty. They were also asked to provide suggestions that could improve the standard of living. Moreover, the organizers held workshops participated by all communities. The Department of Social and Economic Development was responsible for consultations regarding improvement measures with leaders of 12 villages, other officials, women and young people, including elected officials.- find out from ADB's participatory poverty assessment

23. According to the UN Development Program human poverty index, Vanuatu's rate is 46.4. This rate fares better compared with other countries in Oceania. Thus, Vanuatu is in a good position than than most countries in Oceania. = check with recent UN publication.

E. Employment and Labour Force

24. According to the National Population and Housing Census, there are 84,172 employed in Vanuatu in 2009 and 21,043 unemployed or underemployed. However, if underemployed or actively looking for work are included in the unemployed category, the unemployment rate would increase to 5.5%⁵.

25. If subsistence workers⁶ are included as part of the unemployed⁷ — on the grounds that these people would look for work if cash work is available in their labour market community — the total unemployment level would increase to 46,395 people, with an unemployment rate of 47% (i.e., 43% for males and 51% for females; 20% in urban areas and 55% in rural areas). While this assumption would not apply to all individuals in the group, it would most likely apply to a proportion of the population. Depending on the assumptions, the resulting unemployment rate would fall somewhere between 4.6% and 47%.⁸

26. The principles of labour productivity are difficult to apply to the employed in Vanuatu as approximately 70% of those employed are working in the subsistence sector which generally has a low volume of production compared to other farming systems. This also makes a comparatively small contribution to GDP in value added terms. In 2006, crop production which is mostly subsistence, accounted for only 15% of GDP; approximately 70% of the employed are engaged in subsistence activities.

27. Vanuatu is enjoying the benefits of migrant labour with New Zealand and Australia Government agreements. The New Zealand Recognised Seasonal Employer (RSE) program began in 2007 with a pilot. Larger numbers followed in 2008. The Australian pilot was in 2009. The workers are mostly unskilled and mainly involved in agricultural work.

28. The RSE programme has significant impacts on families and communities involved with workers savings upon their return to their home country, remittances, home investment improvements, education related expenses, and income-generating projects. Approximately 250,000 Ni—Vanuatu take part in the RSE scheme each year. Remittances from New Zealand amount to Vt528 million in 2008, increasing to Vt899 million in 2009. RSE is expected to become Vanuatu's second largest earner of foreign exchange, after tourism. Thus, there could eventually be competing demands for labour between the local market and the New Zealand market.

⁵ Vanuatu National Statistics Office. 2009. National Population and Housing Census Analytical Report, Vol. 2.

⁶ Subsistence work — such as growing or gathering produce or fishing to feed families — is the main activity of 32% of Vanuatu's males and 28% females aged 15 and older (Vanuatu National Statistics Office. 2009. National Population and Housing Census Analytical Report, Vol. 2)

⁷ People classified as unemployed: did not work in the week prior to the census (other than those who had a job but were not at work during the reference week), but spent some time looking for work, and were available to work if a job was offered to them (2009 National Population and Housing Census, Analytical Report Volume 2, Vanuatu National Statistics Office)

⁸ Vanuatu National Statistics Office. 2009. National Population and Housing Census Analytical Report, Vol. 2.

F. Education

29. The education system consists of preschool (aged 3 to 5 years), primary school (aged 6 to 13 years or Year 1 to 8), and secondary school (Year 9 to 13 or Year 14 in some French schools). There are still some junior secondary schools offering Years 7 and 8 which will be phased out and absorbed into primary level education. There is a total of 435 primary schools and 81 secondary schools; the Government provides grants and teachers to 387 primary schools and 61 secondary schools.

30. The Ministry of Education receives the largest share of the recurrent budget from Government. The total budget appropriation for the Ministry of Education increased in recent years, although as a proportion of total government expenditure, it decreased slightly in 2008 to 23% from 26% in 2007. Development partners also make significant contributions towards education in Vanuatu. The 2010 work plan received Vt 723 million in development partner support.

III. CURRENT SOCIAL PROTECTION PROGRAMS AND ACTIVITIES

31. This chapter presents an overview of the data collection process, objectives, and current social protection activities in Vanuatu including challenges and difficulties encountered during the course of the study. The two-fold objective of this chapter is to present the main features of the social protection programs in the country and provide quantitative information that will serve as the basis for the formulation of the Social Protection Index.

A. Data Collection

32. The data and information in this report is collected from various data sources such as National Accounts, UN data, and National Population and Housing Census, including records of relevant agencies where social protection data is available. Data was also obtained from the Department of Finance and other responsible agencies for social protection programs in Vanuatu. Some of the difficulties encountered in data collection include lack of information on some social protection programs.

B. Social Assistance Programs

33. There are four main social assistance programs in the Republic of Vanuatu. The existing social assistance programs include Home Island Passage Allowance, scholarship allowance, family assistance support program, and disaster assistance (e.g., Tonga Earthquake Response and Gaua Volcano Response).

34. There is no public sector cash social assistance in Vanuatu, and little that can be regarded as in-kind social assistance. There is also little or no Government funding provided to NGOs or agencies dealing with social problems. There are, however, some elements of direct service provision to broader population groups which replace some of the needs for specific social assistance. In other sectors, there are clear, emerging social assistance needs which are not currently being addressed.

1. Home Island Passage Allowances

35. The total number of beneficiaries for the Home Island Passage Allowance in 2009 is 140,000 (59.8% of population) with the total budget of Vt10.6 million. The government budget foresees a special article to fund this program. The details on beneficiaries and budget, as well as gender focus are presented in Table 2.

Table 2: Home Island Passage Allowance Expenditure and Beneficiaries, 2008-2010

	2008	2009	2010
Annual Expenditure (in Vatu)	11,100,000	10,600,000	9,800,000
Beneficiaries	128	140	146
Females	25	28	29

2. Scholarships allowances

36. There is a limited number of scholarships for intelligent students, and no targeted government assistance for children from poor families such as fee concession schemes. For instance, in 2009, the Government spent about Vt41 million to allow 819 students to complete their education.

37. For regular earners, a contributory savings approach may be an option. For poor families the realistic option may be social assistance in the form of some type of scholarship or fee remission scheme. Table 3 shows the expenditure and beneficiaries of the Scholarship Allowance program.

Table 3: Scholarship Allowance Expenditure and Beneficiaries, 2008-2010

	2008	2009	2010
Annual Expenditure (in million Vatu)	40,800,000	41,300,000	113,000,000
Beneficiaries	702	819	959
Females	330	385	451

3. Family Assistance Support Program

38. The Ministry of Justice and Social Affairs is responsible for program implementation. It is described as a method of providing small amounts of financial assistance to destitute families. It is a form of assistance given temporarily to a family or household whose livelihood depends on an inadequate source of income. Allowance is temporarily provided to destitute families to supplement income.

39. Eligibility criteria include persons without any means of support such as the elderly, chronically ill, and physically disabled. The family assistance scheme is the largest funded program under the category of social assistance. In 2009, the Government spent Vt120.5 million to support 8,190 families meeting the eligibility criteria.

4. Disaster Assistance

40. Vanuatu is prone to natural disasters, which create local devastation and loss of livelihood. The localised nature and significant scale of these disasters means that they tend to overwhelm the local coping capacity and mutual assistance capabilities of extended families and *Wantoks*.

41. The Secretariat coordinates government responses in times of disaster. It usually seeks external aid when resources are needed, since there is no permanent government fund to assist those affected by disaster. For the duration of the emergency, assistance such as food, clean water, clothing, blankets, temporary shelter, and transport, may be provided to disaster victims. Temporary remission of school fees may also apply.

42. The Gaua Volcano Eruption led to about 3,000 people evacuated, leaving their homes, and unable to retrieve essential foods from their gardens. Traditionally, up 68% of households use fruit and vegetable gardens within their homes.

43. The Tongoa Earthquake Response and Gaua Volcano Response are not constantly supported programs and but was selected as natural disaster programs for this report. The Tongoa Earthquake occurred in 2009, causing 10 injuries and destroying about 51 to 100 houses in the Tongoa Island. The disaster caused about US\$1 million in damages.

44. Other assistance comes from NGOs such as the Red Cross. The lack of any permanent fund for government provision of emergency disaster relief can mean significant delays in aid reaching affected people.

5. Assistance for the Elderly

45. Vanuatu has no old age annuity pension although there are lumpsum payments available. There is also no social assistance for indigent elderly citizens. Furthermore, its National Provident Fund is focused on lump sum retirement grants. For the immediate future, the priority is exploring ways of converting the contributory Vanuatu National Provident Fund (VNPF) entitlements into some form of pension.

46. For the majority of the elderly who have no VNPF entitlements, the current situation is mostly supported by the continuing strength of the Vanuatu extended family system. In the long-term, population urbanisation, growth in the relative numbers of elderly due to rising life expectancy, and further spread of the cash economy, are likely to begin undermining this pattern. If this happens, the phenomenon of unsupported, poor elderly people is expected to emerge.

C. Social Insurance

47. In terms of social insurance, the main social security organization in the Republic of Vanuatu is the VNPF. It is a contributory provident fund of a defined contribution type providing lump sum retirement grants.

1. Vanuatu National Provident Fund (VNPF)

48. The main social security organisation in Vanuatu is the VNPF. It is a contributory provident fund with defined contribution, providing lump sum retirement grants. Employees

earning Vt 3,000 or more a month are required to become a member. Contributions are 4% of the salary or wage from employers and employees, a total of 8%. These earnings accumulate in individual member accounts.

49. The VNPF provides for four levels of benefits. The benefits are (i) attained at age 55; (ii) in cases of permanent incapacity for work such as permanent physical or mental incapacity; (iii) during death of the member as the nominees of the deceased may apply to withdraw the members' savings plus a special death benefit⁹; and (iv) during migration when a member leaves Vanuatu with no intention of return. Payment is made through a lump sum balance in the account. There is no pension or annuity option.

50. In 2009, according to Government budget provisions, the VNPF amounts are equal to Vt235.6 million compared to Vt223.2 million in 2008. The provisional sum for VNPF for 2011 is reported to be Vt263.8 million due to an increase in the number of VNPF members.

51. The low contribution amount attracts a lot of part time workers; the minimum wage is Vt16,000 a month, about to increase to Vt20,000. Currently there are 25,145 active contributing members, with another 13,549 listed as inactive. The VNPF enrolls 1,593 employers, including some employers of domestic staff.

52. The VNPF covers programs only as lump sum grants, including a death insurance policy, which also funds funeral expenses. There are currently no pensions, although this option is being actively investigated as part of the ILO social security program.

53. Lump sums may be accessed at age 55 or earlier in the event of death, medical incapacity, or permanent emigration. In the case of death, the family receives the payment.

54. The VNPF previously provides member loans for housing and other purposes. However, this practice is discontinued due to problems in repayment of a number of these loans, particularly those made to political figures. Non-performing loans are transferred to another organisation as part of the VNPF reconstruction.

2. Maternity Benefits

55. There are no statutory benefits provided for sickness and maternity. The 1983 Employment Act requires employers to (i) provide 100% of wages for sick leave up to 21 days a year if the employee continuously employed with the employer for 12 months or more; (ii) provide 50% of wages for maternity leave up to 12 weeks (i.e., 6 weeks before and 6 weeks after the expected date of childbirth) and allow mothers work interruptions twice a day for 30 minutes to feed a nursing child; and (iii) provide medical care for workers and their dependents when living on employer property.

56. The second major source of social protection for formal economy workers is the Employment Act, which mandates employer provision of a number of benefits. Employer provision under the Act includes maternity leave on half pay for a total of 12 weeks (i.e., six weeks before and after confinement) with the Government providing this benefit on full pay for its employees. Other benefits include (i) sick leave on fully pay up to 21 days a year; (ii) first aid and transport to medical treatment in case of work injury; (iii) severance pay calculated at a rate

⁹ In this report, Migration Allowance and Special Death Benefits are referred as social assistance programs

of 15 days for each year of employment; and (iv) repatriation allowances for recruit's residence which is more than 50 km from the place of employment.

3. Workers Compensation

57. Employers are required to be insured with private insurance companies to cover special events such as marriages; (vi) casual stevedoring employment for Trust members without employment; and (vii) an annual Vt10,000 Christmas shopping voucher for members 18 years old and above.

4. Disability Benefits

58. Only partial information is available on disability levels in Vanuatu. However, a survey on the island of Tanna found about 1.5% of the population is classified as disabled. This group has traditionally received no assistance from the Government. They are mostly supported by their extended families. While this is a healthy social pattern, it reveals that most of their specific needs are not actually recognised or met.

59. In the longer run the question as to whether Vanuatu should have an invalid benefit will need to be addressed. The issue is whether any such measure should be a statutory benefit paid to all seriously disabled people, or a means tested social assistance benefit paid only to the disabled poor, or perhaps only to those without extended family support.

D. Labor Market Programs

60. In 2006, Vanuatu Society for Disabled People in collaboration with Vanuatu Disabled People Advocacy, Vanuatu National Council of Women, JICA in Vanuatu, and the Provincial Local Government Council in Vanuatu, initiated a Care-Help Skill Development project for three years. Special training courses for unemployed women with physical disabilities such as blindness, promoted independent living and job opportunities for unemployed women with disabilities in Vanuatu.

1. Care-Help Skill Development Project

61. Vanuatu Society for Disabled People initiated the Care-Help Skill Development project and focused on women with disabilities. The plan facilitates three trainings based on sewing, handicrafts and massage skills. In 2009, this program provided job opportunities for 13 unemployed women with disabilities, 8 women with physical disability and 5 visually impaired women.

IV. SOCIAL PROTECTION INDEX AND ITS DISAGGREGATIONS

62. The revised Social Protection Index (SPI) has a unitary indicator that can be disaggregated for analytical purposes. The revised SPI is calculated by Total Social Protection Expenditures per Total Potential Beneficiaries by 25% of the GDP per capita (representing average poverty line expenditures). In other words, the total social-protection expenditures spread across all potential beneficiaries are compared to poverty-line expenditures in each country.

63. The revised SPI index can be disaggregated into two components, one for the 'depth' of coverage and the other for the 'breadth' of coverage of social protection programs. The first

indicator is the Total Social Protection Expenditures divided by the Total Actual Beneficiaries (i.e., the average size of benefits actually received or 'depth'). The second indicator is the Total Actual Beneficiaries divided by the Total Potential Beneficiaries (i.e., the proportion of potential beneficiaries actually reached or 'breadth').

64. The revised SPI can also be disaggregated by the major categories of social protection programs: social insurance, social assistance and labor market programs. When the total expenditures per total potential beneficiaries for each major program are weighted in population terms, the program SPIs add up to the total SPI.

65. Furthermore, the revised SPI can also be disaggregated by expenditures per potential poor and non-poor beneficiaries. Finally, gender-wise data allows the disaggregation of expenditure by gender.

66. The derivation of SPI poor/non-poor and SPI women/men used poverty and gender targeting rates. The said rates are based on the results of household surveys, administrative reports of social protection implementing agencies and in some instances, on the professional judgment of the compilers.

Table 4: Basic Statistics for 2009

Statistic	Unit	2009 Value	Source of Data	Notes
GDP (current prices)	Vatu Million	63,024	National Accounts	calendar year
GDP per capita (current prices)	Vatu Units	263,804	National Accounts	calendar year
GNI per capita (current prices)	Billions	231,869	United Nations	calendar year
Total Population	Thousands	234	National Population and Housing Census	2008 Census, Statistics
Number of unemployed/under-employed	Units	21,043	National Population and Housing Census	2008 Census, Statistics
Population aged 60 years and over	Units	13,806	National Population and Housing Census	2008 Census, Statistics
Employed Population	Units	84,172	National Population and Housing Census	2008 Census, Statistics
Population living below national poverty line	Units	38,240	ADB Vanuatu Economic Report 2009 p.31	population is under the basic needs poverty line (data available for 2006 only)
Disabled population	Units	2,721	National Population and Housing Census	2009 Census, Statistics
Children aged 0 to 14 years	Units	90,973	National Population and Housing Census	2009 Census, Statistics
Disaster Affected Population	Units	3,360	National Disaster Management Office	
Per capita poverty line income (annual)	Units Vatu	4,715	Millennium Development Goals 2010 Report for	National food and basic needs poverty lines were

Statistic	Unit	2009 Value	Source of Data	Notes
			Vanuatu, p4	derived using the regional standard method used by UNDP and the ADB as defined in HIES, 2006
Average household size	persons	4.8	National Population and Housing Census	
Exchange rate	US\$1=	0.92	National Bank of Vanuatu	calendar year

Source: Country Sources, 2011

67. Table 4 shows that the 2009 GDP in current prices is approximately Vt63,024 million and GDP per capita is Vt263,804. The 2009 total population in the country from the results of the 2008 National Population and Housing Census is 234,023. The number of people aged 60 years and above reached 13,806 and children below 15 years of age is estimated at 90,973. The 2009 Census also showed people between ages 15-24 constituting 20% of the total number of people, revealing a relatively young population.

68. The Basic Needs Poverty Line (BNPL) derived in 2006 for Vanuatu is Vt4,715, which refers to the total food and non-food monthly expenditures. The MDG 2010 Report for Vanuatu shows that 16% of population or 38,240 are living below national poverty line.

69. The 2008 Population and Housing Survey in Vanuatu reported that about 4,518 people are unemployed, constituting 2,217 females.

70. As shown in Table 5 below, total social protection expenditure reached Vt414 million in 2009 which is approximately 0.7% of the country's GDP. Social insurance expenditures constitute the majority, about 56.9% of the total; while social assistance programs are about 42.9 %. Labor market programs has the least share with only 0.1%

Table 5: Social Protection Expenditure by Category

SP Category	2009 Annual Expenditure (LCU)	% Distribution of SP
Old Age Benefits	120,900,000	29.2%
Health Insurance	-	0.0%
Unemployment Benefit	-	0.0%
Other Social Insurance (e.g. maternity, disability benefits)	114,963,269	27.7%
ALL Social Insurance	235,863,269	56.9%
Assistance for Elderly	-	0.0%
Health Assistance	-	0.0%
Child Protection	41,300,000	10.0%
Disaster Assistance and Relief	5,449,705	1.3%
Other Social Assistance	131,159,639	31.7%
ALL Social Assistance	177,909,344	42.9%
Labour Market Programs	575,000	0.1%
TOTAL SP EXPENDITURE	414,347,613	100.0%

SP Category	2009 Annual Expenditure (LCU)	% Distribution of SP
GDP	63,024	
SP Expenditure Indicator (SPEXP)	0.7%	

Source: Consultant's estimates

V. ANALYSIS OF THE COUNTRY RESULTS

71. This chapter presents the results of the SPI calculation and its disaggregation into the three categories of social insurance, social assistance, and labour market programs. Further disaggregation by depth and breadth of coverage, by poor or non-poor, and by women or men are also discussed.

A. SPI by Social Protection Category

72. The overall SPI for Vanuatu is estimated at 0.025 in 2009. This index indicates that the per capita social protection expenditure in the country is about 2.5% of the poverty line expenditures. Similarly, for social insurance, the per capita social protection expenditures is about 1.4% of the poverty line expenditures, with an index of 0.014. For social assistance, the index is 0.011, while for labor market programs, the per capita expenditures is less than 1% of the poverty line expenditures. The overall SPI is the summation of the indices for the three categories of social protection.

Table 6: Calculation and Disaggregation of SPI by Category

	Units	Social Insurance	Social Assistance	Labor Market Programs	All SP Programs
Total SP Expenditure	Vatu	235,863,269	177,909,344	575,000	414,347,613
Beneficiaries	units	841	12,257	13	13,111
Reference Pop	units	97,978	135,294	21,043	254,315
25% of GDP per capita	units	65,951	65,951	65,951	65,951
SPI		0.014	0.011	0.00003	0.025

Source: Consultant's estimates, 2011

B. SPI by Depth and Breadth

73. Another way of evaluating the SPI is by its "depth" or the average benefits received; and by "breadth" or the percent of beneficiaries reached by the social protection.

Table 7: Disaggregation by Depth and Breadth

	Social Insurance	Social Assistance	Labor Market Programs	All SP Programs
Depth	4.252	0.220	0.671	0.479
Breadth	0.003	0.048	0.000	0.052
SPI	0.014	0.011	0.00003	0.025

Source: Consultant's estimates, 2011

74. Table 7 shows that the depth of social protection is 0.479 and the breadth is 0.052. These figures imply that the average social protection benefits received in 2009 is about 47.9% of the poverty line expenditures. These benefits are received by about 5.2% of the targeted beneficiaries.

75. The depth of social insurance is relatively high at 4.252 but the breadth of is quite low at 0.003, revealing that only 0.3% of potential beneficiaries have benefited from social insurance. The reason for the low breadth of social insurance is the limited social insurance coverage in the country for formal sector workers, including employees in the civil service, military, and private sector. People not benefiting from membership in the National Provident Fund who are employed in smaller enterprises, self-employed, unemployed or aged, rely on government allowances or support from immediate, extended families, or the local community.

C. SPI by Poverty

76. The revised SPI also shows the social protection by poor and non-poor. Table 8 shows that the index for the poor in 2009 is 0.007, while it is 0.018 for non-poor. These figures show that non-poor received more benefits than the poor because the average per capita social protection received by non-poor is about 1.8% of the poverty line expenditures, much higher than the portion received by the poor, which is only 0.7% of the poverty line expenditures.

Table 8: Disaggregation by Poverty Status

	Poor	Non-Poor	Total SPI
SP Expenditure	116,928,178	297,419,435	
Reference Pop	254,315	254,315	
25% of GDP per capita	65,951	65,951	
SPI	0.007	0.018	0.025

Source: Consultant's estimates, 2011

77. However, in the absence of information on social protection expenditure in the household surveys of Vanuatu, the estimates on poverty targeting rates are approximates following these general assumptions: (i) If the program is exclusively targeted towards identifiable groups of poor, close to 100% of the beneficiaries are assumed to be poor (e.g., single women's allowance, old age, and disability grant) and a 10% to 20% leakage is assumed; and (ii) If the program is more general in nature in terms of poverty targeting, then the national poverty incidence rate of 16% is used as the proportion of beneficiaries assumed to be poor (e.g., training for the unemployed, care and protection for children, etc).

D. Disaggregation by Gender

78. Table 9 shows the disaggregation of social protection by gender wherein the SPI for women in Vanuatu is 0.008 and 0.017 for men. These indices show that in Vanuatu, benefits of social protection have been received by more men than women since the per capita benefits received by women is only 0.8%; while it is about 1.7% of the poverty line expenditures for men.

Table 9: Disaggregation by Gender

	Women	Men	Total SPI
SP Expenditure	131,467,066	282,880,547	
Reference Pop	254,315	254,315	
25% of GDP per capita	65951	65951	
SPI	0.008	0.017	0.025

79. Similarly, the number of women receiving various social protection benefits are based on (i) the records of relevant agencies where gender-disaggregated data is available; (ii) census data wherein the programs are more general in nature and reach out equally to men and women (e.g., scholarship program); or (iii) professional judgment in cases of information unavailability.

VI. CONCLUSION AND RECOMMENDATIONS

80. This chapter provides some assessment of the extent and nature of social protection programs in Vanuatu as well as the summary of the results, including a few policy implications and conclusions.

81. Vanuatu's SPI in 2009 is 0.025. This figure indicates a relatively low level of formal social protection for the key target groups with partial exceptions for the government, and formal sector employees. The 2009 results reveal that while the depth of social protection may be high at 0.479, the breadth of social protection in Vanuatu is quite low at 0.052. despite many basic social protection measures in place. This suggests that rather than expanding programs, Vanuatu needs to focus on expanding the coverage of its ongoing social insurance programs in order to ensure that all or most of the poor and vulnerable are protected against economic risks.

82. Although there are programs targeted at the poor such as the family allowance assistance, coverage of these programs is not high; the average benefits are low relative to the poverty line income. Moreover, the informal safety net or family support is also relatively strong, although under considerable pressure.

83. There is also a need for specific recommendations and an implementation plan in expanding social health insurance in Vanuatu. While Vanuatu has the National Provident Fund, which predominantly caters to the formal sector, the reliance of the informal sector healthcare financing will continue to be a responsibility of the Government.

84. The Ministry of Health has been considering a national social health insurance mainly due to WHO's policy advocacy. However, the approach is inclined to exclude the Vanuatu National Provident Fund's involvement in the affairs of the new insurance mechanism.

85. Vanuatu like many other developing countries in the Pacific has an unemployment problem. A number of different options have been considered for dealing with the financial problems faced by the unemployed: (i) A Universal Unemployment Benefit; (ii) Employer Redundancy Payments; (iii) Employer Redundancy Insurance; (iv) Individual Unemployment Savings accounts; and (v) Unemployment Insurance. It appears to be feasible to establish an unemployment insurance benefit Scheme in Vanuatu. The scheme at this stage would need to be confined to formal employees. With the current economic condition, extending the coverage

to informal workers and traditional semi-subsistence sectors is unlikely to be feasible. For these groups, other income and employment support is suggested.

86. Vanuatu is facing major changes and requires a thorough assessment of current social protection impacts to plan and increase social protection coverage, focusing on the poor and women. In order to set clear targets and achieve corresponding results, the country may need to revise social protection initiatives to identify weaknesses in the existing programs. The extension of social insurance, social assistance and labor market programs is proposed.

87. In terms of the social insurance, an important feature of the system is the lack of basic old age social pension. The only relevant social insurance for older people is old age benefits, a lump-sum payment consisting primarily of the FNPF, which covers only formal sector workers. The private voluntary pension savings scheme is not developed. The option to expand the coverage of social insurance to informal sector workers could be more cost effective in the long run, and is something worth considering in Vanuatu.

88. The people in Vanuatu with disabilities are assisted through the Vanuatu Society for Disabled Persons (VSDP). The VSDP provides some assistance with disability aids and equipment, training, and raising community awareness. However, VSDP has only six field workers for the whole country, working across a range of disability issues. It receives no government funding, except some funding from external NGOs. This is an area where government funding can provide more services to the disabled.

89. Disability is overlooked in the informal economy list of social security priorities presumably because it directly affects only a small group of people. Work injury, on the other hand, can potentially affect all workers although the option of work injury insurance may be difficult to market in the informal economy. For informal workers without significant cash earnings, some form of social assistance might be an option if the extended family could not cover for the injured person.

90. Assistance can also be widened to support poor elderly people. This could include targeted social assistance similar to programs in Fiji, or a universal pension for the elderly similar to programs in Samoa or Kiribati.

91. Education is not compulsory in Vanuatu, though most people seek at least primary education for their children. The cost of secondary education is not free. For regular earners, a contributory savings program may be an option. The government provided allowances in the form of scholarships and fees remittance is not sufficient. For poor families, the realistic option may be in the form of scholarships or fee remission schemes.

92. The biggest economic problem facing Vanuatu is the shortage of jobs due to the rising numbers of school leavers, particularly those with only primary school education. There is shortage of skills on the part of many Ni-Vanuatu to take more skilled jobs, with tourism and trade developments in the country. Given fiscal limitations, there is low possibility of using government funds to provide community employment schemes for unemployed school leavers.

93. Trade training is inadequate in Vanuatu. Training supply is budget constrained and the capacity of the existing center has deteriorated. Only a few trade skills are taught with some NGOs and employers providing training. However, this seems to be an area where more activity and assistance is needed, specifically programs targeted at the poor, women, and the disabled.

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FORMULATION OF THE SOCIAL PROTECTION INDEX AND ITS MAJOR DISAGGREGATION

A. Structure of the SPI

1. Based from the 2011 SPI Handbook by Baulch' and McKinley, the SPI is described as a simple and unitary indicator rather than a composite index. It is not an abstract index and should provide a "normative" reference such as the magnitude of the impact on people.

2. The formulation of the revised SPI, under the present study, refers to the total SP expenditures divided by the total potential beneficiaries, and relative to a quarter of GDP per capita. This is mathematically expressed in the following equation:

$$SPI = \frac{\left[\frac{\sum E}{\sum PB} \right]}{Z}$$

where

E represents the sum of all SP expenditures;

PB represents the sum of all potential beneficiaries; and

Z represents poverty-line expenditures which is 25% of GDP per capita.

3. The term "Total Expenditures per Total Potential Beneficiaries" has two parts:

- (i) Total expenditures per total actual beneficiaries – this represents the Depth of the SPI;
- (ii) Total actual beneficiaries per total potential beneficiaries – this represents the Breadth.

4. It is noted that 25% of GDP per capita is roughly the average national poverty line across ADB's sample of countries.

B. SPI's Major Disaggregation

1. Disaggregation by Depth and Breadth

5. The SPI can be disaggregated into measuring the depth of coverage and also, the breadth of coverage. Depth represents the average expenditures that the government spends for every actual beneficiary as a percentage of poverty-line expenditures.

a. Depth

6. The index is measured as

(Total Expenditures divided by Total Actual Beneficiaries);
Divide by Z or the poverty-line expenditure.

7. The index is represented by the following equation:

$$D = \frac{\left[\frac{\sum E}{\sum AB} \right]}{Z}$$

where

D represents Depth

E represents the sum of all SP Expenditures, and

Z represents the poverty-line expenditures.

b. Breadth

8. The breadth of coverage index is simply the proportion of the total actual beneficiaries receiving government benefits over the total potential beneficiaries. This is computed as

Total Actual Beneficiaries divided by Total Potential Beneficiaries.

9. The index is represented by the equation

$$B = \frac{\sum AB}{\sum PB}$$

where

B denotes Breadth,

AB represents the sum of all actual SP beneficiaries

PB represents the sum of all potential SP beneficiaries.

2. Disaggregation by Component

10. The second major disaggregation involves the three-way distinction between components.

11. Each of the three components for Expenditures per Potential Beneficiaries of SI, Potential Beneficiaries of SA, Potential Beneficiaries of LMP is multiplied by its weight. The mathematical relationship between the three components is based on weighted average.

- (i) SPI for Social Insurance (includes pensions, health insurance, and unemployment benefit)
- (ii) SPI for Social Assistance (includes assistance for the elderly, health assistance, poverty programs and child protection)
- (iii) SPI for Labor Market Programs (include training and public works scheme)

12. The formula for the SPI of each of the three categories can be illustrated by the formula for SPI_{si}. Deriving the SPI for Social Insurance proceeds as

(SI Expenditures divided by SI Actual Beneficiaries) multiplied by
 (SI Actual Beneficiaries divided by SI Potential Beneficiaries) multiplied by
 (SI Potential Beneficiaries divided by All SPI Potential Beneficiaries) multiplied by
 1/Poverty-Line Expenditures.

13. The SPI for SI is expressed in the equation

$$SPI_{st} = \frac{\left[\frac{\sum E_{st}}{\sum AB_{st}} \right] \times \left[\frac{AB_{st}}{PB_{st}} \right] \times \left[\frac{PB_{st}}{Z} \right]}{Z}$$

14. The last expression in the numerator represents the proportion of SI, which is the potential SI Beneficiaries divided by the Total SPI Potential Beneficiaries.

Z represents the poverty-line expenditures.

15. After each of the three components' expenditures per potential beneficiaries (SI, SA, LMP) has been multiplied by its weight, all three are added together. The resulting total is the country's SPI. This is shown as

$$SPI = SPI (SI) + SPI (SA) + SPI (LMP)$$

3. Disaggregation of Expenditures on Poor and Non-Poor Beneficiaries

16. The SPI can be disaggregated by expenditures on poor and non-poor beneficiaries.

a. SPI (Poor)

17. The index is derived at as follows:

SPI_p represents the total expenditures per poor actual beneficiaries as a ratio to all potential beneficiaries both poor and non-poor. The index is computed as:

(Total Expenditures on the Poor divided by the Total Poor Actual Beneficiaries) multiplied by (Total Poor Actual Beneficiaries divided by Total Potential Beneficiaries).

18. The index is represented by the following equation:

$$SPI_p = \left[\frac{\sum E_p}{\sum AB_p} \right] \times \left[\frac{\sum AB_p}{\sum AB} \right]$$

b. SPI (Non-Poor)

19. SPI_{np} represents the total expenditures per non-poor actual beneficiaries as a ratio to all potential beneficiaries, both poor and non-poor.

20. The index is derived as

(Total Expenditures on the Non-poor divided by Total Non-poor Actual Beneficiaries) multiplied by (Total Non-poor Actual Beneficiaries divided by Total Potential beneficiaries).

21. The index is represented by the following equation:

$$SPI_{np} = \left[\sum \frac{E_{np}}{\Sigma AB_{np}} \right] \times \left[\sum \frac{AB_{np}}{\Sigma AB} \right]$$

22. When SPI (Poor) is multiplied to SPI (Non-Poor), the product represents the SPI of the country.