

CASH TRANSFER PROGRAMMING IN THE PACIFIC

A FEASIBILITY SCOPING STUDY



Photo: Ralph Ofuyo

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ABOUT THE REPORT

This report covers a particularly broad topic and aims to pull out the most critical themes fundamental to the analysis of Cash Transfer Programming (CTP) feasibility and appropriateness in the South Pacific islands. Due to the regional focus, the report does not provide sufficient data to allow for decision making at a country level, or for specific technical programme design. Though more than 100 people were consulted, time limited the depth and detail in which the topic could be explored. It should therefore be considered as an introduction to the necessary dialogue on CTP and be read by practitioners, implementers, policy writers and decision makers to aid further consideration.

Each topic is introduced by explaining its relationship with CTP decision making and analysis, followed by underscoring key thematic points that were identified during the study and, finally, concluding with a summary of outcomes.

The report considers the 'feasibility' and 'appropriateness' of CTP. For the purpose of this report, the two terms are defined as follows:

- *Feasibility* refers to the extent to which it is possible to implement efficient and effective CTP without causing harm.
- *Appropriateness* refers to the extent to which CTP is the optimum means by which needs can be met.

Disclaimer:

The views expressed in this publication are those of the authors and not necessarily those of CaLP or DFAT.

EXECUTIVE SUMMARY

The use of Cash Transfer Programming (CTP) to provide humanitarian assistance so that people may access the goods and services they need before, during and following a crisis has been gaining momentum over the past decade. Despite the considerable use of cash and vouchers by government and non-state actors in major emergencies in Asia, the use of CTP in humanitarian response in the South Pacific islands has been relatively small-scale, and limited to only a few countries.

As one of the most disaster-prone regions in the world, Pacific Island Countries (PICs) are under growing pressure to ensure that when disasters strike, humanitarian response is efficient, effective and helps build resilience. Four PICs (#1 Vanuatu; #2 Tonga; #5 Solomon Islands; and #9 Papua New Guinea) are amongst the top 10 countries that are most at risk worldwide.¹ Earthquakes, floods, storms and droughts cause both human and capital losses throughout the region every year. The World Bank estimates that in an average year, natural disasters cost countries in the South Pacific US\$284m.² Furthermore, the dependence of many PICs on external markets for commodities and services makes the region highly vulnerable to supply volatility and price inflation.

This Scoping Study sought to consider the feasibility of scaling up the use of cash transfers in emergencies in the Pacific. By assessing barriers to the uptake of CTP, both attitudinal obstacles as well as operational challenges, the study aimed to support practitioners and decision makers in identifying next steps for CTP. The study explored previous and ongoing cash transfer activities, both short- and longer-term programmes, to identify lessons and good practice. The study examined four critical questions:

1. Is there an enabling environment for cash transfers during emergency response in the Pacific islands?
2. What CTP experience in emergencies has there been in the region to date?
3. What are the key features of the markets in the target countries, and what are the implications for CTP feasibility?
4. Are the infrastructure and operational environment for cash transfers adequate and supportive?

The Scoping Study report is made up of three components: a regional report and two case studies on Fiji and Tonga. The report summarises inputs from multiple stakeholders working in development and humanitarian programming and representing government and non-government actors, including the private sector. In addition to stakeholder interviews, the primary data collection was supported by some of the considerable research existing on social protection, development and microfinance, particularly that of the World Bank, the Asian Development Bank (ADB) and the United Nations Capital Development Fund (UNCDF), which manages the Pacific Financial Inclusion Programme (PFIP), as well as a number of commercial banks that work regionally.

¹ United Nations University Institute for Environment and Human Security (UHU-EHS). (2015). *World Risk Report 2015: Food insecurity increases the risk of disaster*, p. 11. [Online] United Nations University Institute for Environment and Human Security. Available at: <https://ehs.unu.edu/media/press-releases/worldriskreport-2015-food-insecurity-increases-the-risk-of-disaster.html#info>.

² World Bank. (2012a). *Pacific Islands: Disaster Risk Reduction and Financing in the Pacific*.

ABOUT THE PACIFIC

Though collectively unique in nature and their exposure to shocks, there are considerable differences between Pacific Island Countries (PICs) which should be understood when analysing the appropriateness of specific humanitarian interventions. It is the first finding of this report that these differences are sufficiently diverse and distinct to make generalised conclusions on CTP feasibility impossible. There is huge variation in population size, land mass, governance and capacity to respond to crises, all the cause and effect of history and location.

Whilst there is considerable diversity amongst the PICs, as mentioned above they share a number of common characteristics that are relevant to the consideration of cash transfers in emergencies. These commonalities are: their relatively small size, both in landmass and population size; their remoteness and isolation; and the fact that, typically, populations are dispersed over a number of different islands. All of these factors have impacted on the level of access people have to commodity and service markets, including financial services, which becomes especially problematic in remote outer islands.

Though extreme poverty is low in the PICs, there are relatively high levels of hardship and food poverty in all countries, with some considerably worse off than others. In Papua New Guinea (PNG), for example, 40% of the population live below the poverty line. In Fiji the figure is closer to 30%, but this is still relatively high. The generally high level of subsistence in the region means that much of the population live close to poverty, leaving them vulnerable to changes in economic status – especially as a consequence of shocks which cause a loss of assets.

The small population size and absolute landmass limit the ability of many of the islands in terms of large-scale commercial agriculture. Industry and commercial business are also limited by low demand and by the high costs of importing the necessary items, materials and parts. The distances, and the resulting cost and time implications for the transport of commodities, create diseconomies of scale for commercial activity. This becomes particularly pertinent to this study when considering and understanding market access and financial services.

KEY CONCLUSIONS

CAPACITY AND EXPERIENCE

CTP is not a new phenomenon in the region. In addition to a number of past and ongoing programmes, remittance has been an especially significant livelihoods strategy for households in the Pacific for many years. Government and agencies in many countries have been engaged in providing cash transfers as a component of poverty alleviation throughout recent decades. A wide-range of social protection programmes as well as the provision of small grants and associated training and programming, and microfinance are well-evidenced through the region. Relatively less CTP has been carried out in times of crisis as a humanitarian tool, with a few notable recent exceptions, both by government and non-government actors.

ACCEPTANCE AND APPROPRIATENESS

Acceptance of CTP as a response option in crises is variable between countries and nuanced in ‘what is acceptable, and what is not’. Not surprisingly, CTP is more widely accepted in countries with larger-scale and more prominent past CTP experience, such as Fiji; however, even this is largely restricted to conditional cash transfers and vouchers. Unconditional cash transfers, though forming a large part of the region’s social assistance, are considered less appropriate in times of crisis. Reservations about unconditional and unrestricted CTP relate to two distinct points: (i) the relative appropriateness of transferring decision making to people affected by crisis and (ii) market access and availability.

A myriad of social, cultural and gender-related issues underpin stakeholder concerns about the appropriateness of CTP. Respondents to the study in Tonga and in Vanuatu, in particular, highlighted a number of sociocultural concerns related to whether people would be able to control the rate at which money is spent, or whether social obligations would absorb a considerable amount of the transfer intended for urgent, basic needs for relief and recovery. The well-documented gender concerns in the region were repeatedly emphasised by most stakeholders, with fears primarily

that CTP – if designed with insufficient consideration of protection issues – might put women at greater risk of abuse at home. It is key that context-specific aspects are considered when designing, implementing and monitoring CTP.

MARKETS

Markets in the PICs share specific characteristics that demonstrate that they are not well-integrated and lack competitiveness. Market development is limited on the demand side by high levels of subsistence and relatively low purchasing power, which result in low consumption in normal times and limited incentives for commercial actors, especially in rural areas. Efficiency and economies of scale are challenged on the supply side by the extraordinary distances between countries, and between islands within countries, and by a multitude of complex development issues.

Though typically the absence of pre-existing markets for particular relief goods hampers CTP in emergencies, there are opportunities and nuances that support more effective CTP response. There is a significant difference between markets in capital cities and other core urban areas, and those in rural areas and remote islands. Whilst the former are considered to pose very few challenges, the latter, especially remote islands, may have little-to-no market at all for many products. Prices tend to increase the further the market location from commercial centres.

Information and data on markets are limited. Though price data are collected on specific products, they are not routinely analysed and, therefore, are not able to support CTP design and implementation. This study was not able to source a market mapping in either of the focus countries, which further limits fact-based decision making. Investment is needed in the capacity of humanitarian stakeholders to understand the relationship between markets and cash-based interventions.

FINANCIAL SERVICES PROVIDERS

With challenges to the development of financial services provisions – mirroring international and domestic commodity markets and other services – the region has a smaller range of financial services and products. Across all PICs there appear to be feasible opportunities to transfer cash through service providers on the major islands, but access to financial services on outer islands varies considerably between countries. Given that overall access to financial services is relatively low in the countries where demand-side information is available, and appears low in all countries, cash-based programming would likely need to incorporate financial literacy.

The PICs are documented as one of the least banked regions in the world. However, the significance of remittance in the Pacific's economy has led to growth in product creation and availability from a range of actors through remittance companies, mobile money operators and commercial banks. International money transfer options are more sophisticated than domestic transfer options, because there are stronger commercial incentives and favourable foreign exchange currency conversions.

Gender dynamics in the use of financial services are country and context-specific. In countries like Samoa and Tonga, where there is a strong presence of microfinance institutions targeted to serve women, women appear to have more open access to formal financial services than elsewhere in the Pacific. In PNG, for example, where violence against women is a major concern and where the holding of cash by women can be a contributing factor to male aggression, there must be careful consideration about whether cash is an appropriate modality, how it can be used and what risk mitigation measures may need to be in place.

Limited options in some areas of the PICs mean that appropriate analysis should be carried out prior to planning CTP. Practitioners and actors in humanitarian response should consider the full range of delivery options for CTP, including direct cash-in-hand. Ideally, greater coordination and investment in preparedness and planning would ensure that context-specific solutions can be identified or developed in collaboration with government platforms and the private sector.

KEY RECOMMENDATIONS

Based on the finding that there are significant opportunities for scaling up the use of CTP in emergencies across PICs, the report concludes with five core recommendations to support governments and other humanitarian actors. Recommendations underscore opportunities and entry points for progress and policy change, and suggest ways of working to improve the analysis and implementation of CTP. These recommendations are:

Undertake country-specific CTP research and analysis to identify primary data collection needs and to fill key information gaps:

To ensure that countries are ready to respond to the opportunities and challenges of using CTP in humanitarian response, more detailed analysis is required at country level. In-depth analysis is required to fill gaps in research at a national and sub-national levels, to identify unmet primary data needs and to ensure that basic information to support programming is available, if and when a disaster occurs. A range of research gaps are underscored, as is the need to promote enhanced data collection, analysis and use for preparedness and contingency planning.

Incorporate CTP planning and preparedness into appropriate Disaster Risk Management (DRM) coordination structures and planning at a national and regional level:

To ensure the adequate involvement of all relevant stakeholders, including development and humanitarian actors as well as private sector, CTP must be integrated into existing coordination structures. Getting this right will involve sensitisation of a broad cross-section actors, and the active engagement of government leads in cash-based social protection, DRM and environmental agencies. Actors should create opportunities to share learning and experience across agencies, industries and sectors.

Enhance the use of tools to guide programming decisions when disasters occur:

To ensure that appropriate and timely decisions can be made. Though not necessarily specific to CTP, tools may need to be adapted to include the relevant research and questions to enable CTP decision making. Whether this is a needs assessment or market analysis and delivery mechanism assessment, these tools do not currently exist. Humanitarian practitioners and policy makers must consider the tools necessary to inform standardised decisions.

Ensure CTP is designed to build resilience and to address sustainability and dependency concerns:

To increase the opportunities for using CTP as an appropriate component of the response. Improving understanding of traditional coping practices (including self- and community-recovery models) and vulnerability to shocks will support the design of more outcome-specific CTP, such as those in support of health and nutrition outcomes and the use of cash in public works programmes.

Improve information and knowledge of gender-sensitive programming techniques to ensure CTP properly addresses gender dynamics and supports the most marginalised members of society:

To ensure that the specific gender concerns of the region are incorporated into CTP considerations, in programme design and in delivery. Actors should carefully consider gender dynamics as they relate to CTP prior to funding cash-based initiatives in the region (this should be part of any humanitarian project proposal, but is particularly relevant for CTP).

SECTION I: BACKGROUND

Cash Transfer Programming (CTP)³ is gathering momentum in global discussions on humanitarian action. Whether before, during or following a crisis, the role that cash transfers can play in ensuring timely and efficient response is well-evidenced and extensively documented on the [CaLP website](#)⁴. When delivered as part of a comprehensive response, CTP can make more efficient use of time and resources. Importantly, providing money when crises hit means that affected people can identify their own priorities and use the cash support to meet their needs across multiple sectors.

While CTP has formed a significant component of many large-scale humanitarian responses in the Asia Pacific region, including in the Philippines' 2013 Typhoon Haiyan response⁵ and in Nepal following the 2015 earthquake⁶, levels of CTP in humanitarian response in the Pacific Island Countries (PICs) are relatively low. With recent events, governments and humanitarian actors operating in PICs are beginning to consider cash-based assistance to aid people affected during emergencies.

The PICs are highly vulnerable to multiple shocks (including earthquakes, tsunamis, floods and tropical storms) that cause death, injury and loss of assets. This exposure to natural shocks is increasing over time as climate change impacts on remote islands with low sea levels, and weather phenomena such as *El Niño*⁷, is causing an increased number of severe cyclones as well as drought, often in the same geographical area. These risks are further compounded by a particular vulnerability to external economic shocks, due to the region's high reliance on imported goods and services.

PICs are small in size, remote and isolated. These characteristics combined preserve a rich and diverse culture, but they also present a number of unique challenges to economic development. The small populations⁸ and land mass as well as typically dispersed populations affect the relative value of subsistence farming versus industry, for example. The distances between islands within countries, from one country to another and between PICs and global markets all impact people's access to goods and services for consumption and livelihoods.

Understanding whether or not CTP is a feasible and appropriate means by which to respond to needs in a given context relies on a number of critical factors. For example, if cash transfers are to be an effective way of meeting the needs of people affected by crisis, then it is critical that markets are able to supply the goods and services that people need, that people can afford them and that people are able to access those markets. To ensure that programmes are efficient, safe and accountable, it is important that an appropriate means of delivery can be identified.

Given the increasing use of CTP globally, and the many benefits cash can provide over commodity-based transfers (under the right conditions), this study sought to consider the feasibility and appropriateness of cash transfers in emergencies in the Pacific. The study considered contextual factors, including the levels of acceptance by stakeholders, and pre-existing or crisis-related socio-economic vulnerability. To understand concerns about feasibility in the region, markets and financial services were explored in some depth. Finally, it considered the existing experience of CTP and related programming to inform recommendations for further development of the dialogue on CTP.

³ CaLP. (2015c). *Glossary of Cash Transfer Programme Terminology*. [Online] The Cash Learning Partnership (CaLP). Available at: www.cashlearning.org/resources/glossary. CTP refers to all programmes where cash (or vouchers for goods or services) is directly provided to beneficiaries. In the context of humanitarian assistance, the term is used to refer to the provision of cash or vouchers given to individuals, household or community recipients; not to governments or other state actors. CTP covers all modalities of cash-based assistance, including vouchers. This excludes remittances and microfinance in humanitarian interventions (although microfinance and money transfer institutions may be used for the actual delivery of cash).

⁴ CaLP. (2016b). *The Cash Learning Partnership (CaLP)*. [Online] Available at: <http://www.cashlearning.org>. The CaLP website contains an extensive library of existing evidence and documentation covering CTP in a broad range of contexts and programming (e.g. sector specific multi-sectoral).

⁵ CaLP. (2015b). *Cash Coordination in the Philippines: a review of lessons learned during the response to super Typhoon Haiyan*. [Online] The Cash Learning Partnership (CaLP). Available at: www.cashlearning.org/news-and-events/news-and-events/post/224-cash-coordination-in-the-philippines-a-review-of-lessons-learned-during-the-response-to-super-typhoon-haiyan.

⁶ CaLP. (2015a). *2015 Nepal Earthquake Response*. [Online] The Cash Learning Partnership (CaLP). Available at: www.cashlearning.org/coordination/nepal-earthquake-response.

⁷ OCHA. (2016). *El Niño in Asia*. [Online] United Nations Office for the Coordination of Humanitarian Affairs (OCHA). Available at: www.unocha.org/el-nino-asia. On 21 May 2016, the UN Secretary General appointed Mary Robinson of Ireland and Macharia Kamau of Kenya as his Special Envoys on *El Niño* and Climate. These appointments recognise that *El Niño* is taking place in a world already dramatically affected by climate change and that a longer-term approach is required to build the resilience of those most vulnerable to the types of increasingly extreme weather events linked to climate change. Regional preparedness is being discussed through the Inter-Agency Standing Committee Task IASC Team led by UN OCHA Regional Office for Asia and the Pacific.

⁸ UNFPA. (2014). *Population and Development Profiles: Pacific Island Countries*. [Online] United Nations Population Fund (UNFPA) Pacific Sub-Regional Office (PSRO). Available at: http://countryoffice.unfpa.org/pacific/drive/web_140414_UNFPAPopulationandDevelopmentProfiles-PacificSub-RegionExtendedv1LRv2.pdf.

1.1 WHAT IS CASH TRANSFER PROGRAMMING?

This Scoping Study report primarily focuses on the uptake of CTP in times of crisis. However, it necessarily considers other forms of cash transfers, including remittance and government social assistance programming, because the operational environment is similar for all forms of CTP, but may need to operate faster and at greater scale in emergencies.

KEY TERMINOLOGY⁹

- CTP encompasses both cash transfers and voucher modalities.
- CTP may be conditional or unconditional. A condition means that the recipient needs to do something prior to qualifying for the grant. *Cash for work programmes are conditional by design.*
- CTP may be restricted or unrestricted. A restriction means that a recipient must spend the transfer on specific items. *Voucher programmes are by default restricted, as there will be limitations on where and/or on what they can be spent.*



Photo: Ralph Ofuyo

⁹ CaLP. (2015c). *Glossary of Cash Transfer Programme Terminology*. [Online] The Cash Learning Partnership (CaLP). Available at: www.cashlearning.org/resources/glossary.

I.2 METHODOLOGY

The feasibility Scoping Study into CTP in the Pacific aimed to better understand reservations about cash transfers and propose solutions that will aim to enable and encourage relevant stakeholders to consider, plan for and implement CTP in Pacific emergencies, as appropriate. In order to assess the feasibility and appropriateness of CTP in the region, the following key research questions were identified and presented within the Terms of Reference for this study:

- Does the context of PICs provide an enabling environment for cash transfers during emergency response in the Pacific islands?
- What is the institutional capacity and experience for delivering CTP in the region?
- What are the key features of markets in the target countries, and what are the implications for CTP feasibility?
- Are the infrastructure and operational environment for delivering cash transfers adequate and supportive?
- If there are opportunities for expanding the use of CTP in the Pacific, what are the entry points for cash sensitisation and preparedness?

The research team sought to identify the critical barriers to CTP in the region and, by grounding the report in evidence and existing experience, to separate ‘fact from fiction’ and provide a foundation for ongoing consideration. The study methods included:

- Desktop review of published and grey literature;
- Semi-structured interviews with national and regional stakeholders, conducted remotely;
- Semi-structured interviews with stakeholders in two focus countries: Fiji and Tonga, conducted in person during field missions; and
- An online survey.

The Scoping Study took place over a period of six weeks and was co-led by the two authors of this report. The field mission team in focus countries was made up of senior technical representation from the Australian Government Department of Foreign Affairs and Trade (DFAT), the Cash Learning Partnership (CaLP) and the UN World Food Programme (WFP).

SEMI-STRUCTURED INTERVIEWS

The interviews were guided by a detailed interview grid, which supported the collection of data from a variety of stakeholders on a cross-section of themes. This approach allowed for more targeted questioning of specific stakeholders with particular expertise, such as private sector vendors, financial service providers and government officials. The Question Matrix and Detailed Question Matrix are annexed to the report ([Annex 4](#)).

KEY INFORMANT INTERVIEWS

- Semi-structured interviews were held with key informants during the field mission, including: humanitarian practitioners; government officials; representatives from civil society; market traders, wholesalers and suppliers; and representatives from financial institutions.
- The key informants were selected using purposive sampling, based on people identified who were likely to have the knowledge or information required for the research. Snowball sampling was also used by requesting the purposively sampled informant to identify other key people to interview.
- Semi-structured interviews were also conducted (by phone) with key informants in countries not included in the field mission.

COMMUNITY CONSULTATIONS

- Focus group discussions and one-to-one interviews were undertaken with people affected by crises in each of the countries selected for the field mission. The selected communities were purposively sampled from areas that have received humanitarian assistance in the past.
- Separate focus group discussions were undertaken with men and with women. A total of four focus group discussions were undertaken: two with men, and two with women.

ONLINE SURVEY

The online survey was developed in English using Google forms. The survey asked a number of perception-based questions relating to cash transfers, and respondents answered either from the perspective of a specific country and/or from a regional perspective. The survey was used to triangulate data collected from the field study countries and to validate evidence collected through secondary desktop research. Importantly, the survey was used to assess general perceptions of CTP, which were not easy to find in available literature. The survey took an estimated 15–25 minutes to complete and was written in simple, non-technical language.

The survey was distributed through the CaLP Discussion Group (D-Group) as well as to known practitioners and government officials working in the region, as identified by those involved in the study, including CaLP and DFAT representatives and the independent consultants.

The survey received 30 responses and the majority were from NGO/UN actors, with a small number of donor and government responses. Responses were not received in every country, and the samples were not large enough from the countries that generated responses for the data to be statistically significant. This is reflected in how the online survey is used, i.e. to validate other sources of information or to provide examples of quotes to highlight perception-based information in the study.

LIMITATIONS OF THE STUDY

The study took place over a period of six weeks, inclusive of a two-week field mission in two countries (Fiji and Tonga) for in-country research. Though multiple stakeholders relevant to CTP were well-represented, the study would have benefited from a greater number of interviews with all target stakeholder groups, especially with people affected by crisis. Limits to time and resources meant that the findings were informed by the research, work and experience of stakeholders of the study.

As the premise for the study indicates, actors in the region are relatively new to the discussion on humanitarian cash transfers; therefore, the study team invested a significant amount of time in familiarising various stakeholders with CTP principles and practices, including by relating them to other cash-based schemes such as social safety nets. Awareness-raising and sensitisation to CTP as a humanitarian response tool were aims of the field mission and Scoping Study; yet, at times, providing evidence and discussing other relative Asia regional and global experiences limited the depth of the study's interviews.

There is no standard, decisive list of 'Pacific Island Countries', and likewise there were challenges in finding data sets that are consistently referenced across different reports on the Pacific. Throughout UN and World Bank publications, different figures are cited for population size, literacy rates, etc. Equally, national census reports and the Household Income and Expenditure Surveys (HIES) undertaken by governments use different approaches and tools, and are from different years, for much of the data used in analysis. Where figures are used, the authors have referenced these.

SECTION 2: INTRODUCTION TO THE PACIFIC ISLAND COUNTRIES

Section 2 of the report introduces the PICs, focusing on issues critical to the determination of appropriate¹⁰ programme design, including the extent to which CTP is feasible. The section starts by considering a top-line comparative analysis of PICs, drawing out key commonalities and differences. It goes on to outline the disaster profile of the region and outline development, vulnerability and hardship considerations. It is the aim of this section to provide a foundation for more systematic and mainstreamed¹¹ consideration of CTP.

2.1 COMPARATIVE ANALYSIS

The PICs are unique in the challenges and opportunities that they face in development and in integration into the world economy. There are a number of factors that are shared by all countries, most starkly their remoteness and isolation. Whilst this report will necessarily focus on common characteristics, it is important to highlight differences. Understanding these differences and how they impact disaster risk, development, vulnerability and hardship will inform a more reliable contextual analysis for CTP.

Population size: The smallest countries in the Pacific have a population of between 1,200 and 15,000 people, such as Tokelau and Niue which have fewer than 2,000 inhabitants, and Nauru, Tuvalu and the Cook Islands which have populations of less than 15,000. On the other end of the scale, Papua New Guinea (PNG) is home to approximately 7,500,000 people, making it the largest country in the South Pacific.¹² However, while PNG, Fiji (approximately 850,000) and the Solomon Islands (just over 600,000) are the three largest countries, accounting for around 80% of the population of the PICs, even these countries are considered relatively small in terms of the global economy. *Population size may have implications for market size and options for economic development.*

¹⁰ In this instance, 'appropriate' refers to: response options analysis that includes fundamental considerations, such as needs and vulnerability assessment, cash feasibility, market analysis, risk analysis, and cross-cutting issues like protection and gender.

¹¹ 'Mainstreamed', or mainstreaming, means here: the integration of CTP considerations throughout the relief response process, including a framework to the approach of governments and humanitarian actors for the uptake of cash-based interventions.

¹² Population figures vary widely in publications on the Pacific. The CIA World Factbook, for example, estimated in 2015 that the population of PNG was just more than 6,500,000. The national census of PNG undertaken in 2011 estimated just more than 7,250,000, a 40% increase on the 2000 census.

Table 1: Population, land mass and population density in PICs

Country Population	Size (,000)	Land Area (km ²)	Population Density (per km ²)
PNG	7,587.2	462,840	16
Fiji	847.6	18,273	46
Solomon Islands	611.5	30,407	20
Vanuatu	271.1	12,281	22
Samoa	190.7	2,935	65
Kiribati	111.2	811	137
Tonga	104.2	650	160
FSM	102.8	701	147
Marshall Islands	53.8	181	297
Palau	17.7	444	40
Cook Islands	15.0	237	63
Tuvalu	11.0	26	424
Nauru	10.6	21	504
Niue	1.6	259	6
Tokelau	1.2	12	100
TOTAL	9,937		

Source: UNFPA, 2014¹³

Population density: As illustrated above in the United Nations Population Fund (UNFPA) 2014 data in Table 1, land area per population numbers also significantly differs between countries. The three largest countries in terms of population numbers, PNG, Fiji and Solomon Islands are also three of the countries with the lowest population density, with 16, 46 and 20 people per square kilometre respectively; whereas Nauru is one of the smallest countries both in population numbers and in land area, with a population density of 500 people per square kilometre. Population density illustrates challenges in the development of infrastructure and the provision of services, such as clean water and sanitation, but it may also present opportunities for markets and livelihoods. *Population density may impact terms of trade, whereby markets for goods and services (including financial access) are more-or-less viable. It may also be an indication of the ways in which people have adapted.*

Where the population live: Almost all PICs have populations dispersed over a large number of islands. For example, Kiribati's population live on 33 islands, and Fiji's population is spread over 110 islands. While other countries have populations that are much more concentrated on one island, such as Tuvalu and Nauru. The concentration of populations in urban areas also differs from country-to-country; in Fiji just over 50% of the population live in urban areas, whereas in PNG approximately 87% of the population reside in rural areas.¹⁴ *Where people live impacts on their access to markets and the means by which they meet their consumption needs (food, non-food commodities and services).*

Political status: Fiji, Kiribati, Nauru, Solomon Islands, Tonga, Tuvalu and Vanuatu are politically independent. Three countries (the Marshall Islands, Federated States of Micronesia and Palau) are associated to the United States through the Compact of Free Association. Two countries (Cook Islands and Niue) are self-governing in free association with New Zealand, and Tokelau Island is a dependent territory of New Zealand. *The political status of each of the PICs, and how they are linked, influence both demographic dynamics and the level of development.*

¹³ UNFPA. (2014). *Population and Development Profiles: Pacific Island Countries*. [Online] United Nations Population Fund (UNFPA) Pacific Sub-Regional Office (PSRO). Available at: http://countryoffice.unfpa.org/pacific/drive/web__140414_UNFPAPopulationandDevelopmentProfiles-PacificSub-RegionExtendedv1LRv2.pdf.

¹⁴ The Commonwealth. (2016). *Papua New Guinea*. The Commonwealth. [Online] Available at: <http://thecommonwealth.org/our-member-countries/papua-new-guinea>.



Photo: Ralph Ofuyoy

2.2 REGIONAL DISASTER PROFILE

PICs are exposed and vulnerable to shocks due to their location and topography. This region of the Pacific Ocean is repeatedly hit by floods, storms, volcanic eruptions, cyclones and tsunamis. PICs are also highly vulnerable to earthquakes, drought and economic shocks. According to the World Risk Index 2015,¹⁵ four PICs (#1 Vanuatu; #2 Tonga; #5 Solomon Islands; and #9 Papua New Guinea) are in the top 10 countries most at risk of disaster in the world. Several PICs are among the most vulnerable countries in the world in terms of relative natural disaster losses, which has a direct cost on development.

Natural disasters have affected approximately 9.2 million people in the Pacific Region since 1950, causing 9,811 deaths and costing the PICs approximately US\$3.2bn in associated damage.¹⁶ The World Bank estimated in 2012 that the average annual direct loss due to natural disasters in the South Pacific was US\$284m.

2.3 REGIONAL DEVELOPMENT

The United Nations Development Programme (UNDP) categorises all the PICs as having either 'medium' or 'low' human development. Despite their differences, PICs share some common characteristics that impact on their development: they are small in size, remote and isolated. They are also amongst some of the most disaster-prone countries in the world. At least four of the PICs are classified as Least Developed Countries: Kiribati, the Solomon Islands, Tuvalu and Vanuatu. In contrast, Fiji and Tonga are classified as Middle Income Countries.

¹⁵ United Nations University Institute for Environment and Human Security (UHU-EHS). (2015). *World Risk Report 2015: Food insecurity increases the risk of disaster*, p. 46. [Online] United Nations University Institute for Environment and Human Security. Available at: <https://ehs.unu.edu/media/press-releases/worldriskreport-2015-food-insecurity-increases-the-risk-of-disaster.html#info>.

¹⁶ World Bank. (2012a). *Pacific Islands: Disaster Risk Reduction and Financing in the Pacific*.

Their size, remoteness and isolation result in high transport costs to and from markets, which impacts on the prices for goods and services, not just for consumption but also for production. So, where industry might require items or components from trading partners outside of the region, the additional cost of transporting these items, as well as the time taken to do so, significantly undermines PICs' ability to compete. Exports and imports are discussed in more detail in [Section 4: Markets](#).

Small domestic markets, both in terms of the number of people and consumption patterns, result in diseconomies of scale and reduce commercial incentive to invest. This is the case at a national level and within countries, where bringing markets for goods and services closer to rural communities faces the same problems. Diseconomies of scale are compounded by a myriad of issues, such as: limited natural resources and a narrow production base; high energy costs; fewer local skills; disproportionately high expenditure on administration; and a dependence on external institutions such as universities for education and banks for financial services.¹⁷

For the PICs then, competitive advantage in industry and in export in general directly relates to each country's size and the distance from its trading partners and economic centres. Most of the PICs have a significant agriculture sector and rely on fresh produce, animal production and fishing. Islands with relative competitive advantage are those of larger land mass and those closer to economic and commercial centres; these larger, less remote PICs have more successfully cultivated export markets.

The population in the PICs is getting younger; the median age in Samoa, Tonga and Vanuatu is 21 years.¹⁸ This presents an increasing problem of limited opportunities for young people and growing unemployment rates. Migration, both to urban centres and internationally, is one of the existing strategies for sourcing income. It is estimated that 16,000 people are leaving the PICs annually,¹⁹ and many of the countries have a significant proportion of their population living permanently overseas. In Tonga it is estimated that there is an equal population living outside the country as there is living inside.

Remittances in the Pacific were equivalent to approximately 70% of the total value of foreign direct investment in 2010, and more than three times the total value of Official Development Assistance (in 2011).²⁰ Remittances are so significant to the socio-economic system in the smaller PICs (e.g. Kiribati, Tokelau, Cook Islands, and Tuvalu) that in 1980 they became conceptualised as MIRAB (Migration, Remittance, Aid and Bureaucracy) states. The notion of MIRAB is also applicable in larger states such as Samoa and Tonga, and now also Fiji, where remittances constitute some of the highest proportions of GNP in the world, and are the single most important source of national income.²¹

For example, it is approximated that some 90% of Tongan adults receive some form of remittance in a year²², 56% of Samoans and 23% of Fijians²³. In the Solomon Islands, 36% of adults receive remittances from largely domestic sources. Remittance plays a critical role in poverty alleviation, and its role in emergency response and scalable social assistance in times of crisis is discussed in [Section 3: Regional CTP Feasibility](#). UNFPA (2014) notes the gendered impact that migration dominated by men can have on women and families dependent on support, and advise caution on over-reliance on remittances that is likely to diminish over time, as overseas families may become less inclined to send income back to extended family.

¹⁷ World Bank. (2014c). *Hardship and vulnerability in the Pacific Island Countries*. [Online] World Bank. Available at: www.worldbank.org/en/news/feature/2014/03/27/hardship-and-vulnerability-in-the-pacific-island-countries.

¹⁸ World Bank. (2012b). *The Economic Costs of Non-Communicable Diseases In the Pacific Islands*. [Online] World Bank. Available at: www.worldbank.org/content/dam/Worldbank/document/the-economic-costs-of-noncommunicable-diseases-in-the-pacific-islands.pdf.

¹⁹ UNFPA. (2014). *Population and Development Profiles: Pacific Island Countries*. [Online] United Nations Population Fund (UNFPA) Pacific Sub-Regional Office (PSRO). Available at: http://countryoffice.unfpa.org/pacific/drive/web__140414_UNFPAPopulationandDevelopmentProfiles-PacificSub-RegionExtendedv1LRv2.pdf.

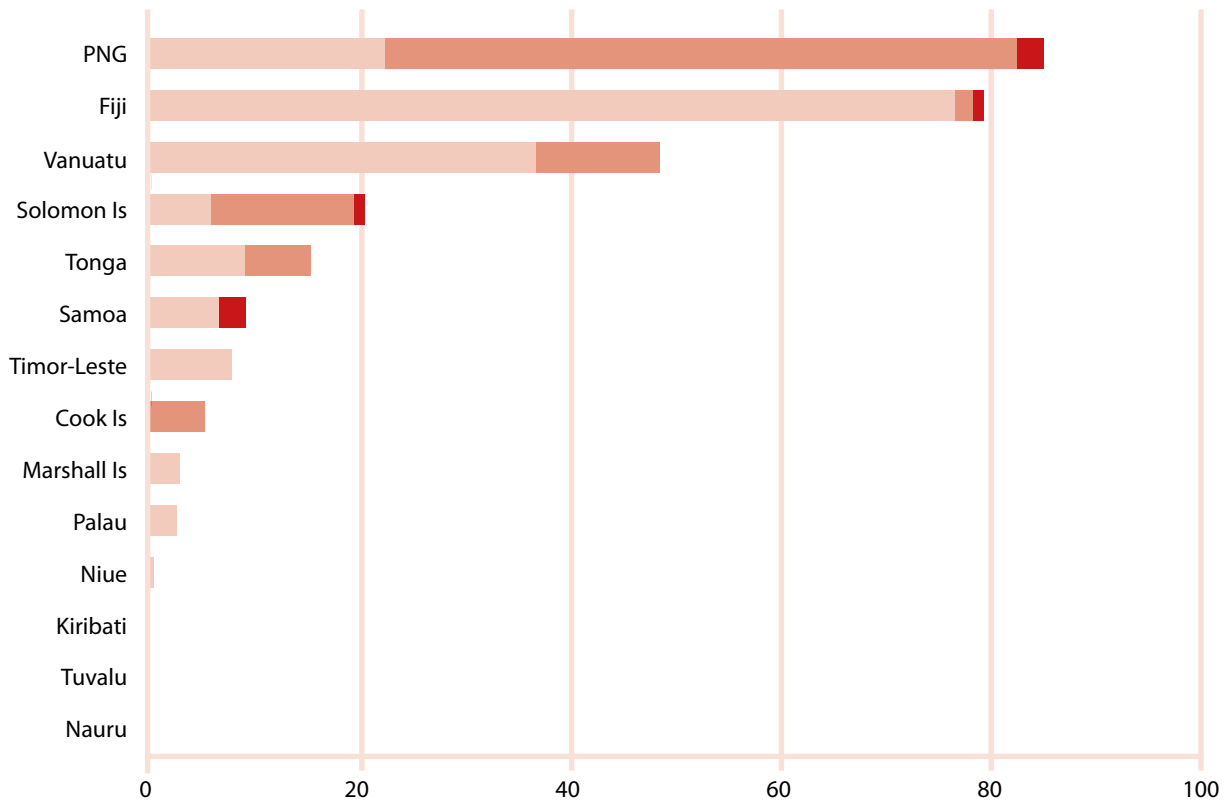
²⁰ Brown, R. P., Connell, J., & Jimenez-Soto, E. V. (2014). *Migrants' Remittances, Poverty and Social Protection in the South Pacific: Fiji and Tonga*. *Population, Space and Place*, 20 (5), pp.434–454.

²¹ Ibid.

²² Brown, R. P. C., & Jimenez, E. (2008). *Estimating the Net Effects of Migration and Remittances on Poverty and Inequality: Comparison of Fiji and Tonga*.

²³ PFIP. (2016a). *Benchmarking Financial Inclusion in Fiji, Solomon Islands and Samoa*. [Online] The Pacific Financial Inclusion Programme (PFIP). Available at: www.pfip.org/resources/uploads/attachments/documents/PIRI%20Cross%20Country%20Reportv2.pdf.

Figure 1: Average annual loss in million USD



Source: PCRAFI, 2015²⁴

2.4 REGIONAL VULNERABILITY AND HARDSHIP

There is limited ‘absolute poverty’²⁵ in the PICs but there are high levels of hardship in many countries, and growing levels of inequality. PNG has the highest level of hardship in the region with close to 40% of its population struggling to meet their basic needs on a daily basis. The other largest PICs, Fiji and the Solomon Islands, also have a high incidence of poverty of just under 35% and 22.7% respectively; they also have the highest inequality in the PICs.²⁶ In PNG and Fiji, a rural household is significantly more likely to live in hardship. In these cases, household poverty is worsened by lack of opportunity and poorer access to services and jobs. In Solomon Islands, Samoa and Vanuatu the converse is true, where an urban household in Vanuatu, for example, is 62% more likely to live in hardship than the national average. Rural poverty of opportunity becomes particularly relevant for populations living on remote islands within a country. Household wealth is also affected by the gender of the household head, the size of the household and literacy levels, though to varying degrees across the countries.

²⁴ PCRAFI. (2015). *Advancing Disaster Risk Financing & Insurance in the Pacific*, Washington DC: World Bank.

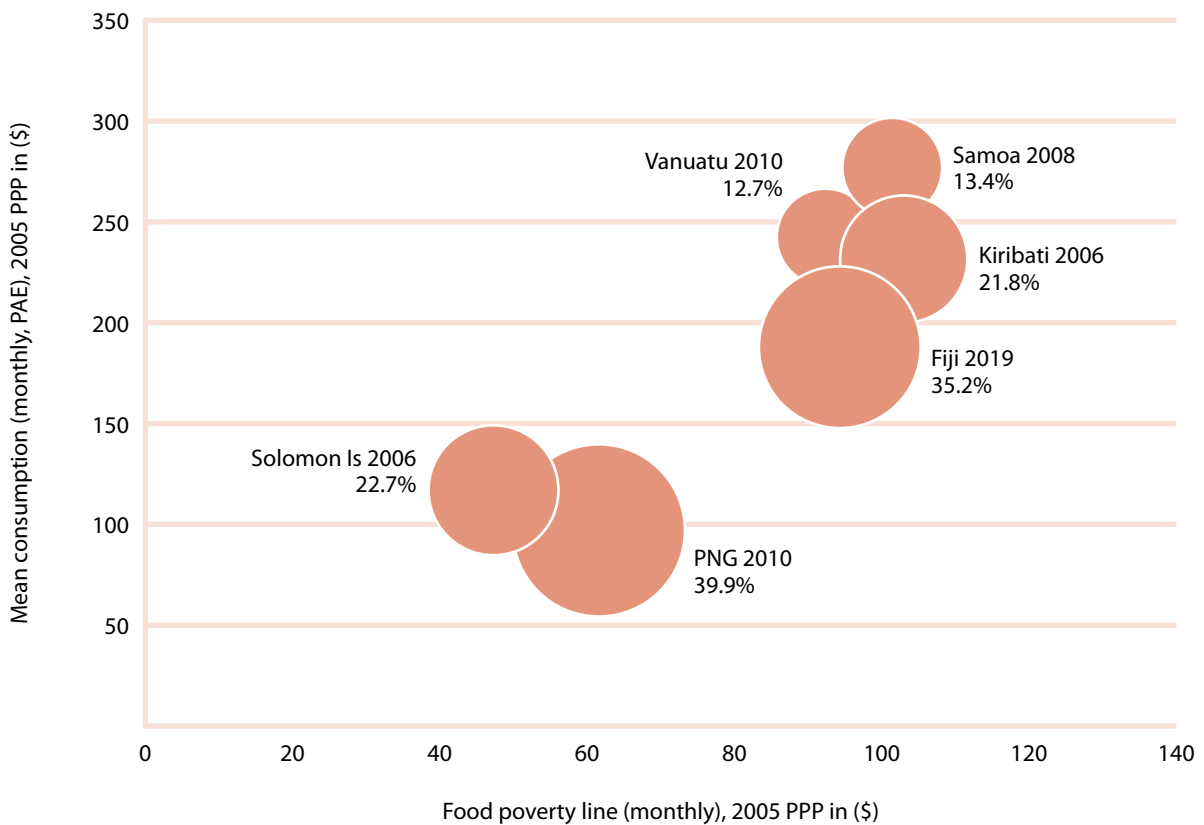
²⁵ World Bank. (2016b). *Choosing and Estimating a Poverty Line*. [Online] World Bank. Available at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20242879~menuPK:435055~pagePK:148956~piPK:216618~theSitePK:430367,00.html>. Absolute poverty lines: These are anchored in some absolute standard of what households should be able to count on in order to meet their basic needs. For monetary measures, these absolute poverty lines are often based on estimates of the cost of basic food needs (i.e., the cost a nutritional ‘basket’ considered minimal for the healthy survival of a typical family), to which a provision is added for non-food needs. For developing countries, considering the fact that large shares of the population survive with the bare minimum or less, it is often more relevant to rely on an absolute rather than a relative poverty line. Different methods have been used in the literature to define absolute poverty lines.

²⁶ World Bank. (n.d.). *Measuring Inequality*. [Online] World Bank. Available at: web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20238991~menuPK:492138~-. Measured by the Gini coefficient. The Gini-coefficient of inequality is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one person has all the income or consumption, all others have none).



Photo: Rebecca Vo

Figure 2: Total hardship rates in selected PICs, as percentage of populations



Bubble size = the share of the population below the total poverty line.

PAE = per adult equivalent;

PPP = purchasing power parity.

Source: World Bank, 2014²⁷

²⁷ World Bank. (2014c). *Hardship and vulnerability in the Pacific Island Countries*. [Online] World Bank. Available at: www.worldbank.org/en/news/feature/2014/03/27/hardship-and-vulnerability-in-the-pacific-island-countries.

The cost of this vulnerability to shocks is disproportionately felt by the poorest households, which are more likely to live in the path of disaster and have fewer options for coping before and following a crisis. They are also more likely to be adversely impacted by economic shocks.

Table 2: Table of World Risk Index

Rank	Country	Risk (%)
1	Vanuatu	36.72
2	Tonga	28.45
3	Philippines	27.98
4	Guatemala	20.10
5	Solomon Islands	19.29
6	Bangladesh	19.26
7	Costa Rica	17.17
8	Cambodia	16.82
9	Papua New Guinea	16.82
10	El Salvador	16.80
11	Timor-Leste	16.23
12	Brunei Darussalam	16.15
13	Mauritius	14.66
14	Nicaragua	14.63
15	Guinea-Bissau	13.78

Source: United Nations University Institute for Environment and Human Security (UHU-EHS), 2016²⁸

2.5 REGIONAL CONCLUSIONS

This section considers the extent to which regional conclusions can be drawn from the Pacific islands by highlighting some of the similarities and differences between countries. Differences in governance, land size and population demographics make drawing broad conclusions on the appropriateness and feasibility of CTP impossible. Readers of this report should be aware of these differences when considering the application of the following section to their specific context.

However, the PICs share a number of unique characteristics, notably small size, remoteness and isolation, as well as their vulnerability to aggregate shocks. These characteristics have implications for the consideration of CTP, and exploring how these factors may create challenges and opportunities for PICs may support actors in maximising learning and knowledge sharing.

For the purpose of providing sufficient depth, this regional report focuses on eight PICs (all island countries in the Pacific with populations over 30,000): Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Papua New Guinea (PNG), Samoa, Solomon Islands and Tonga. Nevertheless, this focus should not exclude organisations and stakeholders working in other PICs from identifying information that may also be of use in that context. The regional report is accompanied by two more in-depth country studies on [Fiji \(Annex 2\)](#) and [Tonga \(Annex 1\)](#).

²⁸ United Nations University Institute for Environment and Human Security (UHU-EHS). (2015). World Risk Report 2015: Food insecurity increases the risk of disaster. p. 11. [Online] United Nations University Institute for Environment and Human Security. Available at: <https://ehs.unu.edu/media/press-releases/worldriskreport-2015-food-insecurity-increases-the-risk-of-disaster.html#info>.

SECTION 3: REGIONAL CTP FEASIBILITY

In order to consider the feasibility and appropriateness of CTP as a component of humanitarian preparedness, response and recovery in the Pacific, the following sections explore important components which need to be assessed in order to determine whether, where and when CTP might be utilised to deliver humanitarian assistance:

- Section 3 explores the feasibility of humanitarian CTP in terms of **previous and existing experience of using cash transfers in the region** in order to better understand the environment in which CTP sits at present.
- [Section 4](#) covers **markets** in the Pacific region and seeks to answer the question of whether markets support a cash-based response. This includes analysis of whether there are opportunities to programme more effectively through markets.
- [Section 5](#) on **financial services** considers the question of whether there are reliable and accountable delivery options, and seeks to provide information on the extent to which people are financially literate and experienced in handling money.
- [Section 6](#) examines **acceptance and appropriateness**, given the unique circumstances of PICs.

3.1 REGIONAL CTP CAPACITY AND EXPERIENCE

Cash transfers, or the ‘transfer of money’ as it is more commonly referred to in the Pacific, is widespread in the region and forms part of the market-based economy of many islands. As discussed in the introduction, remittances are a key component of the GDP of many countries and make up a significant portion of the income of some households. It is also evident that communities rely on these cash-based transfers during times of emergency. There is also a growing number of cash-based social protection systems in the Pacific, as well as some use of CTP in development and emergency programming. Understanding what cash transfer experience exists, and whether or not its potential is explored sufficiently, will aid in determining the extent to which timely cash-based programming may be feasible after an emergency, and at what scale.

This study considers three key types of cash-based assistance and programming in the Pacific:

1. Informal cash-based social safety nets and the use of remittance;
2. Formal cash-based social protection mechanisms; and
3. CTP in disaster risk management and response.

Similarly, reviewing the use of cash in informal social assistance activities will also provide insight into the feasibility and extent to which cash may be beneficial, and the likely levels of acceptance (issues of acceptance are covered in greater detail in the final section of this report, [Section 6](#)).

Informal cash-based social safety nets and the use of remittances

All PICs considered in this study have a strong tradition of informal social protection, with sharing of resources – in normal times and in times of emergency – common within families and the broader community,²⁹ including sharing of cash or other items like food, clothing and tools.

Traditional safety nets are deeply embedded in extended kinship or clan-based Pacific societies, known as *veiwekani* and *kerekere* in Fiji³⁰; *kastom* and *wantok* ('one talk') in Melanesia; and *fa'fa* and the *aiga potopoto* social system in Samoa. These societies work in different ways across hundreds of Pacific islands, but they share common features: lineage inheritance; communal rather than individual land ownership; the power of chiefs or elders to allocate or reallocate land; a powerful sense of social belonging and obligation (in extended kinship groups); ceremonial gift-giving as an integral part of this obligation; and redistribution of gifts so no community member experiences lack of food or basic needs.^{31, 32}

Across PICs, there are two competing trends which are impacting on the strength of informal systems of social protection. The first is a general weakening of informal safety nets at community level; after more than a century of exposure to external cultural influences, the effectiveness and reach of traditional coverage is weakening.³³ Some reports have also highlighted a weakening in the extent to which church and faith-based groups are able to provide informal cash-based assistance³⁴ (However, this is not evident in all contexts; for instance, the findings from this study indicate that church-based giving and receiving in Tonga is still very strong.). The other factor is the rapid increase in remittances, which is actually increasing the capacity of informal social protection to respond after emergencies.

As highlighted in the background section of this report, as more people from countries like Fiji, Tonga and Samoa take up work opportunities abroad and send money home, the use of cash is rapidly increasing in society. There is also an increasing trend across all of the PICs studied in this report for people and families from smaller outer islands to send family members to larger islands for work or more permanent settlement.³⁵

Through migration, remittances have become an important form of risk management for those who remain in-country or in remote areas. For instance, a study on disaster remittances following a cyclone in Samoa in the 1990s found a significant increase in the amount remitted after the cyclone, reaching about 25% of the total value of the losses incurred by recipient families.³⁶ More recently, a remarkable upsurge in remittances to Samoa occurred after the 29 September 2009 tsunami.³⁷

When reviewing the role of remittances, both in normal times and during humanitarian response, it is important to note that there are significant differences between countries in terms of the use of remittances. Figure 3 below highlights the amount of remittances received as a percentage of GDP across select PICs. As can be seen in countries like PNG and the Solomon Islands, remittances are relatively insignificant and do not make a strong contribution to either GDP or to most households or communities in terms of disaster assistance.

²⁹ AusAID. (2012a). *Informal social protection in Pacific Island Countries – Strengths and Weaknesses*. [Online] The Australian Agency for International Development (AusAID). Available at: <https://dfat.gov.au/about-us/publications/Documents/informal-social-protection.pdf>.

³⁰ Ratuva, S. (2006). *Social Protection for All Men and Women: A Sourcebook for Extending Social Security in Kiribati – Options and Plans*. Fiji: International Labour Organization.

³¹ Gibson, J. (2006). Are There Holes in the Safety Net? Remittances and Inter-household Transfers in Pacific Island Economies. In *Working Paper #1 Pasifika Interactions Project*.

³² Fukuyama, F. (2008). State Building in Solomon Islands. *Pacific Economic Bulletin*, 23 (3), pp. 1–17.

³³ Ibid.

³⁴ Costella, V. C., & Ivaschenko, O. (2015). Integrating Disaster Response and Climate Resilience in Social Protection Programs in the Pacific Island Countries. *Social Protection & Labor: Discussion Paper*. [Online] World Bank. Available at: <http://documents.worldbank.org/curated/en/2015/10/25136380/integrating-disasterresponse-climate-resilience-social-protection-programs-pacific-island-countries>.

³⁵ Mohanty, M. (2012). Informal Social Protection and Social Development in Pacific Island Countries: Role of NGOs and Civil Society. *Asia Pacific Development Journal*, 18(2), pp. 25–56. Available at: www.econbiz.de/Record/informal-social-protection-and-social-development-in-pacific-island-countries-role-of-ngos-and-civil-society-mohanty-manoranjan/10009520513.

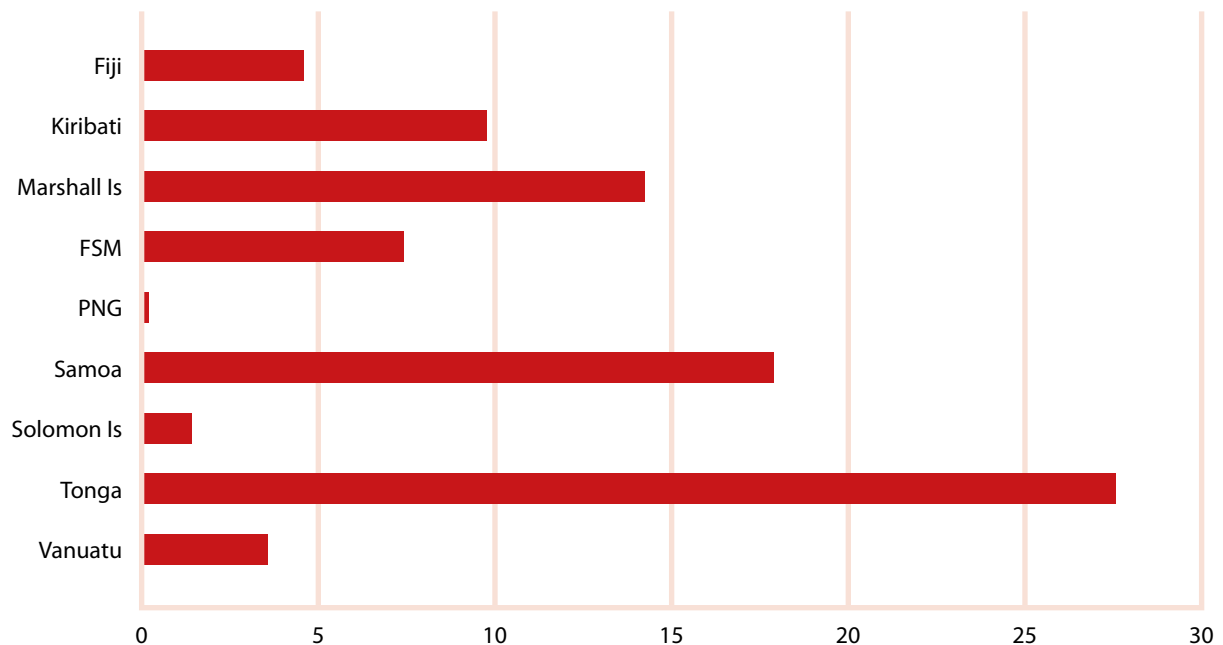
³⁶ AusAID. (2012a). *Informal social protection in Pacific Island Countries – Strengths and Weaknesses*. [Online] The Australian Agency for International Development (AusAID). Available at: <https://dfat.gov.au/about-us/publications/Documents/informal-social-protection.pdf>.

³⁷ Ibid.



Photo: Rebecca Vo

Figure 3: Remittances as a share of GDP in select PICs in 2014



Source: World Bank Data, 2016³⁸

More information on how people access remittances is included in [Section 5](#) on access to financial services.

Other types of informal coping mechanisms include informal lending and borrowing from family and friends and taking out credit lines from shops. Unless family systems of assistance are unaffected or there are remittances coming in, the former is potentially insufficient in times of major shocks, and the latter might not be very effective in the case of systemic shocks. In some PICs, credit unions provide support to those not covered by formal social insurance schemes.³⁹ In Fiji, for instance, there are several community, professional or company-based credit unions that act as ‘safety nets’.⁴⁰

³⁸ World Bank. (2016c). *Migration and Remittances Factbook 2016*. [Online] World Bank. Available at: <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/4549025-1450455807487/Factbookpart1.pdf>.

³⁹ Mohanty, M. (2012). Informal Social Protection and Social Development in Pacific Island Countries: Role of NGOs and Civil Society. *Asia Pacific Development Journal*, 18 (2), 25–56. [Online] Available at: www.econbiz.de/Record/informal-social-protection-and-social-development-in-pacific-island-countries-role-ofngos-and-civil-society-mohanty-manoranjan/10009520513.

⁴⁰ Ibid.

Formal cash-based social protection mechanisms

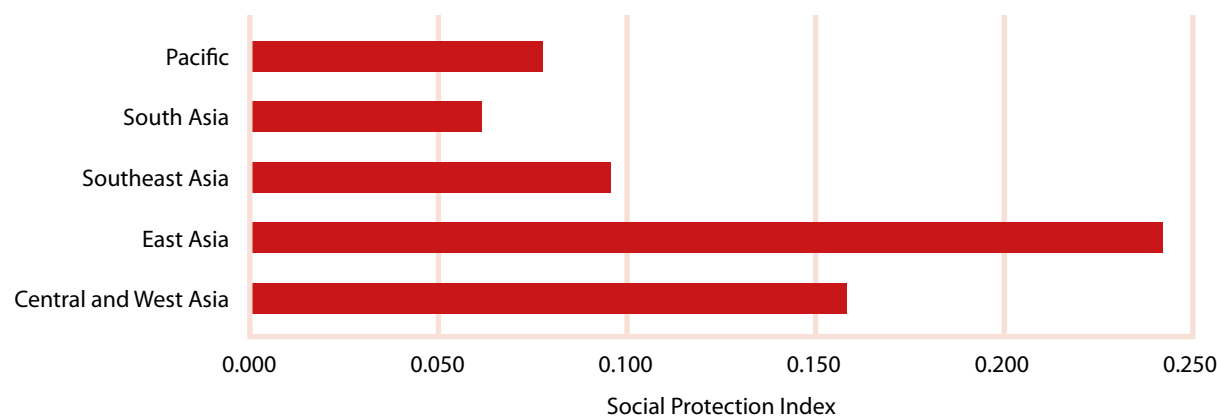
Understanding whether there are existing, formal social protection systems already providing cash transfers is a useful indicator of CTP feasibility and provides context to capacity, as these systems can often be used during humanitarian response and indicate a sensitisation of governments and humanitarian partners to using cash as a transfer modality. If social protection systems are well-developed, then it also indicates that there is likely to be better capacity within government to respond to disasters generally.

In general, the South Pacific region is known for having underdeveloped social protection systems. The World Bank has observed that in most countries there is a limited capacity to design, implement and monitor social protection.⁴¹

The capacity of the government to deliver social protection differs greatly between countries, and thus, the types of initiatives vary significantly. While it is beyond the scope of the study to provide a detailed review of social protection systems in each country, the Asian Development Bank (ADB) Social Protection Index (SPI) provides a score based on the amount spent on social protection as a percentage of GDP per capita, which provides a guide to the scale of social protection systems in the different countries. Based on this measure, the Marshall Islands performs relatively well, with a SPI of 0.167, which is comparable to Singapore (0.169) and Malaysia (0.155). Most other countries in the Pacific have relatively low scores. Of all the countries measured in Asia and the Pacific, Solomon Islands (0.045) and Vanuatu (0.025) score amongst the worst, and are comparable to countries such as Pakistan (0.047) and Afghanistan (0.046), while PNG has a lower score (0.005) than any other country in Asia or the Pacific. A full table of SPI scores is provided in [Appendix 1](#).⁴²

Most countries, including Fiji, Nauru, Samoa and Vanuatu, spend only about 1%-2% of GDP on social protection. PNG spends only 0.1%, the lowest for any country in Asia and the Pacific.⁴³ Understanding how much of a country's GDP is spent on social protection gives some impression of the extent to which social protection is prioritised. Figure 4 below illustrates how the region compares to other parts of Asia. It is important to note that while it scores better than South Asia, the Pacific region has many Middle Income Countries and is on the whole much wealthier than South Asia.

Figure 4: Social Protection Index (SPI) by region, 2009



Source: ADB, 2013⁴¹

⁴¹ Costella, V. C., & Ivaschenko, O. (2015). Integrating Disaster Response and Climate Resilience in Social Protection Programs in the Pacific Island Countries. *Social Protection & Labor: Discussion Paper*. [Online] World Bank. Available at: <http://documents.worldbank.org/curated/en/2015/10/25136380/integrating-disasterresponse-climate-resilience-social-protection-programs-pacific-island-countries>.

⁴² ADB. (2013). *The Social Protection Index: Assessing Results for Asia and the Pacific*. [Online] Asian Development Bank. Available at: www.adb.org/sites/default/files/publication/30293/socialprotection-index.pdf.

⁴³ Ibid.

The predominant form of formal cash-based social protection in most PICs is social insurance programmes for formal workers and the elderly. Most PICs have established some form of provident fund⁴⁴ or superannuation scheme⁴⁵ that provides pensions for formal sector workers, particularly retired civil servants. As discussed in the next section, these funds have in some cases been used to transfer additional funds in emergencies. However, most social insurance programmes reach only a small part of the workforce and retired/elderly people.

The Fiji National Provident Fund (FNPF) – which provides pensions to around 15% of the country’s elderly people – is one of the most successful examples of coverage of pay-as-you-go pensions. The Marshall Islands – where 35% of older people receive pensions – has better coverage, but assistance is provided with limited CTP and the programme has been plagued by operational issues.⁴⁶

Universal old-age pensions are the most common type of non-contributory social protection. Some countries, such as Fiji, Kiribati, Tonga and Samoa, have introduced universal income support for the elderly (see Table 2, below). In the Marshall Islands, pensions – including survivors’ benefits⁴⁷ – make up 71% of all social protection spending, and the total number of beneficiaries is close to 3,400 out of a population of about 53,600.⁴⁸ However, the size of these programmes and their reach varies substantially; there are also variances in terms of the extent to which these programmes support people living on outer islands, etc. Given the demographics of these funds, it is also important to note that any emergency assistance based on this demographic would be skewed towards the elderly.

There are some examples of relatively small-scale CTPs to other groups; however, the only example of a significant CTP targeted at the poor is in Fiji. According to the World Bank, the Poverty Benefit Scheme (PBS) in Fiji is the largest CTP in the region and aims to reach the poorest 10% of the country’s population (see Table 2 below).⁴⁹

Table 2 outlines some of the major non-contributory cash-based social protection schemes in PICs; this should not be considered as a definitive list, as it was beyond the scope of this project to verify all cash-based schemes in the region.

⁴⁴ A provident fund is a form of social safety net into which workers must contribute a portion of their salaries, and employers must contribute on behalf of their workers.

⁴⁵ A superannuation fund is a privately owned form of investment which may or may not be compulsory and can include payments from employees and employers.

⁴⁶ Marshall Islands Social Security Administration. (2006). Retrieved from Marshall Islands Social Security Administration: www.rmimissa.org/benefits.html.

⁴⁷ Survivors’ benefits are pensions payable to surviving widows/widowers and orphans (up to the age of 18, or 22 if in fulltime education) in cases where the main pension recipient is deceased

⁴⁸ ADB. (2013). *The Social Protection Index: Assessing Results for Asia and the Pacific*. [Online] Asian Development Bank. Available at: www.adb.org/sites/default/files/publication/30293/socialprotection-index.pdf.

⁴⁹ Costella, V. C., & Ivaschenko, O. (2015). Integrating Disaster Response and Climate Resilience in Social Protection Programs in the Pacific Island Countries. *Social Protection & Labor: Discussion Paper*. [Online] World Bank. Available at: <http://documents.worldbank.org/curated/en/2015/10/25136380/integrating-disasterresponse-climate-resilience-social-protection-programs-pacific-island-countries>.

Table 3: Example of major non-contributory cash-based social protection schemes in PICs

Country	Type of scheme	Targeting	Number of beneficiaries	Value of benefit
Fiji ⁴⁹	Poverty Benefit Scheme (PBS)	Means tested	22,800 households ⁵⁰	FJ\$25–110 per month (US\$12–53)
Fiji ⁵¹	Care givers	Child dependent	3,300+ children	FJ\$30–60 per child per month up to FJ\$110 per family (US\$14.5–29)
Fiji ⁵²	Pension	Over 68	17,780	FJ\$50 (US\$24)
Kiribati ⁵³	Old age pension	Over 67	2,090	US\$50 per month
Marshall Islands ⁵⁴	Pensions	Age and survivors' benefits	3,400	2% of indexed covered earnings
Samoa ⁵⁵	Pension	Over 65	12,000	Samoa Tala 135 per month
Tonga ⁵⁶	Pension	Over 70	3,930	TOP\$65 per month (US\$29.5)
Tonga ⁵⁷	Disability	Disability	580	TOP\$65 per month (US\$29.5)

There are also a few countries that have undertaken ad hoc public works programmes. However, it seems that the goal of these projects is generally to build infrastructure rather than provide an enduring programme of social protection for the unemployed⁵⁹ (the Fiji Country Snapshot in [Annex 2](#) provides an example of a work project for fewer than 20 individuals).

It should finally be noted that it is common practice across many PICs to involve the community and NGOs in the delivery of basic social services, particularly to vulnerable groups. Community organisations and churches often have established partnerships with government and are well-integrated into existing social structures. It is beyond the scope of this study to assess the extent to which these groups are already deploying cash transfers; however, the case studies on Tonga and Fiji in the annexes of this report provide some evidence of CTP experience and partnerships between authorities and civil society. As an example, one of the churches in Tonga matches the payment of the government's pension each month, for its congregational members.⁶⁰

⁵⁰ ADB. (2013). *The Social Protection Index: Assessing Results for Asia and the Pacific*. [Online] Asian Development Bank. Available at: www.adb.org/sites/default/files/publication/30293/socialprotection-index.pdf.

⁵¹ World Bank. (2016a). CaLP Pacific CTP Feasibility Scoping Study: Data received via email correspondence with World Bank.

⁵² UNICEF Pacific and Fiji Ministry of Women, Children and Poverty Alleviation. (2015). *Child-Sensitive Social Protection in Fiji: Assessment of the Care and Protection Allowance*. [Online] Available at: www.unicef.org/pacificislands/Child-Sensitive_Social_Protection_in_Fiji.pdf.

⁵³ Pension Watch. (n.d.). *Country Fact Sheet: Fiji*. Retrieved from Pension Watch Social Protection in Older Age: www.pension-watch.net/country-fact-file/fiji.

⁵⁴ Social Security Administration. (2014). *Social Security Programs Throughout the World: Asia and the Pacific 2014*. [Online] Social Security Office of Retirement and Disability Policy. Available at: www.ssa.gov/policy/docs/progdesc/ssptw/2014-2015/asia/kiribati.html.

⁵⁵ Marshall Islands Social Security Administration. (2006). *Marshall Islands Social Security Administration*. [Online] Available at: www.rmimissa.org/benefits.html.

⁵⁶ Pension Watch. (n.d.). *Country Fact Sheet: Fiji*. [Online] Pension Watch Social Protection in Older Age. Available at: www.pension-watch.net/country-fact-file/fiji.

⁵⁷ Mr. S Leimoni Taufui (20 April 2016). CEO, Tonga National Retirement Benefits Fund (NRBF). (Pickles, J. and Vo, R., Interviewers).

⁵⁸ Ibid.

⁵⁹ AusAID. (2010). *Social Protection in the Pacific – A Review of its Adequacy and Role in Addressing Poverty*. [Online] Australian Agency for International Development (AusAID). Available at: www.unicef.org/pacificislands/AusAID_SP_Study.pdf.

⁶⁰ Mr. S Leimoni Taufui (20 April 2016). CEO, Tonga National Retirement Benefits Fund (NRBF). (Pickles, J. and Vo, R., Interviewers).

3.2 CTP IN DISASTER RISK MANAGEMENT AND RESPONSE

The extent to which CTP has already been used in past humanitarian response is illustrative of the feasibility of using the modality in future emergencies. Even in countries where CTP has not yet been used in humanitarian response, if cash-based programming is part of disaster planning then countries are more likely to be prepared when a major event occurs.

In line with the region's overall weak social protection structures, a World Bank report has found that, "*In general, PICs have limited financial and institutional capacity for large-scale disaster response and cash-based programmes have often been ignored due to the increased institutional complexity*".⁶¹ Although funding for disaster risk management and climate change adaptation has increased in the last decade, most of the focus seems to have been on more reactive disaster response.⁶²

There are a few emerging examples of governments utilising formal national cash-based social protection mechanisms in disaster response, and of ad hoc cash-based initiatives being developed after disasters strike. This section highlights some examples.

The only large-scale example to date of formal government social protection cash-based systems being used in disaster response is the CTP deployed recently by the Government of Fiji following Tropical Cyclone (TC) Winston in 2016. The government allocated FJ\$19.9m to the response through cash-based programmes, and the assistance was not just in affected areas, but instead was delivered nationwide to all those in the schemes involved. This included a one-off lump sum payment of FJ\$600 to all families on the Poverty Benefit Scheme (PBS); a one-off lump sum payment of FJ\$300 to all families on the Care and Protection Allowance (CPA); and a one-off lump sum payment of FJ\$300 to families on the Social Pension scheme.⁶³ The TC Winston example builds on the government's Cyclone Evan response in December 2012, when it provided cash transfers through the Fiji National Provident Fund (FNPF).⁶⁴



Photo: Ralph Ofuyo

⁶¹ Costella, V. C., & Ivaschenko, O. (2015). Integrating Disaster Response and Climate Resilience in Social Protection Programs in the Pacific Island Countries. *Social Protection & Labor: Discussion Paper*. [Online] World Bank. Available at: <http://documents.worldbank.org/curated/en/2015/10/25136380/integrating-disasterresponse-climate-resilience-social-protection-programs-pacific-island-countries>.

⁶² Bettencourt, S., Croad, R., Freeman, P., Hay, J., Jones, R., King, P., et al. (2006). *Not If but When: Adapting to Natural Hazards in the Pacific Islands Region: A Policy Note*. [Online] World Bank. Available at: <http://siteresources.worldbank.org/INTPACIFICISLANDS/Resources/Natural-Hazards-report.pdf>.

⁶³ For more information, see the Country Snapshot on Fiji that forms part of this study (Annex 2).

⁶⁴ Government of Fiji. (2013). *Post-Disaster Needs Assessment: Tropical Cyclone Evan, 17th December 2012*. [Online] Global Facility for Disaster Reduction and Recovery. Available at: http://www.gfdr.org/sites/gfdr.org/files/Fiji_Cyclone_Evan_2012.pdf. FNPF. (2016). The Fiji National Provident Fund (FNPF). [Online] Available at: www.myfnpf.com.fj. The FNPF is Fiji's largest financial institution, and the only superannuation fund that is mandated by law to collect compulsory contributions from employees and employers towards retirement savings of all workers in Fiji. Apart from retirement savings, the FNPF also provides its members with other financial services such as housing, medical and education assistance. Branches and agencies are located in Suva, Lautoka, Labasa, Nadi, Ba, Savusavu and Valelevu.

BOX I: VANUATU, CYCLONE PAM 2015 RESPONSE

Despite relatively well-functioning markets and strong use of cash on the main islands of Vanuatu, there was relatively little cash used in the response to Cyclone Pam in 2015.

Following the disaster, the government allowed 5,000 workers under the Vanuatu National Provident Fund to withdraw 20% of their retirement funds. The government opened access to the provident funds for a set amount of money as a means of giving people access to funds for recovery. This form of programming, while cash-based, is not considered as a true cash-based assistance programme, as people were spending their own old-age savings; however, it does indicate flexibility in the existing pension system to respond to emergencies. The Ministry of Education in Vanuatu also raised money for those affected by Cyclone Pam through an appeal to all schoolchildren to donate 50 Ni-Vanuatu Vatu (US\$0.45); it is not known how much money was eventually received and distributed, but this is another example of the ad hoc use of cash in emergencies in the region.

In addition to assistance provided by the Vanuatu government, there was some use of CTP in the response. Oxfam provided vouchers for agricultural inputs and also managed a cash for work programme in Port Villa for around 500 people to support debris removal and recovery activities. UNDP also provided a small-scale cash for work project for around 100 people in Port Villa on the island of Efate and Tanna island in Tafea.

The survey undertaken for this study highlighted that almost all the government and humanitarian respondents from Vanuatu felt that there was potential for increasing the use of CTP in emergency response. However, this was mostly confined to the main and neighbouring islands, with most respondents believing that the majority of outer islands could not support CTP due to limited markets; even still, this requires market assessments and analysis because some actors did also convey a sense that other sub-national areas could have benefited from CTP. Key reasons mentioned by humanitarian actors for why there was not greater take-up of CTP included:

- Lack of knowledge about cash and voucher programmes.
- Lack of practical experience in cash and voucher programmes in the country.
- Volatile or poor market infrastructure across some parts of the country.
- Poor access to financial services, and difficulties in providing cash or vouchers.
- High risk of fraud.
- Poor coordination amongst varying actors.
- Potential to harm longer-term development programming.

The following is a quote from a Vanuatu government worker, collected through the online survey:

“This [CTP] was something that was discussed briefly in the National Nutrition Working Group (within Health Cluster) at the time of the cyclone response. This seemed like a good programme to put in place, but we did not have enough staff experienced with these programmes. For emergencies, especially with small PICs with such scattered islands, there are more challenges compared to other more developed countries for a programme like this.”

Government official, Vanuatu, online survey respondent

In Tonga, following Cyclone Ian in 2014, the government advanced pension payments through the existing system,⁶⁵ and the government and UNDP delivered a cash for work (CFW) programme on the island of Ha’apai.⁶⁶ More than 700 people participated in the programme and were paid the minimum wage of Tonga pa’anga (TOP) \$7.50 per day for 20 days for their labour, which consisted mostly of debris and rubble removal.⁶⁷ This programme built upon a joint UNDP and Government of Tonga CFW project on the remote island of Niuatoputapu in 2009, which paid participants TOP \$20 per day, and was reportedly the first emergency CFW programme in the Pacific.⁶⁸

⁶⁵ Mr. S Leimoni Taufui (20 April 2016). CEO, Tonga National Retirement Benefits Fund (NRBF). (Pickles, J. and Vo, R., Interviewers).

⁶⁶ UNDP. (2014). *Fast Facts: Post Cyclone Livelihoods Recovery and Cash-for-Work*. [Online] UNDP. Available at: www.pacific.undp.org/content/pacific/en/home/library/fastfacts/Tonga_recovery.html.

⁶⁷ Ibid.

⁶⁸ Tuita, M. (2016, April 19). UN Coordination Officer, UNDP. (Hobbs, C. and Jackson, R., Interviewers).

Kiribati operates a 'Copra Subsidy Scheme', which in essence is a cash transfer scheme for farmers in response to abnormal weather events that have damaged crops (*copra*⁶⁹). This is the largest social protection programme in the country and helps farmers cope with fluctuations in copra prices, by guaranteeing a minimum purchase price from government. The scheme is quite expensive and runs at a significant fiscal loss to the government.⁷⁰

In the Solomon Islands, the government provided a cash for work pilot programme which gave wages and tools to targeted communities for the clean-up and repair of public areas and infrastructure (community halls, schools, churches, common gardens, wells, drains and paths) that were damaged by flash floods in 2014.⁷¹ There is no evidence of cash being used as part of ongoing formal social protection or in humanitarian response in the Marshall Islands, Micronesia or PNG (Though it must be noted that it was outside the scope of this study to verify this beyond desktop research).

Incorporation of CTP in humanitarian and Disaster Risk Reduction planning and coordination

While there are some examples of countries that have used cash in recent humanitarian responses, it appears that the use of cash in PICs is largely ad hoc. This study found no evidence of any formal preparedness plans or coordination structures taking cash into consideration anywhere in the Pacific – except in Fiji, where there was an ongoing emergency response to Tropical Cyclone Winston (2016), and an ad hoc Cash Working Group coordinated by the United Nations Office for the Coordination of Humanitarian Affairs (OCHA). Kiribati, Samoa, Tonga and Vanuatu have all experienced recent disasters where cash formed at least part of the response, yet there still do not appear to be formalised structures incorporating cash into response planning, and there is no evidence of formalised policies or procedures for the use of CTP. For instance, the field study in Tonga found a mixed response to the cash for work programme in Ha'apai in response to Cyclone Ian in 2014; many actors articulated a range of design and operational concerns. Limited resources meant there had been no attempt to develop guidelines, assessment tools or preparedness activities to address these concerns for the benefit of future programmes.

3.3 CTP FEASIBILITY: CONCLUSION

This section has highlighted some of the similarities and differences in terms of the existing use of cash transfers in formal and informal social protection mechanisms across PICs. The PICs are incredibly diverse in their use of cash in formalised social protection systems, as well as in their systems of informal assistance, in periods of response to emergencies as well as during normal times. However, there are also similarities across countries in the region.

The extent to which CTP has already been used in past humanitarian response is a strong indicator of the feasibility of using the modality in future emergencies and the extent to which it may be deployed. It can be seen that a number of countries are already using CTP as part of emergency response, as well as part of ongoing social protection systems. However, the use of cash-based interventions in humanitarian response is largely ad hoc and there is little evidence that systems are being developed to be shock-responsive.

It is clear that the approach to using cash in humanitarian response has been ad hoc, and there are few examples of national mechanisms that have reached people on a significant scale, except in the recent response to Tropical Cyclone Winston in Fiji. This indicates that at a country level there is much to do in terms of sensitising actors to the use of cash in humanitarian response as well as determining where cash may or may not be appropriate, and identifying delivery mechanisms. This will be much easier in the countries where preparedness and coordination activities are ongoing.

⁶⁹ Copra is the dried meat, or dried kernel, of the coconut used to extract coconut oil.

⁷⁰ AusAID. (2012b). *Poverty, Vulnerability and Social Protection in the Pacific: The Role of Social Transfers*. [Online] Australian Agency for International Development (AusAID). Available at: <https://dfat.gov.au/about-us/publications/Documents/social-transfer.pdf>.

⁷¹ Costella, V. C., & Ivaschenko, O. (2015). *Integrating Disaster Response and Climate Resilience in Social Protection Programs in the Pacific Island Countries. Social Protection & Labor: Discussion Paper*. [Online] World Bank. Available at: <http://documents.worldbank.org/curated/en/2015/10/25136380/integrating-disaster-response-climate-resilience-social-protection-programs-pacific-island-countries>.

By studying remittances and other informal social assistance provided in response to emergencies, there is a strong indication that cash transfers are feasible as a response modality. With surges in remittances occurring after natural disasters, and with many households already receiving remittances, it is clear that cash transfers already form a major part of (informal) emergency assistance. This demonstrates feasibility for CTP as (i) people are used to receiving cash; (ii) there are mechanisms by which they can access cash; and (iii) the fact that relatives send cash at these times indicates that it is useful and usable.

However, it is important to note that countries such as PNG and Solomon Islands receive relatively limited amounts of remittances.



Photo: Rebecca Vo

SECTION 4: MARKETS

Markets are now an essential part of the global policy dialogue in relation to humanitarian response. Markets should be considered before any form of programming takes place, whether in-kind or CTP, as all forms of assistance will have an impact on local markets, on which populations are dependent for consumption and livelihoods. Where there are markets functioning and goods available, CTP is likely to be more efficient and effective at meeting needs than commodity-based transfers. This study set out to explore the extent to which markets are able to support cash and voucher initiatives in emergency response in the Pacific, as well as opportunities to consider markets more comprehensively within a response. In order to design and implement quality programming in emergency response, it is critical to explore markets for the following reasons:

- During times of crisis, people may need more or less of the same commodities than before and they may have new needs.
- In order to ensure a timely response that meets needs and does not have a negative impact on markets, an assessment must show whether or not markets can supply goods and, if not, when this might be possible.
- There may be opportunities to support local markets in times of crisis. Ensuring that a response, whether in-kind or through CTP, supports and capitalises on local market capacity can promote markets as engines of recovery and resilience within a community.
- Whilst a response is ongoing, it is important to continue to understand the availability, quality and price of goods and services, to ensure that the desired objective is achieved.

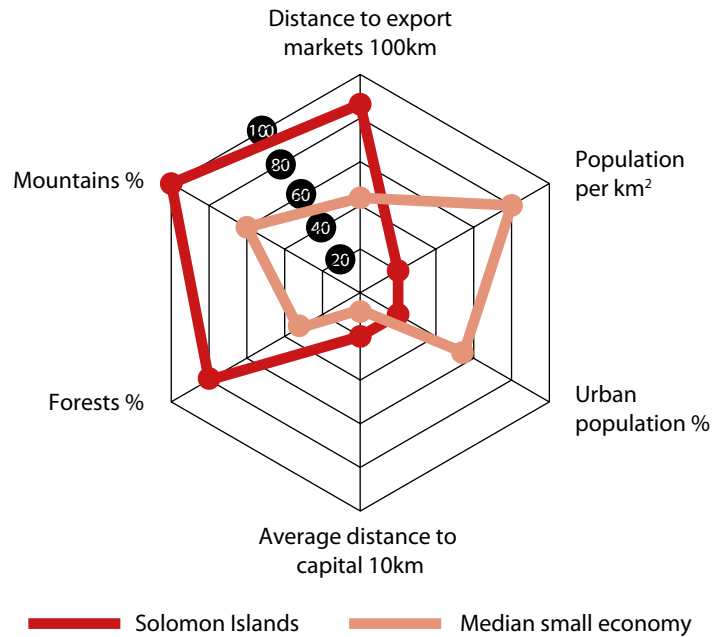
4.1 INTERNATIONAL MARKETS

As discussed in [Section 2](#), Pacific islands are scattered over an area equivalent to 15% of the globe's surface. The extraordinary distances between countries and networks of islands define the international market. To put the scale into perspective, Kiribati is one of the most remote and geographically dispersed countries in the world. It consists of 33 coral islands spread over 3.5 million square kilometres of ocean (an area larger than India).

The Solomon Islands' 500,000 plus people are dispersed over 90 of its 1,000 splintered islands and atolls. Only 17% of its population live in urban areas, and they are on average 8,500km from their core export markets of China, Europe and Thailand.⁷² Figure 5 below demonstrates how the Solomon Islands compare with median small economies in other regions and illustrates clearly the immediate challenges the country faces in terms of distances from the capital and from export markets.

⁷² World Bank. (2010). *Solomon Islands growth prospects : constraints and policy priorities: Discussion note*. [Online] World Bank. Available at: <http://documents.worldbank.org/curated/en/2010/10/13049411/solomon-islands-growth-prospects-constraints-policy-priorities-discussion-note>.

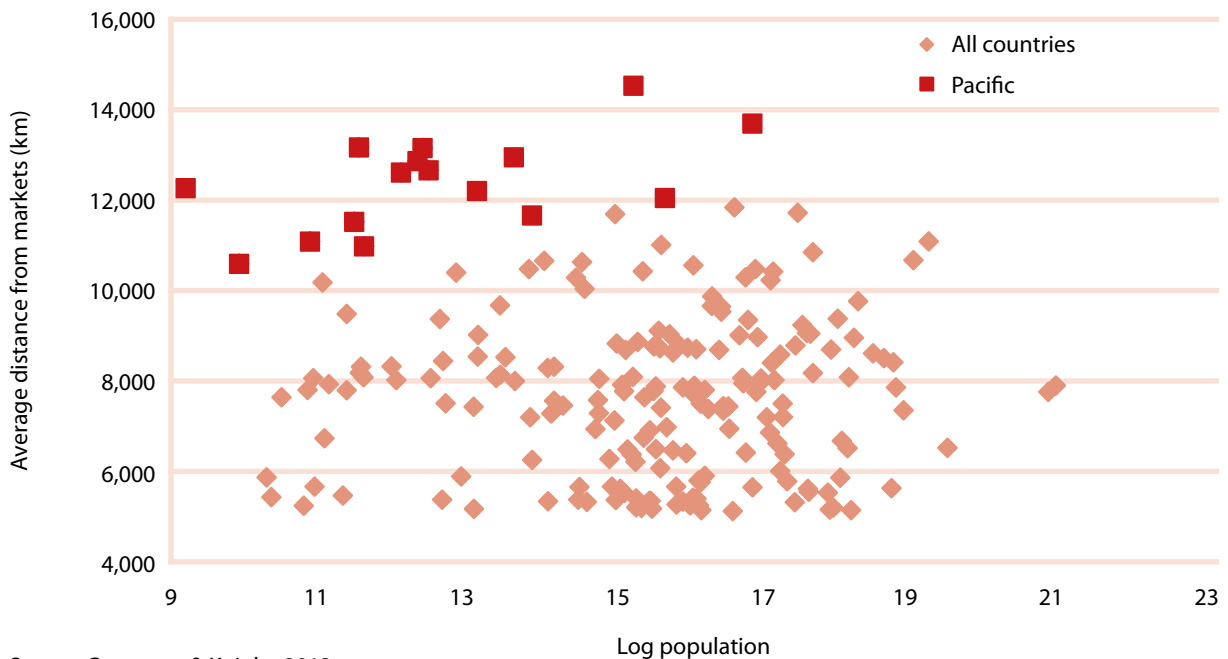
Figure 5: Solomon Islands in comparison with median small economies in other regions



Source: World Bank, 2010⁷³

This isolation and remoteness presents a number of challenges for markets and makes transport of commodities expensive and time-intensive. Remoteness of the PICs means high transport and trading costs, a longer transfer time of goods, and higher marketing and distribution costs; all of which undermine competitiveness in global markets. As a result, a PICs' relative competitive advantage is linked to size and remoteness. Country-specific trade patterns and performance largely follow these determinants.⁷⁴

Figure 6: Size and distance from markets of PICs vs. other countries



Source: Cororaton & Knight, 2013

⁷³ Ibid.

⁷⁴ Chen, H., Rauqueque, L., Singh, S. R., Wu, Y., & Yang, Y. (2014). *Pacific Island Countries: In Search of a Trade Strategy*, IMF Working Paper. International Monetary Fund. [Online] International Monetary Fund. Available at: www.imf.org/external/pubs/ft/wp/2014/wp14158.pdf.

Most PICs have limited natural resources and are small in size, which further limits their ability to reach economies of scale in industry and production. This disadvantage is only exacerbated by their geographic remoteness from economic centres. As a result, all PICs have a trade deficit; i.e. they import more than they export. PNG is an outlier, for example; aided by its landmass, population size and relative proximity to global markets, PNG exports and imports are very nearly equal.

The PICs in this study are reliant on imports for much of their high-end food and cereals; non-food items, including hardware and machinery; as well as fuels. This level of reliance on imports leaves the countries vulnerable to external economic shocks, such as the global food price rises in 2008 and exchange rate changes. In Kiribati, for example, simultaneous spikes in the price of rice, wheat and oil were estimated to push 6% of the population into hardship in one year.⁷⁵ The trade deficit in the PICs is primarily supported by remittance and foreign aid.

Table 4: Annual income vs. exports in US\$ (note: the years of comparison differ based on available data) ⁷⁶

	Fiji	Kiribati	PNG	Samoa	Solomon Islands	Vanuatu	Tonga
Annual exports	\$1.244bn (2015 est.)	\$84.75m (2013 est.)	\$8.653bn (2015 est.)	\$24m (2013 est.)	\$493.1m (2012 est.)	\$38.3m (2015)	\$29.4m (2015 est.)
Annual imports	\$2,283bn (2015 est.)	\$182.2m (2013 est.)	\$3.311bn (2015 est.)	\$325.3m (2015 est.)	\$446m (2015 est.)	\$151.9m (2015)	\$151.9m (2015 est.)

Source: CIA, 2016⁷⁷

A couple of notable analyses of shipping and the logistics of supplying items between islands are referenced within this document and illustrate the significance of transport challenges for markets. One of these, commissioned by the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) in 2013,⁷⁸ considers the shipping routes used between PICs and their core export partners. The other, undertaken by WFP at the end of 2015,⁷⁹ considers in-country capacity and legal frameworks for the movement of goods into countries. The latter concludes that investment is needed in ports and warehousing, and recommends that joint policy be developed to consider transport arrangements in emergencies.

As a part of the discussions with regional actors, this study interviewed a number of regional suppliers in Fiji's capital city Suva, considered by the above-cited WFP study to be the commercial hub of the region. There are a number of traders in Fiji that serve the surrounding countries, and one specific stakeholder in this study was Punjas, a large-scale wholesaler also operating in four other countries. Punjas works with a network of suppliers and transporters to ensure a regular supply of goods. It considers this supply to be responsive to changes in demand within one week.

⁷⁵ World Bank. (2014c). *Hardship and vulnerability in the Pacific Island Countries*. [Online] World Bank. Available at: www.worldbank.org/en/news/feature/2014/03/27/hardship-and-vulnerability-in-the-pacific-island-countries.

⁷⁶ CIA. (2016). *The World Factbook: Tonga*. [Online] Central Intelligence Agency. Available at: www.cia.gov/library/publications/resources/the-world-factbook/geos/tn.html.

⁷⁷ Ibid.

⁷⁸ Moon, J. R. (2013). *Strengthening Intra-island Shipping in Pacific Island Countries and Territories: Background Paper*. [Online] UNESCAP. Available at: www.unescap.org/sites/default/files/Background-Paper.pdf.

⁷⁹ WFP. (2015). *Pacific Preparedness Project: Logistics Assessment / Shipping*. [Online] WFP. Available at: www.humanitarianresponse.info/ru/system/files/documents/files/wfp_pacific_shipping_assessment_-_oct-dec_2015.pdf.

4.2 DOMESTIC MARKETS

Given that most PICs are made up of multiple islands, once in-country, commodities must travel an often long and complex route to reach remote populations. Typically, as is the case in Fiji and Tonga, domestic markets are centralised and not well-integrated. Core suppliers and wholesalers operate from the capital and work with predictable, although infrequent, transport networks to provide goods on demand to smaller, more remote islands. Goods typically become increasingly expensive the greater the distance they have travelled from the port of entry.

PRODUCTION

Goods that are produced locally, such as fresh food, and food items that are processed locally, such as rice and flour, are better integrated. In most of the PICs, fruits and vegetables grow throughout the year and are most likely to be sold by vendors, other than those selling groceries and durable goods, in farmer/vendor good markets. By nature of their local production, supply of these goods is more likely to be immediately affected in a natural disaster, where crops and stocks may have been damaged. Most of the PICs have a high level of subsistence or semi-subsistence in rural areas.

LOGISTICS AND TRANSPORT

Such are the transport constraints in the region within and between PICs that they are the focus of ongoing policy development. For example, with the aim of reducing domestic shipping costs for goods and people, and therefore increasing trade benefits, the Solomon Islands introduced a subsidised domestic shipping scheme, funded by the EU and ADB towards the end of 2010. Routes were identified with a number of criteria, including routes that were not financially viable but were deemed to be economically and socially desirable. Servicing of these routes was administered by governments but operated by private companies. There are also a number of regional shipping commissions, but performance remains much better to ports with a high volume of trade than to the smaller, less competitive countries.⁸⁰

PRICES

Commodity price monitoring is not consistently analysed in the PICs. Data is difficult to find and requires a fair amount of technical knowledge of market analysis in order to be understood sufficiently. It is possible to find data from all countries, all of which have services through specific ministries, or independent bodies that track commodity prices. These can most commonly be found through national statistics bureaus or through the ministries responsible for agriculture, as is the case for food items.

The impact of travel and transport constraints on prices was raised in a number of the interviews in this study. Weak market functioning in rural or remote areas was listed by survey respondents as one of the key challenges to using CTP. This was echoed by community members in interviews in Fiji and Tonga, where approximately half of all participants highlighted the challenges that they would have in sourcing the goods that they needed, and was also reported in the initial rapid assessments undertaken by stakeholders in the TC Winston response in Fiji.

It is a result of the centralised import markets that costs for goods and services increase the further goods travel from ports of entry into the country. In Fiji, the Commerce Commission, an independent body responsible for price controls, identifies a 13% additional cost on food commodities and a 22% increase in fuel costs in outer islands when compared to the urban capital.⁸¹ More information on this is included in the Country Snapshot on Fiji (Annex 2) at the end of this report.

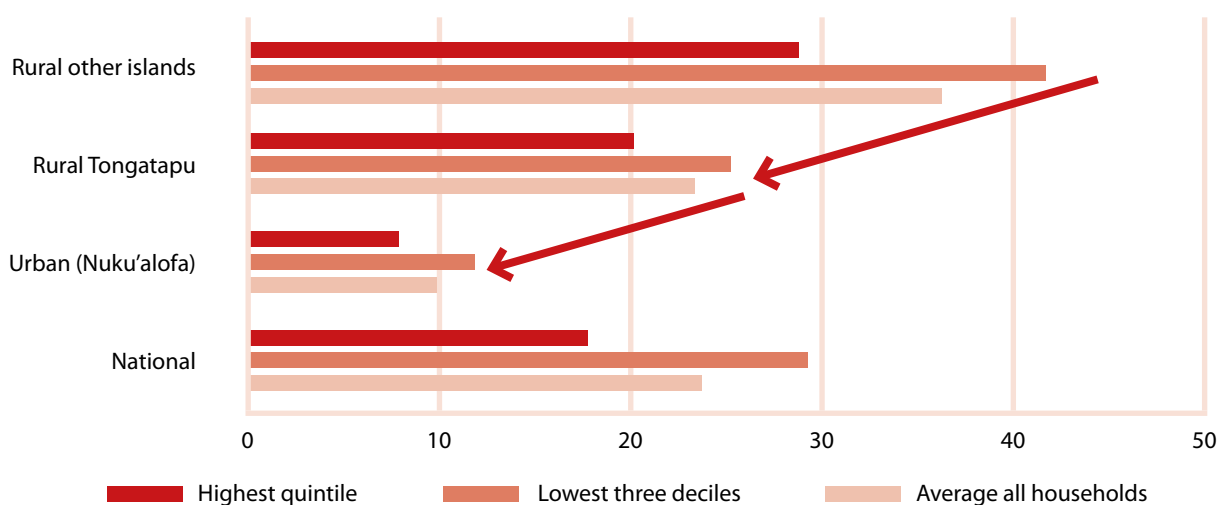
⁸⁰ Moon, J. R. (2013). *Strengthening Intra-island Shipping in Pacific Island Countries and Territories: Background Paper*. [Online] UNESCAP. Available at: www.unescap.org/sites/default/files/Background-Paper.pdf.

⁸¹ Fiji Commerce Commission. (n.d.). *Fiji Commerce Commission*. [Online] Available at: www.commcomm.gov.fj.

Conversely, poorly integrated national transport networks impact the pricing of fresh food products reaching urban areas, where these items are considerably more expensive. A study analysing the affordability of non-starchy fruit and vegetables in Vanuatu’s capital city in 2015⁸² concluded that unaffordable fresh food was a critical contributor to malnutrition in urban areas in particular.

Figure 7 shows the proportion of own production in food consumption in Tonga (2011).⁸³ The author of the 2011 study used Household Income and Expenditure Survey (HIES) data to estimate the significance of own production in the consumption of households, and concluded, perhaps unsurprisingly, that poorer households consumed more of their own produce, and that reliance on own production increases in more remote areas. This is significant in emergencies for two reasons. First, because it illustrates that high prices in fresh food may impact more on urban households; and second, because demand will increase substantially if local production and food stocks are affected.

Figure 7: Proportion of own production in food consumption in Tonga, 2011



Source: UNICEF Pacific, 2011⁸⁴

Overall it was difficult to find information on domestic markets, particularly on the number of traders and retailers located in rural and remote areas. The case studies on Fiji and Tonga identified a gap in national market data in this regard, and although there are plans in Fiji to begin mapping supply chains of food and agricultural commodities, this information is not widely available or understood. One key informant working in Vanuatu noted that in remote communities, people might walk for up to 16 hours to purchase goods, and many stakeholders, including communities interviewed in the case study countries, mentioned the strategy of making routine trips to major commercial centres to find items not stocked in remote areas and also to purchase goods at lower price prices (and, at times, buying in bulk).

From the material available to the study team, the anecdotal feedback received and the information gathered on major suppliers, the study concludes that there are major challenges in physical access to markets in rural areas in many PICs. Though clearly related to higher prices, these two issues raise questions about the immediate appropriateness of CTP in rural and remote areas.

⁸² Jones, H. A., & Charlton, K. E. (2015). A Cross-Sectional Analysis of the Cost and Affordability of Achieving Recommended Intakes of Non-Starchy Fruits and Vegetables in the Capital of Vanuatu. *BMC Public Health*, 301–310. Available at: <http://bmcpublihealth.biomedcentral.com/articles/10.1186/s12889-015-1644-2>.

⁸³ UNICEF Pacific. (2011). *Situation Monitoring: Food Price Increases in the Pacific Islands: Working Paper*. Fiji. [Online] United Nations Children’s Fund (UNICEF), Pacific. Available at: www.unicef.org/pacificislands/FINAL_SITUATION_REPORTING2.pdf.

⁸⁴ Ibid.

4.3 MARKET CAPACITY IN EMERGENCIES

In the absence of significant data on markets in emergencies, this section considers the extent to which markets have been explored and draws on the responses from the online survey. Following Cyclone Pam in Vanuatu in 2015, the Post-Disaster Needs Assessment (PDNA)⁸⁵ reported physical damage to market places as well as issues of access due to destruction to infrastructure and transport. Despite identifying access to markets as one of three core determinants of quality housing stock,⁸⁶ there was no consideration of market price impact or damage to/loss along the supply chain.

In an evaluation of their project in Samoa after Cyclone Evan in 2013, Adventist Development and Relief Agency (ADRA) noted that there were some delays in the supply of critical construction materials due to pressure of increased demand. The PDNA for Cyclone Evan in Samoa notes a concern that affected rural households would not be able to afford fresh fruit and vegetables. Market analysis in the two months following TC Cyclone Winston in Fiji focused on the damage to market infrastructure and the ability of traders to participate in the voucher programme, rather than specifically considering whether or not local markets could meet demand.

Survey findings revealed that a number of practitioners were concerned about the capacity of local market supply to meet demand if cash or vouchers were provided as assistance. It seemed to be a critical issue to many practitioners that a thorough market assessment be undertaken before any cash-based intervention is implemented in the Pacific, in order to determine where it will be appropriate. One survey respondent noted the necessary distinction between urban and rural/remote areas when considering markets' capacity in emergencies:

"While I strongly believe cash or vouchers are excellent tools for meeting people's needs after an emergency in many places around the world, I think this is more difficult in the Pacific – given the remote and isolated nature of many communities and lack of access to markets. In large Pacific urban centres, such as Suva or Port Moresby, I think cash or vouchers could work well – where there are a number of alternative suppliers and a large enough market. However, in many places we work (rural Solomon Islands, rural Vanuatu for example), there are very few suppliers, shops or markets available to people, undermining the effectiveness and appropriateness of cash/vouchers. More research is needed, but I would think that smaller urban centres, such as Honiara or Port Vila, would struggle to provide the markets required for cash/vouchers to work."

POTENTIAL TO UTILISE MARKETS IN CRISES

The existing market systems in both Fiji and Tonga were able to scale up to meet needs, but in both countries the additional demand created by crises was absorbed by large-scale retailers at the national market level. However, there is a body of work ongoing through a number of national and regional initiatives to improve market supply chains and livelihoods associated with markets.

The interviews with private sector market actors within this study indicated that they have a particularly good level of preparedness for a crisis. For example, in Tonga, the principal timber supplier for the country has sufficient stocks to meet emergency housing needs for 30% of the population. This decision had been made in response to the challenges during Cyclone Ian in 2014, when the company had not been able to meet demand in sufficient time. There is also confidence that this national supplier would be able to obtain additional transport from its traders in Fiji within three days, which would be provided to support a Tongan response operation.

Concerns highlighted by stakeholders on market capacity were not specific to times of crisis, suggesting the issue is related to the performance of markets in normal times – whether this is about demand and purchasing power or related to the challenge of diseconomies of scale. When asked about market capacity to supply goods in times of crisis, 86% of survey respondents determined that those in urban and peri-urban areas would be able to do this, whereas only 54% believed the same for markets in rural or remote areas. People were also asked whether markets could provide for long-term development needs in normal times, and responses were noticeably similar to those given for times of crisis: 93% considered markets to have good capacity in urban areas and 43% in rural areas in normal times.

⁸⁵ Government of Vanuatu. (2015). *Vanuatu Post-Disaster Needs Assessment, Tropical Cyclone Pam*. [Online] Government of Vanuatu. Available at: www.gfdr.org/sites/default/files/publication/PDNA_Cyclone_Pam_Vanuatu_Report.pdf.

⁸⁶ The others being housing material and household vulnerability.

One management-level respondent from an NGO in Vanuatu noted the limited motivation of local traders to scale up following Cyclone Pam. Cultural taboos around making a profit from your neighbours resulted in a self-enforced 'price control', and in turn reduced the incentive to increase volumes, which would be obtained at a loss.

This study did not aim to consider the breadth of options available, namely market-based support, to work more effectively with local markets as a key driver for recovery. However, as demonstrated above, the feasibility of CTP is reliant on the capacity of larger retailers to leverage their networks to ensure the availability of goods and services. In order to maximise the impact of humanitarian response on local market systems, there is scope to invest in markets as a component of resilience, development and preparedness programming.

One regional initiative, for example, is a multi-country project run by UN Women that works with female small-scale traders. The project, which works in Fiji, the Solomon Islands and Vanuatu, seeks to improve earnings and to promote safe and inclusive market places.⁸⁷ There are also a number of ongoing activities run by government and civil society in-country, such as the micro and small business grant scheme in Fiji, and work undertaken by MORDI, a national NGO, in Tonga. These programmes consider the role that markets can play in poverty alleviation and work on integrating local livelihoods into market systems.

Finally, understanding of the relationship between markets and CTP is limited amongst stakeholders in the Pacific. Specifically, there was limited understanding of market systems analysis, so whereas price and availability of goods in the short term was relatively well-understood, there was very little investment in the question '*if not now, then when?*' For example, where markets do not currently have sufficient stocks of particular commodities due to limitations in demand under usual circumstances, or where potential customers do not have the purchasing power to access them, this may be addressed by providing vouchers to people; the provision of vouchers guarantees demand and a market for traders, therefore also supporting the supply of goods, assuming the supply chains have the capacity to respond. In order to improve capacity to analyse and utilise markets in crises, investment in capacity and knowledge is critical.

4.4 MARKETS: CONCLUSION

It is clear that PICs – by nature of their size, dispersed population, remoteness and isolation – face unique challenges when it comes to markets. The distances between islands within countries make the transport of goods and services challenging, time-consuming and expensive. Diseconomies of scale reduce the commercial incentive for traders and retailers to develop markets in remote areas, and this is compounded by high levels of subsistence and low purchasing power, meaning that demand in normal times remains low.

Rapid market assessment tools now commonly deployed in times of crisis – such as the Emergency Market Mapping and Analysis (EMMA) and the International Red Cross/Red Crescent Movement's Rapid Assessment for Markets (RAM) – consider a number of primary questions, one of which considers the pre-existence of markets for specific products and services as a necessary determinant of market feasibility. There is insufficient market information available on the PICs, and gathering baseline mapping and data must be a priority in order to improve CTP decision making. However, the information shared and sourced during this study illustrates that CTP might not be the most appropriate means of ensuring high-impact programmes on remote islands where markets do not exist or are minor.

There are strategies to programme effectively around remoteness – allowing people to use vouchers to pick items from a brochure or catalogue list to be delivered from a mainland is one example. From the perspective of markets, there is no reason why people could not meet their needs through markets in urban centres. Available market data are not consistent and are not presented in a way that would support decision making of humanitarian actors. Limited data availability and analysis results in an oversimplified decision-making process and restricts the ability to 'think outside the box' – and beyond the now to the '*if not now, then when?*'

⁸⁷ UNWOMEN. (2014). *Markets for Change to Seek Safety and Better Earnings for Women in the Pacific*. [Online] UNWOMEN. Available at: www.unwomen.org/en/news/stories/2014/5/press-release-markets-for-change-to-seek-safety-and-better-earnings-for-women-in-the-pacific.



Photo: Ralph Ofuoye

Ongoing monitoring of prices during a crisis response provides valuable information on the appropriateness of different modalities, both in-kind distribution and CTP. In a CTP response, it is essential to ensure that the value of the transfer remains sufficient to meet needs. Increased investment in capacity and knowledge would support a more effective implementation of price monitoring, as well as good practice in utilising data to inform programme design and adaptation, such as amending the value of transfers where prices are higher, which is not practiced in Fiji for example.

The information shared and sourced during this study suggests that CTP might not be the most appropriate means of ensuring immediate access to goods and services for which there have been significant increases in demand in remote and rural areas, where prices reflect significant transport costs and lack of price competitiveness. The picture is very different in urban centres, where there is no reason why people could not meet their needs through markets.

Policy makers in governments and implementing organisations should consider the benefits of investing in systems that build more robust and agile market capacity at a local level. The benefits of transitioning support in crises from in-kind to CTP, especially in cyclical crises, can be significant for development and resilience. Further research is necessary in this area, and ensuring that the results are accessible to all humanitarian actors should be a critical consideration in this work.

SECTION 5: FINANCIAL SERVICES

When determining whether cash programming is feasible in less developed countries, governments and humanitarian partners must consider whether or not there exist safe and reliable delivery mechanisms that are accessible by all those in need.

There are many ways in which money and vouchers can be transferred. Delivery methods include direct delivery into the hands of the recipients (by an agency or a sub-contracted party); cash payments at banks or post-office branches (with or without using bank accounts); and payments into accounts or 'e-wallets', accessed using smart cards, ATMs, Point of Sale (PoS) devices or mobile phone technologies. Cash and voucher transfer modalities can be technically sophisticated or as simple as providing paper-based vouchers. Options can be entirely outside of the payment and banking systems, or entirely within them.

The authors of this study believe there are five key requirements that must be met in order for CTP to be feasible at scale and in a timely manner when an emergency situation occurs:⁸⁸

- **Safe and reliable transfer mechanisms:** There must be a cash transfer mechanism available that is reliable and safe for both the provider and the recipient. This relates both to physical access and the suitability of the regulatory environment for providing cash in emergencies.
- **Financial access and literacy:** Any selected distribution mechanism must be able to reach all people that the programme seeks to support, and must be accessible by the most vulnerable.
- **Robust and flexible systems:** The system needs to be able to continue supporting CTP in the face of common disruptions caused by emergencies. This includes being resilient to physical damage and disruption following natural disasters, insecurity and/or conflicts.
- **Preparedness and partnerships:** The extent to which partnership arrangements and systems are in place will dictate the speed of the response. It often takes agencies and governments a relatively long time to get cash projects up and running due to limited preparedness.
- **Costs for setup and transfers:** Understanding the cost of delivering cash and vouchers through various mechanisms will ultimately determine which mechanism is best. If costs are very high, it may impact on the feasibility of the overall project.

The following section outlines the extent to which the above criteria are met in the Pacific.

5.1 FINANCIAL SYSTEMS AND FINANCIAL INCLUSION

The challenging geography of the Pacific region, its poor infrastructure, persistent poverty and subsistence livelihoods all contribute to a lack of financial inclusion. In some PICs it is estimated that less than 10% of the population have access to formal financial services.⁸⁸ Low levels of financial competency and perceived inexperience with the cash economy have been considered as major barriers to using cash transfers in the region.⁸⁹ The Pacific is known to be one of the least banked regions in the world.⁹⁰ This creates challenges for cash-based programming, as it means that bank-based transfers are unlikely to be feasible to reach those in need without considerable financial literacy efforts, and without first opening bank accounts for people. It means that humanitarian practitioners will likely have to look at alternative cash-based transfer instruments, and indicates some of the problems posed for cash-based programming relating to isolation and geography.⁹¹

⁸⁸ Mercy Corps/ELAN. For more information on considerations for financial services, Primer. https://www.google.co.th/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKEwis8_jcncjOAhUBLI8KHVZGDrYQFggpMAA&url=http%3A%2F%2Fwww.cashlearning.org%2Fdownloads%2Ffinancial-services-primer-for-humanitarians-final.pdf&usq=AFQjCNGT_x1pR9N80tlQpSRX2HR09wQV5A&sig2=UwaKe2EYvRgSdsgx-QTw&bvm=bv.129759880,d.c2l&cad=rja

⁸⁹ Ibid.

⁹⁰ ADB. (2016). *Digital Financial Services in the Pacific: Experiences and Regulatory Issues*. [Online] Asian Development Bank. Available at: www.adb.org/sites/default/files/publication/182300/digital-financial-services-pacific.pdf.

⁹¹ Central Bank of Solomon Islands. (2015). *Financial Services Demand Side Survey Solomon Islands*. Solomon Islands: Central Bank of Solomon Islands. Retrieved from: <http://bankablefrontier.com/wp-content/uploads/2015/10/SOLOMON-DSS-v2-final.pdf>.

However, until recently, hard data regarding access to financial services have been relatively limited.

In recent years, a joint initiative by the United Nations Capital Development Fund (UNCDF) and UNDP, known as the Pacific Financial Inclusion Programme (PFIP), has begun rolling out large-scale financial supply and demand surveys across PICs to provide the type of information that can be used to better understand the feasibility of using cash in emergencies. To date, surveys on financial access have been completed in Vanuatu (2011),⁹² Samoa (2015), Fiji (2015) and Solomon Islands (2015),⁹³ and data collection has recently been completed in Tonga, with a final report expected in late 2016. Financial competency surveys have also been completed in some of these countries, as well as in PNG (2013).⁹⁴

As discussed in previous sections, despite low levels of formal financial service inclusion, many PICs have some of the highest rates of remittances received per capita of anywhere in the world, and are increasingly using money transfer agencies, mobile transfer technology, microfinance and informal mechanisms of savings and credit. The PFIP surveys have also revealed the rich, varied and active financial lives of many people in the Pacific, indicating strong potential for cash-based programming.⁹⁵ It should also be noted that strong financial inclusion is not a necessary requirement for cash-based programming, and money-management training and education can be included in programme design.

5.2 FORMAL FINANCIAL INSTITUTIONS

Supply side information (information based on the supply of banking services by banks) is collected from all of the PICs that form the focus of this research.⁹⁶ This information provides a high-level guide as to the penetration of the financial sector and how physically accessible the formal sector is to people. However, it must be noted that supply side data can provide an inaccurate picture, and where possible, demand side information (information given by people) has been provided in the two focus country studies for Fiji and Tonga in the Annexes. As can be seen in Figures 8, 9 and 10 below, all countries have relatively low levels of penetration; however, there are great differences between countries. In general, the Marshall Islands, Samoa, Tonga and Vanuatu all have relatively higher numbers of bank branches per capita, but when geographical disbursement is considered it can be seen that Samoa and Vanuatu have a more centralised sector. There is a somewhat similar situation with ATMs, where Fiji, Samoa and Vanuata all have a relatively strong number of ATMs per person but not in terms of geographical disbursement, resulting in regional concentration on the main island(s). Kiribati, Solomon Islands and PNG have the lowest levels of formal financial services per capita and relatively poor geographical coverage in rural areas and outer islands, posing some considerable challenges for CTP.

⁹² McCaffrey, M. (2011). *Financial Service Sector Assessment of Vanuatu*. UNDP Pacific Centre. Retrieved from www.pfip.org/resources/uploads/attachments/documents/Vanuatu%20FSSA%20Final%20for%20Print1.pdf.

⁹³ Central Bank of Solomon Islands. (2015). *Financial Services Demand Side Survey Solomon Islands*. Solomon Islands: Central Bank of Solomon Islands. Retrieved from: <http://bankablefrontier.com/wp-content/uploads/2015/10/SOLOMON-DSS-v2-final.pdf>.

⁹⁴ Sibley, J. (2013). *The Financial Competency of Low-Income Households in PNG*. Fiji: Pacific Financial Inclusion Programme, UNDP Pacific Centre. Retrieved from www.pfip.org/resources/uploads/attachments/documents/the-financial-competency-of-low-income-households-in-png.pdf.

⁹⁵ Ibid.

⁹⁶ World Bank. (2014). *Financial Inclusion Data / Global Findex*. Retrieved from World Bank: <http://datatopics.worldbank.org/financialinclusion>.

Figure 8: No. of ATMs per 100,000 people and 1,000km²

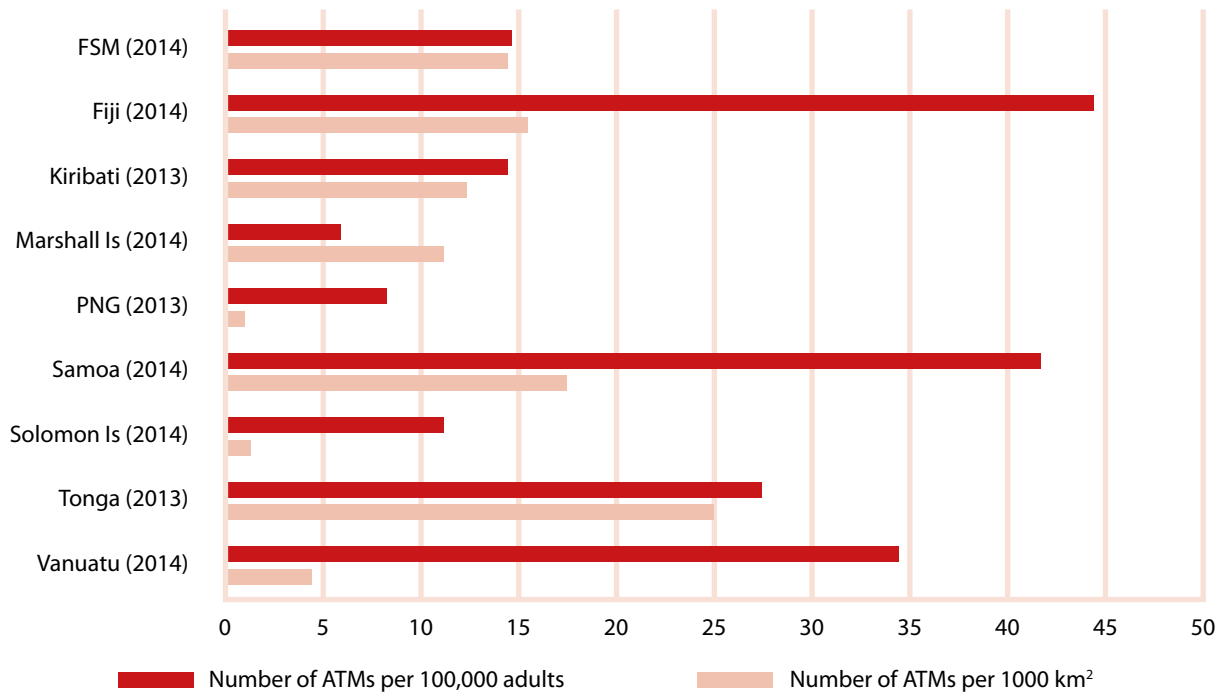


Figure 9: No. of commercial bank branches per 100,000 people and 1,000km²

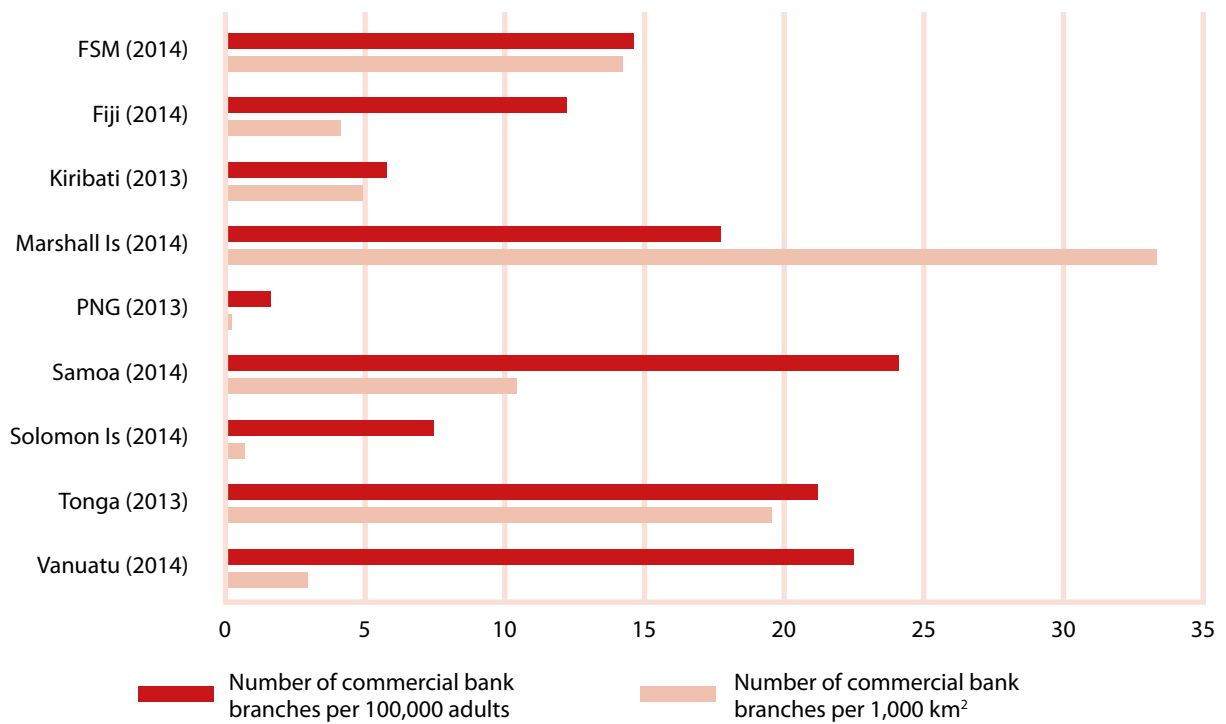
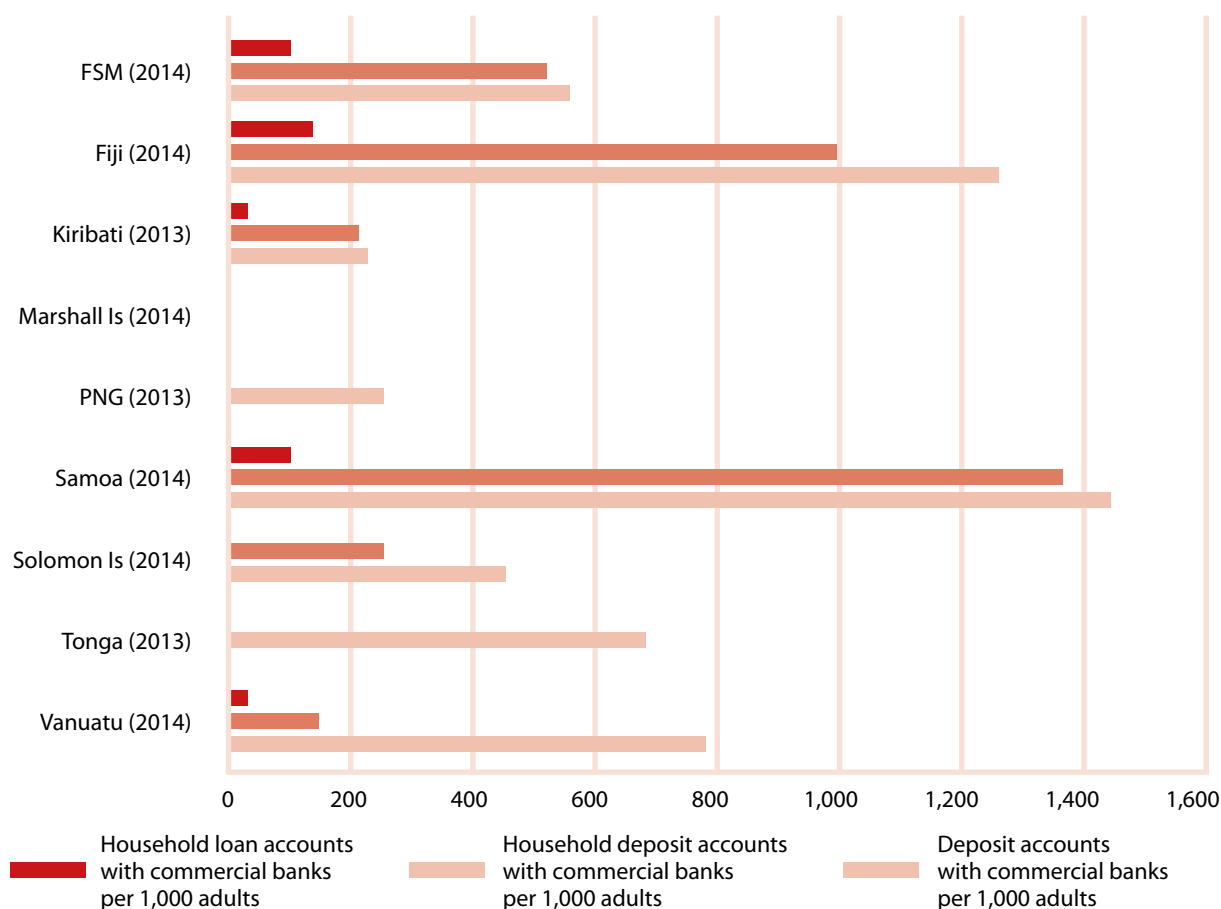


Figure 10: No. of accounts with commercial banks per 1,000 adults


Figures 8–10 Source: World Bank, 2014⁹⁷

Supply side information relating to the number of accounts held provides a rough indication of access to financial services; however, again these data are not as reliable as demand side information data. When reviewing the number of accounts held in Figure 10, it is important to remember that some people may hold multiple accounts, and that often this supply side data does not match demand side data. As can be seen in Samoa, there are on average more accounts held than people living in the country. Overall the data show a clear trend towards Samoa, Fiji and the Federated States of Micronesia having the highest rates of household formal banking, with Tonga and Vanuatu having higher rates of banking, but not necessarily household banking (for Tonga there is currently no supply or demand side data available on household-level banking).

MOBILE MONEY

In times of crisis, mobile money can be one of the best ways of reaching people with cash when formal banking facilities are not available or have limited reach. The penetration and degree of access to mobile phones is also a good quasi-indicator of potential access to financial services through mobile technology.

As of the end of 2014, there were a total of 11 live mobile money services available to the unbanked in six different countries across the Pacific region: two in Fiji, five in PNG, one in Samoa, one in Solomon Islands, one in Tonga and one in Vanuatu.⁹⁸ The majority of these services, six out of 11, were run by mobile operators.⁹⁹ At the end of 2014, there were almost 4,000 mobile money agents across the region, and a total of 595,000 registered mobile money accounts, though only a quarter of the accounts were active.¹⁰⁰

⁹⁷ Ibid.

⁹⁸ GSMA Intelligence. (2015). *The Mobile Economy Pacific Islands 2015*. [Online] GSMA Intelligence. Available at: <http://gsmamobileeconomy.com/pacificislands>.

⁹⁹ Ibid.

¹⁰⁰ Based on a 90-day cycle.

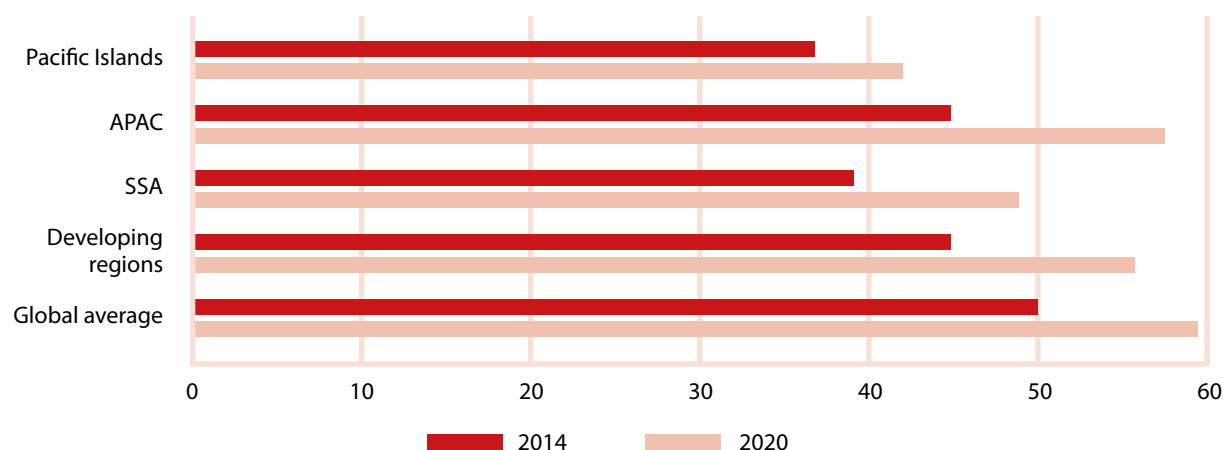
In terms of mobile connectivity, the PICs are one of the most undersubscribed regions in the world. A study by GSMA Intelligence¹⁰¹ found that by the end of 2014, only 37% of the population were subscribed to mobile services, which is well below the global average of 50%, and behind other developing regions such as sub-Saharan Africa (with 39%).¹⁰² In addition, it is forecast that growth in unique subscribers will be modest over the next few years, approaching 42% by 2020. This will leave the region trailing the broader Asia Pacific, where penetration will be over 57%, and the developing world average of 55%.¹⁰³

At the end of 2014, mobile operators reached a little over 40% of the population in the Pacific islands with higher-speed mobile broadband (3G) networks.¹⁰⁴ This is just below the coverage seen in sub-Saharan Africa, and well below the developing market average, which is around 70%.¹⁰⁵

A large proportion of the still unconnected population in PICs live in rural and in some cases geographically remote areas. According to GSMA, the lack of electricity infrastructure and low road density can provide extra obstacles to extending network coverage, which negatively impacts the economic case for mobile operators to expand networks in these areas.¹⁰⁶ However, based on field information obtained in this study, it is likely that existing coverage is significantly better than is shown by the formal statistics. As an example, in Tonga, Digicel is reaching almost all people with weak service connection, despite many of the outer islands not being included on official maps.¹⁰⁷

There are also considerable differences between countries, and within geographical regions of countries, in terms of coverage and access. Some countries have above the developing country average (45%) of unique subscribers, including Solomon Islands (48%), Samoa (61%) and Fiji (66%).¹⁰⁸ Some countries are also almost completely covered in terms of reception, including Tonga, Solomon Islands, Samoa and Fiji.

Figure 11: Regional comparison of unique mobile subscribers between 2014 and 2020



Source: GSMA, 2015¹⁰⁹

¹⁰¹ GSMA Intelligence. (2015). *The Mobile Economy Pacific Islands 2015*. [Online] GSMA Intelligence. Available at: <http://gsmamobileeconomy.com/pacificislands>.

¹⁰² Ibid.

¹⁰³ Ibid.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid.

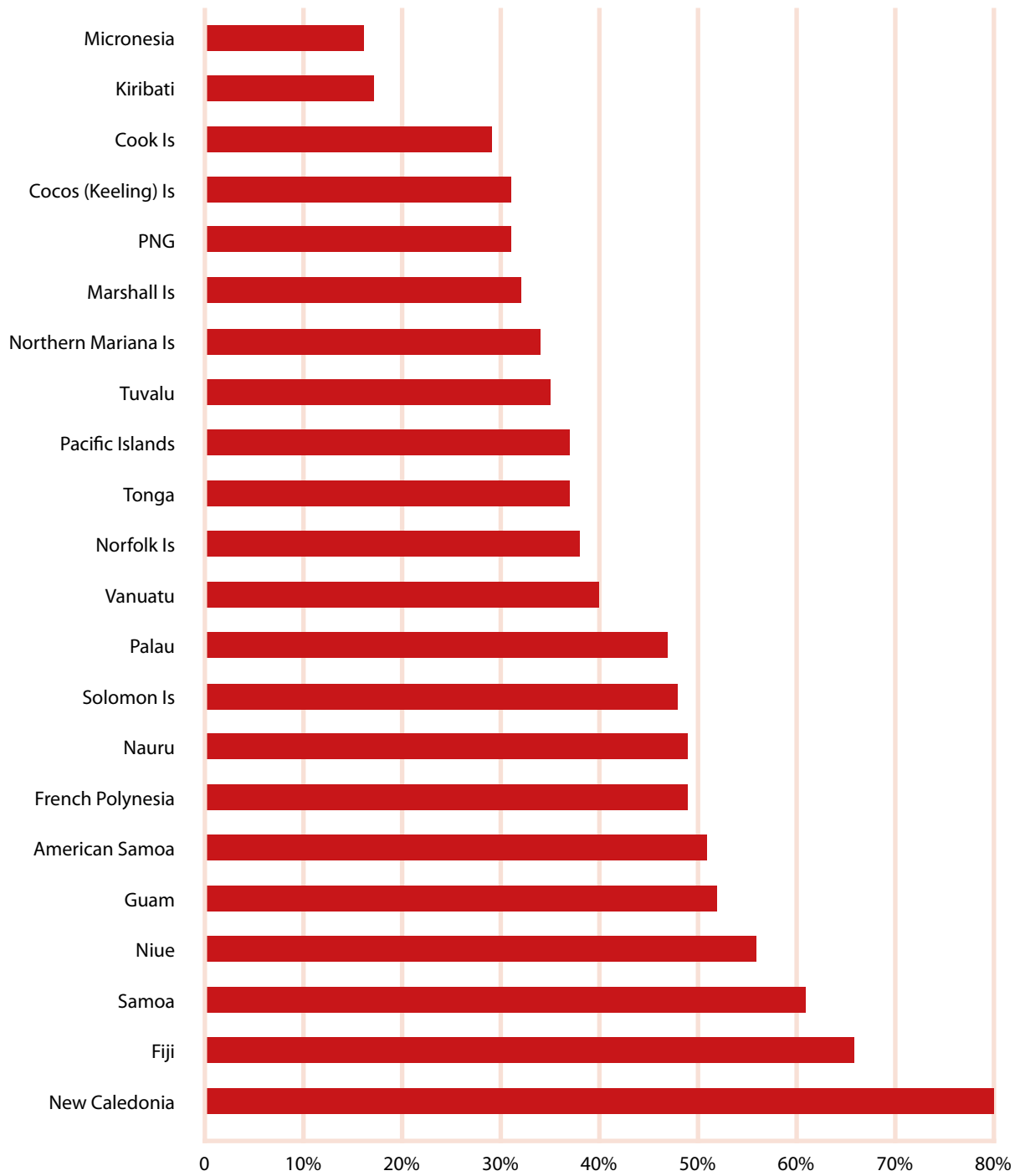
¹⁰⁶ Ibid.

¹⁰⁷ McGrane, R. (2016, April 21). CEO, Digicel. (Hobbs, C., Jackson, R., Pickles, J. and Vo, R., Interviewers).

¹⁰⁸ Ibid.

¹⁰⁹ GSMA Intelligence. (2015). *The Mobile Economy Pacific Islands 2015*. [Online] GSMA Intelligence. Available at: <http://gsmamobileeconomy.com/pacificislands>.

Figure 12: Percentage of population that are unique mobile subscribers



Source: GSMA, 2015¹¹⁰

¹¹⁰ Ibid.

ROLE OF MOBILE OPERATORS IN EMERGENCY PREPAREDNESS AND RESPONSE

There are some very good examples of both mobile operators and governments using mobile phone technology to respond to emergencies. This includes using the technology to: assess needs; coordinate disaster preparedness, response and assessment activities; and to provide financial transfers to those in need.¹¹¹ As an example, in Vanuatu the National Disaster Management Office (NDMO) established a short-code emergency number allowing people to easily receive disaster warnings and alerts.¹¹² Digicel has also worked with government agencies across the Pacific to provide SMS warning alerts to key agencies across the islands in times of emergency.^{113, 114, 115} In Tonga, UNDP and the Government of Tonga partnered with Digicel to provide cash transfers through mobile money as part of a cash for work programme (more information is provided in the Tonga Snapshot in [Annex 1](#)).

There is evidence that commercial mobile operators, as well as national carriers, have sound emergency plans in place and have activated these plans to restore coverage in recent emergencies. As an example, before Cyclone Pam struck, Digicel pre-positioned fuel for use in back-up generators.¹¹⁶ Moving network engineers to strategic points enabled the company to respond rapidly to restore networks in the aftermath of the cyclone.¹¹⁷ Similarly, in Tonga, Digicel has a rapid response plan with generators in place, and was able to get the network up and running after Tropical Cyclone Winston.¹¹⁸ When Cyclone Pam hit Vanuatu, Digicel restored connectivity in the capital within a few days, deploying public charging stations across the islands so people could charge their phones, and also provided a total of US\$250,000 free credit to customers to allow them to continue to communicate with their families despite top-up difficulties.¹¹⁹

The Pacific Islands Telecommunications Association (PITA) and the International Telecommunications Unit (ITU) are also working to connect rural villages through satellite communication. The project aims to provide emergency telecommunications to help individuals during disasters, and E-centres will serve as the hub for emergency telecommunications when disaster strikes.¹²⁰

Despite mobile technology having a relatively low overall take-up in the Pacific, there appears to be strong potential for using the technology in emergency transfers where there is good connectivity. In some areas, mobile penetration and coverage is high, and the industry has demonstrated the capacity to respond to recent disasters, providing a reliable service. There are also already some positive experiences of using the technology for emergency transfers that can be learned from. However, it is important to keep in mind that there are clear differences between countries in terms of penetration and coverage, as outlined above.

¹¹¹ Ibid.

¹¹² OCHA. (2014, October 14). *Pacific: New Technology Changing Disaster Response*. [Online] United Nations Office for the Coordination of Humanitarian Affairs. Available at: www.unocha.org/top-stories/all-stories/pacific-new-technology-changing-disaster-response.

¹¹³ Digicel Samoa. (2014, October 8). *Digicel Provides Business Solutions to Disaster Risk Reduction for Pacific Communities*. [Online] Digicel Samoa. Available at: www.digicelsamoa.com/en/about/news/digicel-provides-business-solutions-to-disaster-risk-reduction-for-pacific-communities.

¹¹⁴ GSMA Intelligence. (2015). *The Mobile Economy Pacific Islands 2015*. GSMA Intelligence. Retrieved from: <http://gsmamobileeconomy.com/pacificislands/>.

¹¹⁵ UNISDR Pacific. (2016). *Digicel Pacific and UNISDR Pacific Partnership: Strengthening Business Resiliency & Disaster Preparedness*. [Online] UN Partnership for SDGs. Available at: <https://sustainabledevelopment.un.org/partnership/?p=7567>.

¹¹⁶ GSMA Intelligence. (2015). *The Mobile Economy Pacific Islands 2015*. [Online] GSMA Intelligence. Available at: <http://gsmamobileeconomy.com/pacificislands>.

¹¹⁷ Ibid.

¹¹⁸ McGrane, R. (2016, April 21). CEO, Digicel. (Hobbs, C., Jackson, R., Pickles, J. and Vo, R., Interviewers).

¹¹⁹ Ibid.

¹²⁰ UNESCAP. (2008). *Enhancing Pacific Connectivity*. Thailand. [Online] UNESCAP. Available at: <http://unpan1.un.org/intradoc/groups/public/documents/unescap/unpan039029.pdf>.

COUNTRY-LEVEL ANALYSIS OF ACCESS TO FORMAL FINANCIAL INSTITUTIONS

The following section provides an overview of country-level analysis of the financial services sector in specific PICs. Much of the available data are taken from Pacific Financial Inclusion Programme (PFIP) Demand Side Surveys (DSS); links to the relevant reports with more information are provided in footnotes.

Fiji

According to PFIP DSS results,¹²¹ 60% of Fijians have bank accounts, and another 4% use other formal financial services including microfinance, credit unions and insurance. In addition, it was found that 9% of respondents exclusively used informal financial services to save or borrow, while one-third (27%) of respondents can be classified as financially excluded.¹²²

As expected, formal inclusion is higher among urban Fijians, men, and those with higher incomes. It was found by PFIP that rural respondents face greater barriers to financial inclusion, such as long distances to the nearest access points and long wait times to open an account.

Compared with other PICs in which comparable DSS surveys have been completed, formal inclusion in Fiji is much higher; for example, account penetration in Samoa is only at 38.9% and in Solomon Islands is at 26.2%.¹²³ Similarly, Fiji's level of inclusion exceeds that of other Lower Middle Income Countries included in the Global Financial Inclusion Index,¹²⁴ which indicates that in this category of countries, only 41.8% of the population is banked. The accomplishment in Fiji is particularly notable given that nearly half (47%) of Fiji's population is located in rural areas.¹²⁵ However, in 2013, Fiji was reclassified as Upper Middle Income, and lags behind in this category, which has a rate of formal financial access of 70.4%.¹²⁶

Fiji was the first county in the region to launch a mobile money service, in 2010. Services are now offered by both Digicel and Vodafone. PFIP found that there is a generally supportive and enabling regulatory environment in Fiji for mobile money services; however, take-up is still low. According to the DSS, only 11% of respondents who have a SIM card and know about mobile money have a mobile money account.¹²⁷

In 2011, the Department of Social Welfare (DSW) launched government-to-person (G2P) payments, and as of 2013, 23,000 social welfare clients were paid through electronic savings accounts.¹²⁸

The DSS findings suggest that receiving money at the post office is the most preferred money transfer option in Fiji, though the reasons for this are not entirely clear. Most Fijians see it as their best option for domestic remittances, rather than mobile money or bank transfers.

Kiribati

With a population of a little over 105,000, Kiribati has a small financial system which is closely tied to the Australian financial system.¹²⁹ Kiribati uses the Australian dollar and there is no central bank or national currency. Interest rates are set by the Reserve Bank of Australia.¹³⁰

¹²¹ UNDP Pacific Centre. (2013). *Suva, Fiji: Pacific Financial Inclusion Programme*.

¹²² Ibid.

¹²³ Ibid.

¹²⁴ World Bank. (2014d). *The Global Findex Database 2014: Measuring Financial Inclusion Around the World*. [Online] World Bank. Available at: www.worldbank.org/en/programs/globalfindex. The Global Findex database, the world's most comprehensive database on financial inclusion, provides in-depth data on how individuals save, borrow, make payments, and manage risks. Collected in partnership with the Gallup World Poll and funded by the Bill & Melinda Gates Foundation, the Global Findex is based on interviews with about 150,000 adults in over 140 countries.

¹²⁵ World Bank. (2014b). *Global Financial Inclusion Indicators: Regional Dashboard (Income Group Comparisons)*.

¹²⁶ Ibid.

¹²⁷ UNDP Pacific Centre. (2013). *Suva, Fiji: Pacific Financial Inclusion Programme*.

¹²⁸ Ibid.

¹²⁹ ANZ. (2016b). *ANZ in Kiribati: Country Information*. [Online] Available at: www.anz.com/kiribati/en/about-us/anz-in-kiribati/country-information.

¹³⁰ Ibid.

The only commercial bank in Kiribati is the Bank of Kiribati Limited, a joint partnership between the Government of Kiribati and the Australia and New Zealand Banking Group Limited (ANZ).¹³¹ The bank, which provides central and retail banking operations, has four branches.¹³² The nation also has the small Development Bank of Kiribati, which generally lends to small businesses.¹³³ However, in addition to these formal institutions, there exists a loose network of ‘village banks’ that serve as an informal banking sector and provide some microfinance.¹³⁴

Like Fiji, Kiribati has some of the lowest rates of formal financial service facilities given the population and the geographic dispersal. It is likely that this is the reason why supply side data indicate that Kiribati has some of the lowest levels of participation in formal financial services compared to anywhere in the region. Kiribati also has some of the lowest take-up of mobile phones and the poorest coverage. The island of Tarawa, with over 50,000 people (close to half the population), has the best access to financial services and mobile technology uptake, and is the area most suitable for using these types of modalities.

Federated States of Micronesia

There is limited information available about the formal financial sector in Micronesia. There are currently only two active banks, the Federated States of Micronesia Development Bank with banking available in Kosrae,¹³⁵ and the Bank of Guam with branches in Kosrae, Chuuk, Pohnpei and the island of YAP.¹³⁶ Services are limited with no cash advances on credit cards, and typically only one ATM per branch. However, the low overall population means that the statistics above, in terms of available financial services per 1,000 people, are still relatively normal for the Pacific. Access to formal financial services on islands not mentioned appears to be very limited, meaning that cash-based programming, where appropriate, is likely to be best suited to the larger islands.

Republic of the Marshall Islands

The formal financial sector of the Marshall Islands is severely constrained by its geography, keeping in mind that it consists of 29 atolls and five islands, covering 70 square miles of land, spread across 750,000 square miles of ocean.¹³⁷

The Marshall Islands has a very limited financial sector, with total banking sector assets estimated at US\$133m in May 2010, and the country uses US dollars.¹³⁸ There are two commercial banks that dominate the financial sector: the Bank of the Marshall Islands and a branch office of the Bank of Guam.¹³⁹ There are no brokerage houses or other types of financial firms in the country. The Bank of the Marshall Islands has its headquarters in Uliga, as well as branches in Amata Kabua International Airport; Ebeye, Kwajalein; Kwajalein, Kwajalein; Roi Namur, Kwajalein; Jabor, Jaluit; Arno, Arno; and Laura, Majuro.¹⁴⁰

Mobile banks are stationed aboard two ships covering most of the Republic, the MV Aemman and the MV Landrik.¹⁴¹ In 2006, the bank launched its first village bank at Jabor, Jaluit as part of the bank’s effort to reach the people living in the outer islands. The bank extended its services to Arno in 2007.¹⁴² Future village banks are in the planning stage. Full banking services are offered within each branch and village bank, including new accounts, deposits, withdrawals, wire transfers, loans and microloans.¹⁴³

¹³¹ Ibid.

¹³² ANZ. (2016a). *ANZ in Kiribati*. [Online] Available at: www.anz.com/kiribati/en/about-us/anz-in-kiribati.

¹³³ Government of Kiribati. (2015). *Development Bank of Kiribati*. Government of Kiribati: Ministry of Finance & Economic Development. [Online] Available at: www.mfed.gov.ki/our-work/development-bank-kiribati.

¹³⁴ Ibid.

¹³⁵ FSMDB. (n.d.). *About the FSM Development Bank*. [Online] FSM Development Bank. Available at: www.fsmdb.fm.

¹³⁶ Bank of Guam. (n.d.). *Bank of Guam*. [Online] Available at: www.bankofguam.com.

¹³⁷ Central Intelligence Agency. (2016). *The World Factbook: Marshall Islands*. [Online] Central Intelligence Agency. Available at: www.cia.gov/library/publications/the-world-factbook/geos/rm.html.

¹³⁸ U.S. Department of State. (2013). *2013 Investment Climate Statement – Marshall Islands*. [Online] U.S. Department of State: Diplomacy in Action. Available at: www.state.gov/e/eb/rls/othr/ics/2013/204690.htm.

¹³⁹ Ibid.

¹⁴⁰ Bank of Marshall Islands. (n.d.b). *Bank of Marshall Islands*. [Online] Available at: www.bomi.biz.

¹⁴¹ Bank of Marshall Islands. (n.d.a). *About Bank of Marshall Islands*. [Online] Available at: www.bomi.biz/aboutus/aboutus.html.

¹⁴² Ibid.

¹⁴³ Ibid.

Papua New Guinea

The PFIP has generated some good data relating to financial access in Papua New Guinea (PNG),¹⁴⁴ and has found that many low income households, in particular rural low-income households, have limited access to financial services. Financial exclusion has been estimated to be as high as 80%.¹⁴⁵ Urban households have greater potential access, in particular through specialist financial services institutions (for example microfinance institutions).¹⁴⁶ People living in rural areas of PNG face location constraints as they are often far away from financial service providers. Low-income households reported finding access to formal services unaffordable, or faced financial constraints in accessing services.¹⁴⁷ However, this does not appear to impact access to informal financial services. Urban households reported owning an average of two financial products per household (spanning formal and informal financial services).¹⁴⁸

Women hold 30% of the bank accounts in PNG, and 80% of Nationwide Microbank's mobile wallets – as the mobile phone accounts are called – belong to rural people who were previously unbanked.¹⁴⁹

According to PFIP research, informal credit (store credit and other informal loans) was the most common type of informal access to finance: 45% of households reported having store credit, and 32% of households reported having access to other forms of informal credit.¹⁵⁰ Eighteen percent of households reported owning a formal savings account with a bank, and 11% a savings account with a non-bank institution.¹⁵¹ Levels of product ownership for other categories of financial services were all at less than 10%.¹⁵²

Samoa

A PFIP DSS in Samoa¹⁵³ has shown that 39% of Samoan adults have bank accounts, and another 12% use other formal financial services such as credit unions, microfinance institutions and the Samoa National Provident Fund, or hold investments (such as stocks, bonds, unit trusts, etc.) or have insurance.

According to the PFIP survey, 80% of unbanked Samoans have attributed this to a lack of money. This finding may be related to existing barriers, such as distance; high minimum balance requirements; or a lack of suitable products that cater to the needs of people with low incomes (or a lack of knowledge by the unbanked).¹⁵⁴ In fact, the median reported distance to the nearest bank branch is 5.5km in rural areas compared to 1km in urban Samoa.¹⁵⁵ Surprisingly, the median distance to the nearest bank merchant was nearly the same for rural (1.5km) and urban (1km) areas. However, adults living in rural areas are also relatively far from ATMs and mobile money agents (see Figure 10 above).¹⁵⁶

According to the GSMA study¹⁵⁷ of mobile access in the Pacific, 71% of Samoan adults own a mobile phone, but only 3.7% of mobile phone owners have a mobile money account. Even among banked adults, only 7.8% have mobile banking services which allow them to access their bank accounts directly from their phones. Only 2.6% of Samoan adults report having a mobile wallet, 3% have mobile banking services and 0.5% have both.¹⁵⁸ These findings suggest real barriers to the adoption of mobile technology for financial transactions in Samoa.

¹⁴⁴ Sibley, J. (2013b). *The Financial Competency of Low-Income Households in PNG*. [Online] Pacific Financial Inclusion Programme, UNDP Pacific Centre. Available at: www.pfip.org/resources/uploads/attachments/documents/the-financial-competency-of-low-income-households-in-png.pdf.

¹⁴⁵ Ibid.

¹⁴⁶ Ibid.

¹⁴⁷ Ibid.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ Ibid.

¹⁵² Ibid.

¹⁵³ Central Bank of Solomon Islands. (2015). *Financial Services Demand Side Survey Solomon Islands*. [Online] Central Bank of Solomon Islands. Available at: <http://bankablefrontier.com/wp-content/uploads/2015/10/SOLOMON-DSS-v2-final.pdf>.

¹⁵⁴ Ibid.

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

¹⁵⁷ GSMA Intelligence. (2015). *The Mobile Economy Pacific Islands 2015*. [Online] GSMA Intelligence. Available at: <http://gsmamobileeconomy.com/pacificislands>.

¹⁵⁸ Ibid.

Solomon Islands

According to a PFIP DSS¹⁵⁹ undertaken in the Solomon Islands, there are relatively few bank branches in the country (14 bank branches in five locations). For a population dispersed over approximately 300 islands, this is a major inhibiting factor for formal financial inclusion.¹⁶⁰ Only 25.6% of adults have accounts with commercial banks, and another 8.2% use other formal financial services such as credit unions or cooperatives, superannuation funds or other long-term investments, insurance or microfinance.¹⁶¹ Adults in the formal financial sector are overwhelmingly salaried employees (71%).

The distance and cost of accessing formal services appears to be prohibitive for many people. Unbanked respondents live an average of 6.2 hours from the closest bank branch, although the median distance to a branch is only one hour.¹⁶² Banked respondents, on the other hand, live an average of two hours from a branch or a median of 40 minutes.¹⁶³ According to the DSS survey, the median cost of reaching a branch is US\$13 (101 Solomon Islander Dollars [SBD]) among unbanked adults and only US\$2 (SBD15.46) among banked adults.¹⁶⁴ This is a very high cost for a country with an average Gross National Income (GNI) per capita of US\$4.40 per day.¹⁶⁵

Thirty-six percent of Solomon Islander adults receive domestic remittances, and remittances are common across the adult population regardless of gender or location.¹⁶⁶ Women are slightly more likely to receive domestic remittances (38%) compared with men (34%), as are adults living outside of Honiara (37% compared with 32%).¹⁶⁷ However, these remittances are physically carried by relatives or acquaintances to their recipients.¹⁶⁸ Carrying cash comes with risks, particularly in emergency situations, suggesting a need for alternative solutions. The recent introduction of domestic money-transfer services at Solomon Post is promising.

Tonga

Like many PICs, Tonga has a small and underdeveloped financial sector. There are three registered commercial banks: Bank of South Pacific (formally Westpac), ANZ and MBF.¹⁶⁹ There is also a government-owned developmental financial institution, Tonga Development Bank (TDB). The TDB has the greatest reach across all of the major islands. To access the outer islands, the TDB moves cash to the outer islands once a month and operates cash-distribution services on every island.¹⁷⁰ For this reason, the TDB also acts as a service provider for mobile money operators and money-transfer agencies, including Digicel mobile money.¹⁷¹

The Reserve Bank of Tonga is currently working with the PFIP on demand and supply side surveys which will provide robust data on access to financial services across every island.¹⁷² This information is expected to be available in September 2016. At the time of writing, data were not available, so this report relies heavily on available supply side banking data at a national level.

As can be seen in the figures above, Tonga performs reasonably well on the penetration of formal financial services compared to other PICs; however, these figures are still low and are based on supply side information only. For example, the average number of ATMs per 100,000 people across Asia and the Pacific is 43.9, compared to 27 in Tonga.¹⁷³

¹⁵⁹ Central Bank of Solomon Islands. (2015). *Financial Services Demand Side Survey Solomon Islands*. [Online] Central Bank of Solomon Islands. Available at: <http://bankablefrontier.com/wp-content/uploads/2015/10/SOLOMON-DSS-v2-final.pdf>.

¹⁶⁰ Ibid.

¹⁶¹ Ibid.

¹⁶² Ibid.

¹⁶³ Ibid.

¹⁶⁴ Ibid.

¹⁶⁵ Ibid.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid.

¹⁶⁸ Ibid.

¹⁶⁹ Kioa, S. N. (19 April 2016). Reserve Bank of Tonga. (Hobbs, C. and Pickles, J., Interviewers).

¹⁷⁰ Fungavai, H. (21 April 2016). Tonga Development Bank CEO. (Ofuyo, R., Interviewer).

¹⁷¹ TDB. (n.d.). *Tonga Development Bank*. [Online] Tonga Development Bank. Available at: www.tdb.to/services-digicel-mobile-money-transfer.html.

¹⁷² Kioa, S. N. (19 April 2016). Reserve Bank of Tonga. (Hobbs, C. and Pickles, J., Interviewers).

¹⁷³ World Bank. (2014a). *Financial Inclusion Data / Global Findex*. [Online] World Bank. Available at: <http://datatopics.worldbank.org/financialinclusion>.

Following Cyclone Ian, a successful partnership was put in place with Digicel Tonga, the Government of Tonga and UNDP, for mobile money services for a cash for work programme on the island of Ha'apai. This was especially targeted at the most vulnerable, such as single mothers, the elderly and people with disabilities. The cash for work participants also had access to Digicel's agent network, which included the TDB (see the Country Snapshot on Tonga in [Annex 1](#) for more information on this).

Vanuatu

Banking services in Vanuatu are highly concentrated in the two urban areas of Port Vila and Luganville, and dominated by four commercial banks.¹⁷⁴ The National Bank of Vanuatu (NBV) is the only service provider that reaches low-income clients at scale. These services are complemented by two smaller semi-formal providers, the Vanuatu Women's Development Scheme (VANWODS) and the Department of Cooperatives.¹⁷⁵

At the time of the last Financial Service Sector Assessment for Vanuatu in 2011, an estimated 19% of the population had access to formal or semi-formal financial services.¹⁷⁶ It is assumed that the number of people who access formal services has increased considerably since 2011, as between 2007 and 2011 the number of people accessing financial services increased by an average rate of 19% a year.¹⁷⁷ At the time, this percentage of the population accessing banking services was about half that of Fiji, but higher than the percentage for both Solomon Islands (15%) and PNG (8%).¹⁷⁸

Vanuatu does not have a national ID card system, yet under the Financial Transaction Reporting Act, a 'national identity card or passport or other applicable official identifying document' is required to access banking services.¹⁷⁹ The Reserve Bank of Vanuatu (RBV) recognizes that people living in rural areas are unlikely to meet this requirement and their financial transactions are in less need of close monitoring.¹⁸⁰ It is therefore allowing organisations such as NBV, ANZ and VANWODS to apply risk-based 'Know Your Customer' (KYC)¹⁸¹ policies, using personal references from respected community members as an identification method in rural areas to acquire clients.¹⁸² This KYC requirement may create further complications following emergencies, when ID cards are often lost or destroyed.

¹⁷⁴ McCaffrey, M. (2011). *Financial Service Sector Assessment of Vanuatu*. [Online] UNDP Pacific Centre. Available at: www.pfip.org/resources/uploads/attachments/documents/Vanuatu%20FSSA%20Final%20for%20Print1.pdf.

¹⁷⁵ Ibid.

¹⁷⁶ Ibid.

¹⁷⁷ Ibid.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ Ibid.

¹⁸¹ Know Your Customer (KYC) refers to a set of policies which regulate the type of identification and process of identification required to set up bank accounts and allow customers to undertake a range of banking transactions.

¹⁸² Sibley, J. (2013b). *The Financial Competency of Low-Income Households in PNG*. [Online] Pacific Financial Inclusion Programme, UNDP Pacific Centre. Available at: www.pfip.org/resources/uploads/attachments/documents/the-financial-competency-of-low-income-households-in-png.pdf.



Photo: Ralph Ofuyo

5.3 GENDER DIFFERENCES IN ACCESS TO FINANCIAL SERVICES IN THE PACIFIC

Differences in men's and women's access to formal and informal financial services in the Pacific vary significantly depending on the country. Some of this variance is outlined below; however, given the lack of demand side information across much of the region, the picture is incomplete.

Women in Samoa, contrary to the global trend on gender and financial inclusion, have a slightly higher rate of access (40% are banked) than men (38%).¹⁸³ Also, there are statistically significantly more men (39%) than women (30%) who are excluded entirely from financial services.¹⁸⁴ According to the DSS survey, there is also a significant difference between rural and urban households in respect to responsibility for management of household savings activity. In urban households, 57% of men and 73% of women stated they were (either individually or jointly) responsible for the management of household savings. In rural households, these percentages were reversed (74% of men and 56% of women).¹⁸⁵

In the Solomon Islands, women are more likely than men to be unbanked, but exhibit comparable informal savings behaviour.¹⁸⁶ Only 20% of female Solomon Islander adults have a commercial bank account, compared with 31.7% of males.¹⁸⁷ Women are slightly more likely than men (36.2% to 32.6%) to use informal financial instruments instead, and exhibit comparable savings behaviour (85% of females saved in the previous year compared with 88% of males).¹⁸⁸ This suggests that Solomon Islander women are as likely as men to be using and managing cash.

¹⁸³ Central Bank of Solomon Islands. (2015). *Financial Services Demand Side Survey Solomon Islands*. [Online] Central Bank of Solomon Islands. Available at: <http://bankablefrontier.com/wp-content/uploads/2015/10/SOLOMON-DSS-v2-final.pdf>.

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

¹⁸⁶ Central Bank of Solomon Islands. (2015). *Financial Services Demand Side Survey Solomon Islands*. [Online] Central Bank of Solomon Islands. Available at: <http://bankablefrontier.com/wp-content/uploads/2015/10/SOLOMON-DSS-v2-final.pdf>.

¹⁸⁷ Ibid.

¹⁸⁸ Ibid.

PNG has one of the highest discrepancies in formal financial inclusion between men and women. Women hold only 30% of all bank accounts in PNG.¹⁸⁹ Financial literacy is seen as a major barrier for women, and in particular financial literacy relating to mobile money. GSMA research shows that in PNG, 47% of women and 35% of men who want a mobile financial account identified lack of understanding of how to use it as their chief reason for not opening an account.¹⁹⁰ Recent research by Women's World Banking in PNG¹⁹¹ has revealed that domestic conflicts that result in violence are often struggles over control of money; women's personal money becomes highly vulnerable. The workshop participants stressed the importance of enabling women to protect and grow their savings as a key driver for building an inclusive financial system. This includes training staff and financial service agents to be conscious of linkages between money, household conflict and violence, and to be very strict on privacy issues.

5.4 FINANCIAL SERVICES: CONCLUSION

This section has highlighted commonalities and differences in financial service provision and access in PICs. It has also highlighted information gaps, including a lack of recent demand side information from Kiribati, the Marshall Islands, Micronesia, Tonga (to be completed in 2016 through a joint government and PFIIP project) and Vanuatu.

Although access to formal financial services in the Pacific is low compared to other parts of the world, there is a strong and vibrant use of cash in all PICs, and remittances play a major role in some economies. In addition, the study has highlighted that most PICs have the financial infrastructure through formal and semi-formal financial institutions as well as mobile money platforms to undertake a cash programme, at least on the main island(s).

Common to all PICs is that access to financial services diminishes in rural areas and outer islands, making cash more suitable for the main island and, in some countries, some of the outer islands.

The findings also show that there is a clear opportunity to increase the usage of mobile cash transfers after emergencies, and that in general there seems to be strong preparedness in the mobile sector to respond after emergencies. Many countries also demonstrated good preparedness planning in the formal banking sector.

Across all PICs there appear to be opportunities for cash-based programming on the major islands; however, access to financial services on outer islands varies considerably between countries and needs to be assessed on a country-to-country basis. Given that overall access to financial services is relatively low in the countries where demand side information is available, and appears low in all countries, cash-based programmes would probably also need to incorporate financial literacy. The more detailed reports on Fiji and Tonga in the annexes provide further information on these countries.

¹⁸⁹ Sibley, J. (2013b). *The Financial Competency of Low-Income Households in PNG*. [Online] Pacific Financial Inclusion Programme, UNDP Pacific Centre. Available at: www.pfiip.org/resources/uploads/attachments/documents/the-financial-competency-of-low-income-households-in-png.pdf.

¹⁹⁰ PFIIP. (2013, August 21). *Press Releases: How Can We Deepen Women's Access to Financial Services in Papua New Guinea*. [Online] Pacific Financial Inclusion Programme. Available at: www.pfiip.org/media-centre/press-releases/2013/how-can-we-deepen-womens-access-to-financial-services-in-papua-new-guinea.html.

¹⁹¹ Ibid.

SECTION 6: ACCEPTANCE AND APPROPRIATENESS

The previous sections of this report have outlined the extent to which cash-based assistance is technically feasible in varying PICs. This section seeks to outline the appropriateness of using cash, and how well accepted cash-based programming is likely to be compared to other forms of assistance.

Each country and region has different issues that influence how appropriate cash is, and how accepted it is as a response modality. This section looks at three key issues that were identified as being of particular importance in the Pacific through desktop research, the online survey and in field visits. These are: (i) the extent to which cash is a culturally and politically accepted form of assistance; (ii) issues relating to needs, labour force participation and dependency concerns; and (iii) gender dynamics in the Pacific and the relationship with CTP.

6.1 CULTURAL DIMENSIONS

As can be seen in the previous sections of this report, there is an increasing use of cash in PIC societies as well as an emergence of formal cash-based social protection and emergency response assistance. However, there is still a strong culture in the region of providing more reactive and short-term relief based on in-kind commodities such as food, relief kits, shelter, etc. A World Bank report on social protection in the Pacific highlighted that this is not just a technical issue but a ‘cultural aversion to cash transfers in many PICs’, referring to a preference by government to provide in-kind goods.¹⁹²

There is also a culture amongst the diaspora to send in-kind relief as well as remittances. For example, following Tropical Cyclone Winston, a container was organised free of charge to send goods to Tonga from the diaspora. Government officials then had the difficult task of distributing thousands of disparate items that did not necessarily align with people’s needs, and in some instances were in poor condition.¹⁹³

Some of the comments from the field study provided further examples of this; however, it should be noted that a detailed review of acceptance was not possible outside the countries where field research was undertaken (more information is provided on Fiji and Tonga in the attached annexes), nor beyond the main islands where the missions were focused. There are however, obvious differences between countries, and the TC Winston response in Fiji demonstrated that where there is already a culture of using cash in social protection, it is likely also to be considered as a suitable relief modality, except for when the programming damages traditional, self-/community-recovery models.

It should be noted that cultural tendencies to provide in-kind commodities during times of disaster exist in a number of countries where cash-based transfers have been implemented successfully, and awareness and sensitisation can help resolve this.

The quotes below demonstrate some of the differences in perceptions relating to the acceptance of CTP:

“Cash might work here, but it would be a political problem; it is good for individual politicians to be seen handing things out. You can’t do that if cash all goes through a national system.”

NGO official, Tonga

“Some people might not use it for the right purpose, depending on the location.”

Survey respondent, Solomon Islands

¹⁹² Costella, V. C., & Ivaschenko, O. (2015). Integrating Disaster Response and Climate Resilience in Social Protection Programs in the Pacific Island Countries. *Social Protection & Labor: Discussion Paper*. [Online] World Bank. Available at: <http://documents.worldbank.org/curated/en/2015/10/25136380/integrating-disasterresponse-climate-resilience-social-protection-programs-pacific-island-countries>.

¹⁹³ Aho, L. (19 April 2016). Director, National Emergency Management Office (NEMO), Ministry of Meteorology, Environment, Information, Disaster Management, Energy and Communication (MEIDECC). (Pickles, J. and Vo, R., Interviewers).

“Cash has far more utility than vouchers. People will put it to highest and best use. Some think people will waste it, but my experience is that this is only in a minor number of cases.”

Survey respondent, Vanuatu

“Vouchers for transport to access health services would be highly useful. Vouchers for education for children, specifically girl children, would help keep children in school post-emergency, as opposed to cash which could be spent on other items.”

Survey respondent, Vanuatu

As PIC economies quickly monetise, the World Bank notes that this situation is changing, and that there is likely to be a slow but growing awareness and acceptance of cash transfers. However, providing large-scale cash transfers will in some respects require a move away from a traditional ‘gift giving’ mentality.

“Giving food is part of our culture. People could prefer receiving food more than receiving the money.”

Community interview, Tonga

One of the key issues that appears to persist across PICs in trying to determine where cash transfers are accepted is that because of limited experience with the modality, people often find it hard to articulate what they think of CTP. It is often difficult for people to separate their general perceptions about the use of cash in emergencies from their perceptions of a particular programme which they may or may not have thought was well-designed.

“Cash for work is not the only cash transfer modality – this needs to be made clear.”¹⁹⁴

INGO official, Fiji

6.2 LABOUR FORCE ISSUES AND DEPENDENCY

Traditionally, cash transfers are a more flexible modality compared to commodity-based transfers. Because recipients can determine what they use money for, CTP is often considered to better support resilience-building when undertaken under the correct circumstances.

However, it seems that when it comes to providing cash-based programming in emergencies, as opposed to in-kind support, many actors in the Pacific are particularly concerned about dependency. Given the low levels of CTP occurring after emergencies in the Pacific, many who hold these perceptions are unlikely to have experience with a variety of CTP in emergencies. Concerns appear to be related to perceptions that existing remittance cash in-flows are in some cases already creating dependency, and also to the existing non-sustainable levels of foreign aid.

Based on interviews and survey results received, plus a review of existing literature, it appears that this concern is greatest in countries where there is a high reliance on remittances and more cash per capita received. For example, Abbott and Pollard (2004) found that growing flows of remittances into some countries, in particular Kiribati, Samoa, Tonga, Tuvalu and increasingly Fiji islands, are giving rise to what many islanders term ‘laziness’ or over-dependence on others.¹⁹⁵ This ‘easy money’ was perceived by many respondents to be a disincentive for young people to actively look for work.¹⁹⁶

Muliaina (2001) observed that even second-generation Samoans in New Zealand assume that their relatives in Samoa are failing to take proper economic advantage of obvious land and marine resources.¹⁹⁷ However, whether these perceptions are accurate or not is difficult to determine. It is possible that actively looking for work might well have been a waste of time given high rates of unemployment, and few of these studies review the positive development impacts of remittance. It is important to note, that even within countries with high levels of remittance flows, there seems to be divergence of opinion. This is demonstrated by some of the comments below, that were captured during field interviews to the capital city of Nuku’alupo in Tonga.

¹⁹⁴ This quote was slightly adjusted to correct grammatical mistakes for readers’ understanding.

¹⁹⁵ Pollard, S., & Abbott, D. (2014). *Hardship and Poverty in the Pacific*. Manila, Philippines: ADB.

¹⁹⁶ Ibid.

¹⁹⁷ Muliaina, T. (2001). Remittances, the Social System and Development in Samoa. (V. Naidu, E. Vasta, & C. Hawksley, Eds.) *Current Trends in South Pacific Migration*, pp. 20–40.

“Giving people cash makes them dependent. After the cyclone hit Ha’apai, people were sitting around, not working to repair things or remove the rubble because they were expecting someone else to come and do it for them.” NGO Director, Tonga

“After the cyclone, people were traumatized and sitting around feeling hopeless. The cash for work programme got people up and back to work. I would say it had a good psychological impact. It helped people to rebuild their lives.” UN Official, Tonga

“There is always agricultural work available. Work is not the problem; it is that people don’t want to work to earn money.” NGO Official, Tonga

The other issue that was raised, primarily through interviews in Tonga but again backed up by research, is the growing concern in some PICs about the heavy reliance on overseas aid, and concerns about starting new cash-based programmes that may raise unrealistic expectations that can’t be sustainably financed. PICs receive more aid per capita than any other category of developing countries. Based on 2011 data, aid dependence as a percentage of GNI ranges from Fiji’s 4% and PNG’s 7%, to more than 40% in Micronesia and over 50% for the Solomon Islands.¹⁹⁸ At the same time, it is also acknowledged by the World Bank that PICs are overwhelmingly reliant on donor countries to fund ongoing social protection schemes as well as emergency response.¹⁹⁹ It appears again that actors are more concerned about the impact of cash compared to in-kind assistance when it comes to sustainability and dependency.

“The NGO for which I work chooses not to do cash transfers because we fear this would undermine the community contribution portions in longer-term development programming [because] communities would expect cash for work all the time, even in a non-emergency context, that can’t be afforded.” Survey respondent, Vanuatu

The World Bank has suggested that growing poverty and hardship in the Pacific may be leading more actors towards a recognition that government intervention might be needed to close the gap, and so some of the negative perceptions relating to cash may be shifting.²⁰⁰ Nonetheless, given the perceptions regarding dependency and cash transfers, it is important to ensure that any programme considered is focused on building, or at least not eroding, long-term resilience.

6.3 GENDER

When considering whether cash transfers are appropriate, it is important to analyse gender dynamics and to ensure that any feasibility assessment takes into consideration the capacity of women and men to access financial services. It is also vital to understand dynamics relating to gender and cash within a household to determine whether the response is appropriate and to help guide programming decisions.

Pacific women are hardworking, creative, resourceful and resilient. Yet they are often portrayed as being vulnerable victims, with limited opportunities for empowerment and facing intractable gender inequality and gender violence. Our approach was therefore to acknowledge women’s agency while also accepting that pervasive structures and processes of inequality severely constrain their creativity and resilience in adversity, and that issues relating to gender should be considered in detail before any CTP is undertaken.

¹⁹⁸ Pryke, J. (2013, September 17). *Rising aid dependency in the Pacific*. [Online] Development Blog - Development Policy Centre. Available at: <http://devpolicy.org/rising-aid-dependency-in-the-pacific-20130917>.

¹⁹⁹ Costella, V. C., & Ivaschenko, O. (2015). Integrating Disaster Response and Climate Resilience in Social Protection Programs in the Pacific Island Countries. *Social Protection & Labor: Discussion Paper*, p. 5. Retrieved from The World Bank: <http://documents.worldbank.org/curated/en/2015/10/25136380/integrating-disaster-response-climate-resilience-social-protection-programs-pacific-island-countries>.

²⁰⁰ Ibid.

A 2015, UN Women study on the Pacific noted that, 'Women will "fall through the net" if social protection is unduly yoked to the public sphere of the state and the formal commodity economy in which women are marginalised. Indigenous forms of social protection – safety nets grounded in kinship and collective relations to the land – are fraying with commoditisation, especially in the context of extractive industries such as mining and logging as well as urbanisation, tourism and real estate speculation.²⁰¹ In terms of the overall appropriateness of cash transfers, the most important principle of any humanitarian intervention is to 'do no harm'. In this respect, it is particularly important in the Pacific to consider the impact of providing cash in emergencies in the context of a region that is known for being strongly patriarchal and where rates of violence against women are among the highest in the world.

Available figures suggest that between 40% and 70% of women in the region are subjected to violence from intimate partners and family during their lifetimes, with stark differences between countries. For example, figures from the Fiji Women's Crisis Centre show that 80% of women have witnessed some form of violence in the home.²⁰² A study conducted in PNG using the World Health Organisation's (WHO's) violence against women instrument found that 65.3% of interviewed women are survivors of physical violence, but in some regions this was as high as 100%.²⁰³ In some countries, like Tonga, there appear to be imprecise data on the rates of domestic violence, but the prevalence is estimated at between 31% and 62% of women.²⁰⁴

The relationship between the provision of cash in emergencies and the impact on domestic tensions and potentially violence, has not been well researched; however, findings from available studies tend to indicate that globally, cash-based programming can reduce financial strains and pressures after a disaster, which is likely to have a positive impact on reducing stress, tension and potentially violence (although this is not proven).²⁰⁵ However, where programmes are poorly designed they can have the opposite impact, according to a few key findings from a 2015 DFID study.²⁰⁶

The previous section demonstrated how women's access to financial services is incredibly divergent across the region, with women being more likely to access formal financial services than men in some countries such as Samoa and Tonga, where there have been widespread microfinance programmes targeted at women, compared with countries like PNG, where women's financial literacy and access to financial services are incredibly low. While it is important not to generalise, the evidence from the financial access section demonstrates that any cash-based programming in regional or rural areas of PICs should assume weak financial literacy amongst both men and women, and will only be appropriate if special efforts are made to ensure easily accessible cash transfer mechanisms.

Survey results received for this Scoping Study indicated that some people saw gender-based issues as a factor to be considered when deciding whether and under what conditions cash is appropriate, whereas others simply didn't consider the issue at all.

"In PNG, cash is held by the men [and] as a result it gets spent on what they prioritise, which in most instances are not family health, women or children. Giving cash to women would not be accepted by the men and may result in violence towards women."

Survey respondent, PNG

"All NGOs/INGOs and donors in PNG should consider CTP as part of their country contingency plans, or there should be contingency plans in place by government and all stakeholders."

Survey respondent, PNG

²⁰¹ Jolly, M., Lee, H., Lepani, K., Naupa, A., & Rooney, M. (2015). *Falling Through the Net? Gender and Social Protection in the Pacific*. [Online] UNWOMEN. Available at: www.unwomen.org/en/digital-library/publications/2015/9/dps-gender-and-social-protection-in-the-pacific.

²⁰² UNFPA. (2008). *An Assessment of the State of Violence Against Women in Fiji*. Suva: UNFPA Pacific Sub Regional Office.

²⁰³ Ganster-Breidler, M. (2009). *Gender-Based Violence and the Impact on Women's Health and Well-Being in Papua New Guinea*, DWU Research Journal Volume 13, November 2010, p. 11.

²⁰⁴ Fairbairn-Dunlop, P., & Lievore, D. (2007). *Pacific Prevention of Domestic Violence Programme: Tonga Report*, pp. 25,31. [Online] Available at: www.ppdvp.org.nz/wpcontent/media/2009/03/PPDVP-Tonga-Final-Report-14-June-2007.pdf.

²⁰⁵ UKaid. (2015, February 24). *Violence Against Women and Cash Transfers in Humanitarian Contexts*. [Online] ReliefWeb. Available at: <http://reliefweb.int/report/world/violence-against-women-and-cash-transfers-humanitarian-contexts>.

²⁰⁶ Ibid.

Findings from research in the Pacific on women controlling cash demonstrate mixed findings. For example, a review of gender equality outcomes of economic growth in the Pacific suggests that in semi-subsistent Melanesian communities in Solomon Islands and Fiji, any cash in the hands of women can expose them to risk of violence from men, often in association with resource-depleting activities such as gambling and drinking.²⁰⁷

However, a recent study on women's financial inclusion in the Pacific noted that 'the relationship between gender-based violence and the provision of financial services is not yet fully understood', and there are also some examples of women's economic empowerment and financial contribution to households improving relations.²⁰⁸

Field-based interviews conducted with women for this study demonstrated that overall, women in Tonga were not concerned about increased tensions if they were to receive cash, while gender-based violence was not raised as an issue by any of the women interviewed from the community; however, issues were raised by groups that represent women.

"Give the money to us; we know how to spend it. We're not worried about the men taking our money; if you give it to us we will spend it on what we need."

Community Focus Group Discussion, Female participant, Tonga

This section has highlighted that there are both similarities and differences between PICs in terms of gender dynamics that should be considered when determining the appropriateness of cash programming. It has also touched on some of the complexities relating to cash programming and inter-household tensions – some stressors that are likely to arise following disasters in any case. What is clear, is that any programme that is developed should have a strong gender lens, to determine what is the most appropriate form of assistance in any particular country or region of a country and how the programme can be best designed to ease stress and tension following a disaster.

6.4 ACCEPTANCE: CONCLUSION

This section has highlighted key concerns relating to the extent to which cash-based programming is accepted and appropriate across varying PICs. It is evident that there are both similarities and differences between PICs in relation to both appropriateness and acceptance, yet it is also important to note that the nuances relating to specific countries have not been captured in this study, as field visits and in-depth interviews were only undertaken in Fiji and Tonga.

This section has also highlighted three key important areas of inquiry identified during the field study and from survey results and available literature. These three issues and others should be considered in detail before any programme of assistance involving cash is developed in the region: (i) the extent to which cash is a culturally and politically accepted form of assistance, (ii) issues relating to the labour force and dependency concerns, and (iii) gender dynamics in the Pacific and the impact of cash on them. The two annex case studies on Fiji and Tonga describe appropriateness and acceptance in these two countries in more detail, and consider additional country-specific issues of concern.

It is important to note that the issues raised in this section are not necessarily reasons not to do CTP; however, they should be considered in terms of how programmes are designed – as they are genuine concerns, these issues will probably also need to be addressed in more detailed feasibility studies at the country level to ensure buy-in from key stakeholders.

²⁰⁷ Carnegie, M. C. (2013). *Rivers and Coconuts: Conceptualizing and Measuring Gender Equality in Semi-Subsistence Communities in Melanesia*. Gender Matters (2).

²⁰⁸ Tyroler, C., Schoeffel, P., & Saho, R. (2013). *Research Report: Deepening Financial Inclusion for Women in the Pacific Islands: An Assessment of the Gender Issues Surrounding Women's Ability to Access and Control Financial Resources in Papua New Guinea and Samoa*. New York: New Zealand Aid Programme, Women's World Banking.



Photo: Ralph Ofuyo

SECTION 7: KEY FINDINGS AND RECOMMENDATIONS

As the risks from natural disasters and climate change in the Pacific continue to grow, PICs are coming under increasing pressure to ensure that disaster management is efficient and effective in helping to build resilience amongst those affected. Practical experience with CTP in the Asia Pacific Region and across the globe, demonstrates that cash-based interventions can be more timely, less costly and more empowering to local communities than traditional forms of commodity-based assistance. However, efficient and effective cash-based interventions require evidence to inform decisions and thoughtful design, implementation and monitoring. Above all, cash is only a suitable emergency response modality when it is deployed in appropriate contexts.

The study collated existing information to provide a broad perspective on the feasibility and appropriateness of undertaking CTP in PICs, and this was combined with perceptions of practitioners gathered through an electronic survey.²⁰⁹ A more in-depth feasibility assessment was undertaken through primary interviews in Fiji and Tonga, and in-depth case studies and more specific recommendations are included for these countries in the annexes of the report.

To determine feasibility and appropriateness, the study focused on four key areas of inquiry: (i) the current use of formal and informal cash-based assistance and the institutional environment for CTP; (ii) access and availability of financial systems and money-transfer modalities; (iii) local market functioning and capacity to support CTP in an emergency; and (iv) appropriateness and perceptions of the acceptance of cash as a response modality.

Some of the key findings of the study include:

Cash-based emergency assistance is not only feasible in certain Pacific Island contexts, but is already featuring in the response to emergencies. There are also a number of examples of ongoing cash-based social protection programmes. However, cash-based programming is very much in its infancy in the Pacific. There was little evidence of preparedness or disaster risk management plans incorporating the use of cash, and where cash programmes had been deployed they tended to be ad hoc and lacking in scale and speed. There are some notable exceptions to this, including the Fiji Tropical Cyclone Winston cash and voucher response, which utilised existing social protection systems to distribute cash and was implemented at a significant scale.

²⁰⁹ The key countries of focus were islands with over 50,000 inhabitants, including: Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu.

Generalising feasibility across the Pacific is fraught due to the uniqueness of each country and important contextual nuances between islands and between rural and urban areas within countries. However, there were similarities in both the opportunities and challenges of cash-based programming across the PICs. One of the key similarities across all the PICs is that the context for cash-based programming changes between the main islands and outer islands, with main islands being more suited to cash-based programming, and the context for cash becoming more challenging the more isolated and less densely populated the outer islands. Because of this, generalising on the suitability of cash transfers, even within a PIC, should be avoided.

The information sourced in this study indicates that market access is markedly different between urban and rural areas and must be a critical consideration in designing CTP. Specifically, and purely from the perspective of markets, it should be possible to provide unrestricted CTP in urban areas, whilst it may be more appropriate to use vouchers or direct distribution in remote areas, some of which are a full day's boat ride away from viable market options. A blended approach to programme delivery is essential in the Pacific, and this decision should be led by impact, and effectiveness, rather than efficiency at the programme level.

In order to support more comprehensive decision making, **there is an immediate need to invest in baseline information on market supply chains and performance, and to make this information available in a digestible format to programme decision makers.** The market situation in the Pacific is unique in a number of ways, particularly due to the remoteness and isolation of much of its population. However, there are also important components of market demand that should be better understood by newcomers to the region.

Although access to formal financial services in the Pacific is low compared to other parts of the world, there is a strong and vibrant use of cash in all PICs, and remittances play a major role in some economies. In addition, the study has highlighted that most PICs have the financial infrastructure through formal and semi-formal financial institutions and mobile money platforms to undertake CTP, at least on the main island/s. Common to all PICs is that access to financial services diminishes in rural areas and outer islands, making cash more suitable for the main island/s and, in some countries, some of the outer islands.

It was identified that despite banks and financial institutions/mobile companies already playing an important role in emergency response, and often having their own disaster planning, they are seldom involved in any national disaster management planning or preparedness.

The study identified three key issues relating to acceptance and appropriateness of cash transfers, which may be of more or less concern across the different PICs. These are: (i) a strong cultural and in some cases political bias towards the giving of commodities; (ii) issues relating to the labour force and dependency concerns; and (iii) gender dynamics in the Pacific and the relationship with cash, particularly given the context of already high rates of gender-based violence, including domestic violence. These issues should be considered prior to the development of any CTP as they may impact on feasibility, and will certainly need to be considered to ensure appropriate programme design.

Gender dynamics as they relate to cash vary significantly between countries, and it is not possible to make any overarching generalisations about gender dynamics and cash. It is important to note that the Pacific is made up of strongly patriarchal societies. However, in countries like Samoa and Tonga, where there is a strong use of microfinance targeted at women, women appear to have more access to formal financial services and are therefore more likely to handle cash for personal and business purposes. In PNG, where only 30% of bank accounts belong to women, and where the holding of cash by women can be a contributing factor to male aggression, there needs to be careful consideration about whether cash is an appropriate modality and how gender dynamics are incorporated into programming incorporated into programming with appropriate risk mitigation measures.

Based on these findings, the potential entry points for social protection, disaster risk management (DRM) and humanitarian policy makers and practitioners are presented below. Some of these recommendations are not specific to CTP, and would also support better DRM and humanitarian programming in general.

(i) Undertake country-specific CTP research to fill in key information gaps and identify primary data collection needs:

To ensure that countries are ready to respond to the opportunities and challenges of using CTP in humanitarian response, more detailed analysis is required at a country level to guide preparedness activities. This study provides a starting point for more detailed research and analysis to be undertaken in individual PICs. In-depth analysis is required to fill gaps in research at a national and sub-national level, to identify unmet primary data needs and to ensure that basic information to support programming is available if and when a disaster occurs.

- Current information gaps that should form elements of in-depth country-level research include but are not limited to:
 - understanding the disaster profile and how this could impact on CTP;
 - market analysis at the national and sub-national level for differing islands, taking into account rural vs. urban areas;
 - existing financial services access and opportunities for future access, including both formal financial services and alternative options such as money-transfer systems and mobile money;
 - gender analysis and an in-depth understanding of the gender dynamics of financial access and use of cash, and implications for CTP;
 - understanding the livelihoods and vulnerability profile of differing groups of people in order to understand needs and how CTP can best support those likely to be most in need;
 - issues relating to acceptance and identification of any key attitudinal barriers;
 - understanding wage rates and unemployment/underemployment dynamics to support setting of cash rates in programmes with work conditionality or similar; and,
 - opportunities for leveraging existing social protection mechanisms for deploying cash and existing DRM priorities for the identification of programming synergies, i.e. through conditional programming.
- Promote enhanced data collection and use, not only for determining where cash is feasible and appropriate, but to better determine needs and guide programme design and targeting.
- Utilise tools such as CaLP's 'CTP Organisational Capacity Assessment Tool'²¹⁰ to assess organisational capacity to deliver and/or scale-up CTP effectively and determine priority areas for preparedness at an institutional level.
- It is recommended that donors and humanitarian partners support PIC governments to undertake country-specific research to fill in information gaps at a national level. This review includes two examples of such research, for Fiji and Tonga. It is recommended that this analysis be undertaken to raise awareness for CTP and determine priorities for better supporting CTP in individual PICs.

(ii) Incorporate CTP planning and preparedness into appropriate DRM coordination structures and planning at a national and regional level:

- Governments should determine where CTP should sit within existing emergency-based coordination structures. If there are no structures in place, then determine the then determine the body or role responsible for body responsible for ensuring CTP is integrated into DRM and humanitarian response.
- Governments should sensitise all actors involved in DRM and humanitarian response on CTP, and promote integration of CTP within the entire humanitarian response cycle from preparedness through to implementation, monitoring and evaluation.
- Lead representatives from government agencies responsible for cash-based social protection, DRM and the environment should be involved in disaster coordination structures and disaster preparedness planning and preparedness activities to ensure that synergies with existing systems are utilised and cash can be deployed in a timely manner when disasters strike.

²¹⁰ CaLP. (2016a). *CTP Organisational Capacity Assessment Tool*. [Online] The Cash Learning Partnership (CaLP). Available at: www.cashlearning.org/capacity-building-and-learning/ctp-organisational-capacity-assessment-tool-ocat.

- Governments should involve private sector actors relevant to CTP in coordination mechanisms throughout the entire DRM and humanitarian response cycle. This should include the finance sector; market actors, such as business associations and key traders and vendors; and the telecommunications sector involved in DRM and humanitarian response activities from preparedness through to disaster coordination, monitoring and evaluation.
- In PICs where governments are already receptive to CTP, but where knowledge of humanitarian-based CTP is low, Likewise, governments – and other stakeholders – should identify CTP focal points within their institutions to support internal capacity building as well as to facilitate multi-stakeholder coordination.
- Donors and humanitarian/development partners should support key government advocates for CTP by strengthening awareness and knowledge about CTP and its benefits, through showcasing successful CTP across the region and in other parts of the world, either through field study missions or trainings. This will require identifying government officials with both a genuine interest in and the capacity to influence DRM and social protection.
- Donors and humanitarian/development partners should help facilitate regional knowledge-sharing amongst PICs to promote the sharing of practical tools, experiences with CTP and lessons learned. Given that there is already an emerging use of diverse CTP with multiple actors involved across the region, this should include key government actors, NGOs, donors and the private sector.

(iii) Enhance the use of tools to guide programming decisions when disasters occur:

- Governments should adopt standardised assessment tools based on existing global examples for determining emergency relief and recovery needs and the best modality of assistance (i.e. commodity, voucher, cash or a combination). An example assessment toolkit should include: needs assessment tools for identifying emergency food, shelter and WASH needs as well as longer-term agricultural assessments, housing damage assessments, and longer-term health and sanitation needs. So far as possible, assessments should be designed that can be implemented on a multi-sectoral and inter-agency basis in order to make the best use of resources available and enable a holistic analysis of needs. Market assessment and analysis should be integrated as a standard component of emergency needs assessments. As part of this process, As a part of this process, and as a preparedness measure, governments and other humanitarian actors should consider in advance who does what in terms of undertaking emergency assessments and analysis.
- Undertake assessments with financial service providers as a preparedness measure (i.e. pre-emergency) to identify potential delivery mechanisms for CTP (including access), and integrate data collection and analysis of the same into emergency assessments.
- Develop standardised decision criteria and targeting tools for determining when and under what conditions cash is an appropriate and best-fit emergency response by integrating cash feasibility and appropriateness considerations as a standard in response analysis.
- In PICs where governments are already receptive to CTP, but where there are weak assessment tools, donors and humanitarian partners should consider supporting specialists to work alongside government to integrate CTP into existing humanitarian response and DRM structures. For instance, in Tonga, it was identified that there is limited use and understanding of food security assessments. Therefore, preparedness activities for CTP should include support of a food security analysis specialist to determine needs, as well as a cash specialist to determine needs as they relate to cash-based interventions.
- Donors and humanitarian partners should ensure that project proposals demonstrate the use of standard assessment tools and methodologies, to ensure cash-based interventions are well-designed and appropriate.

(iv) Ensure CTPs are designed to build resilience and address sustainability and dependency concerns:

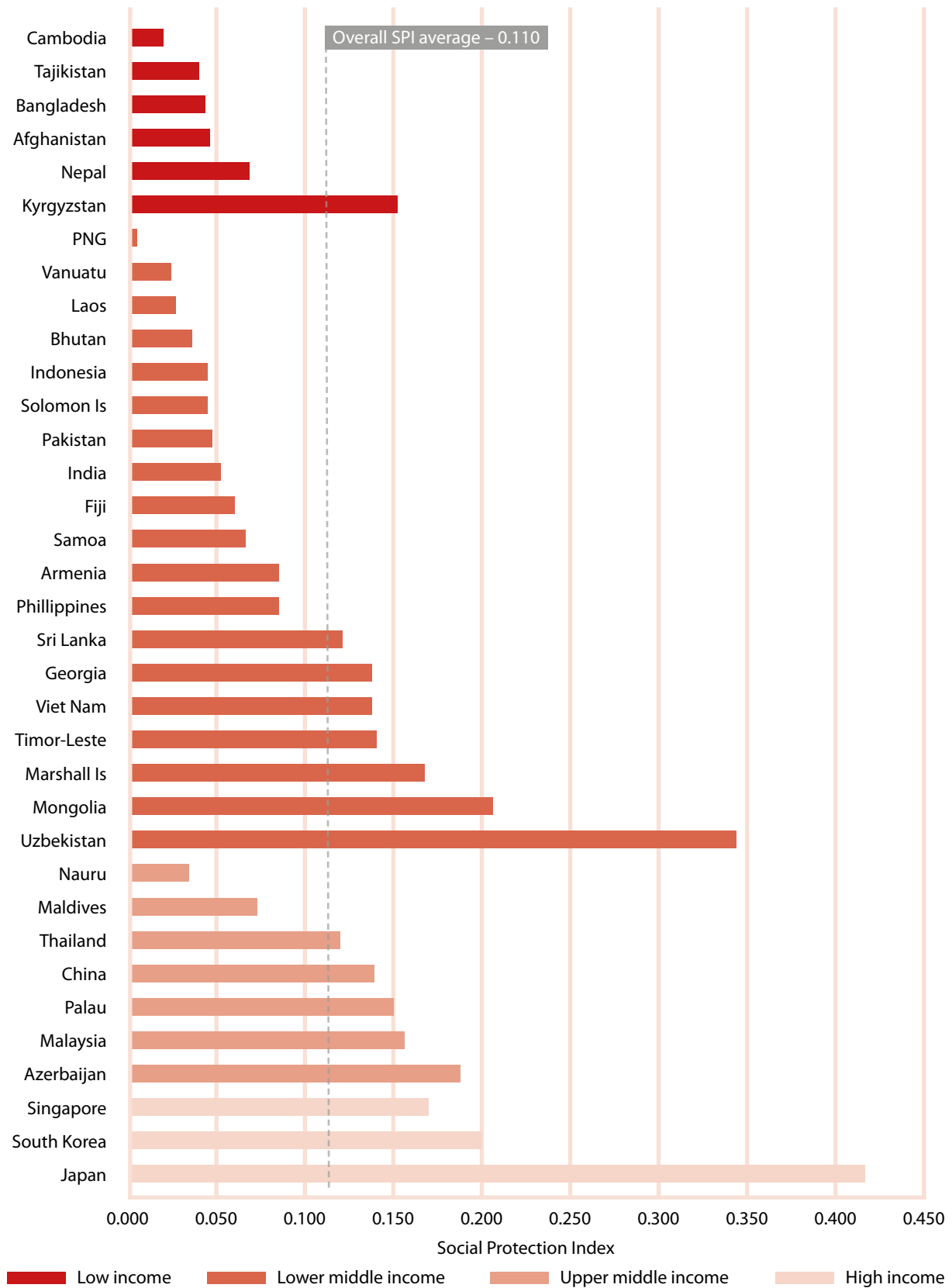
- Governments and humanitarian partners should improve understanding of traditional coping practices at a national and sub-national levels. They should promote the use of culturally appropriate community- and civil-society-based mechanisms to identify households' and community vulnerability to natural disasters, and assess appropriate CTP interventions based on communities' inputs before disasters strike.

- Assess the potential for public works programmes at the country level, both as a mechanism to support early recovery (such as debris removal) but also to provide income to support vulnerable populations, and as a mechanism to build physical assets for climate and disaster risk reduction at household and community levels.
- Improve needs assessment tools and targeting criteria as per above recommendations.
- Donors and humanitarian partners should ensure that as part of any regional trainings or sensitisation activities (as previously discussed), to reduce aid dependency, which can be done at. This could be done at a regional or in-country level.
- A key function of any in-country diagnostic (as discussed above) supported by a donor or humanitarian partner should be to build understanding of CTP and reduce any unfounded concerns about dependency, as well as anti-social behaviour.
- Where feasible and appropriate, ensure that CTP is designed to build resilience, and that the issue is considered in programme documents prior to funding CTP in the region (this should be part of any humanitarian project proposal in the region, but is particularly relevant for CTP).

(v) Improve information and knowledge of gender-sensitive programming techniques to ensure CTPs are sensitive to gender dynamics and support the most marginalised members of society:

- Ensure a gender specialist is involved in the planning of any CTP initiative, and ensure that gender specialists and organisations that promote women's rights are involved in all stages of the DRM cycle as it relates to CTP.
- Undertake detailed research in specific countries, with regional and more localised analysis to fully understand gender dynamics as they relate to CTP.
- Develop CTP principles based on the specific country context and international best practice to guide programming in relation to gender issues.
- Identify other vulnerable members of society, including the elderly, orphaned children, the disabled, etc., and ensure that the needs of the most at-risk are taken into consideration throughout the entire DRM and humanitarian cycle as it relates to CTP.
- It is recommended that donors and humanitarian partners support a gender and cash specialist to build capacity within relevant government departments – and other key stakeholders – to identify and consider gender dynamics in CTP, as a preparedness action. This could be done at a regional level or at an in-country level. Country-level diagnostics may identify a need for further research, which should be supported prior to CTP being undertaken.
- Donors and humanitarian partners should ensure that gender dynamics as they relate to CTP are carefully considered in programme documents prior to funding CTP in the region (this should part of any humanitarian project proposal in the region, but is particularly relevant for CTP).

Appendix 1: Social Protection Index (SPI) by income group, 2009



Source: ADB, 2013²¹¹

²¹¹ ADB. (2013). *The Social Protection Index: Assessing Results for Asia and the Pacific*, Table 2.1 *The Social Protection Index*, Social Protection Expenditures as Percentage of GDP, and GDP Per Capita, 2009, pp. 13–14. www.adb.org/sites/default/files/publication/30293/social-protection-index.pdf.

ANNEX I: COUNTRY SNAPSHOT: TONGA

This Tonga Country Snapshot is an annex to the CaLP Scoping Study into CTP feasibility in the Pacific, although it can also be used as a standalone document. It summarises the critical information necessary for consideration of factors related to the use of CTP in times of crisis, whether before, during or after the event. As well as drawing on a considerable foundation of research on the topic in Tonga, it represents the inputs and contributions of a wide range of stakeholders consulted during the study. The research was carried out over a three-week period, in which one week was spent in Tongatapu.

The Tonga Snapshot should be read by practitioners, policy makers and other concerned stakeholders in Tonga, and is expected to provide a platform from from which further discussion might be had and decisions might be made. The document outlines key factors in determining whether cash transfer programming is feasible in Tonga, before exploring in more detail issues relating to the appropriateness of using cash, and how accepted it is. It concludes with a short set of recommendations for next steps which include immediate actions, gaps in evidence, and research and opportunities moving forward.

KEY FINDINGS

- Compared to the general performance of the Pacific region, Tonga has relatively good financial infrastructure and is developing solid social protection initiatives that are already cash based. The Tongan government operates one of the most successful national pension schemes in the region, and there is a strong use of microfinance in both cash and voucher form. The government and UNDP trialled cash for work programming in response to Cyclone Ian in 2014.²¹²
- Despite the existing use of cash in social protection initiatives and in emergency response, the government and humanitarian actors in Tonga have a relatively limited understanding of the role of cash transfers in emergencies. No formal policies or assessment tools have been developed, and cash is not currently incorporated as a theme within the cluster system.
- The question of whether government actors, civil society and the general population are accepting of cash transfers revolves largely around the question of when assistance is appropriate at all. While community members were generally accepting of receiving some cash and/or vouchers after an emergency, civil society and government were united in their view that cash and vouchers should be provided with the utmost care, so as to not damage traditional self- and community-recovery approaches to rebuilding after emergencies, and to avoid fostering expectations for, and dependency on, relief assistance.
- Financial demand-side information is not yet available for Tonga; however, the government should have data available late in 2016. It is known that people have relatively good access to the formal financial sector and mobile cash transfer facilities on the main island of Tongatapu. However, the cash economy becomes less important on the outer islands. Outer islands are serviced by Tonga Development Bank agents, the only provider throughout all the islands, and cash is ferried between islands. Banks and the mobile sector have emergency plans in place, and have demonstrated capacity to restore service in a timely manner following recent emergencies.²¹³

²¹² Menéndez, N. G. (2014). *Debris Management Cash For Work Review Report: Ha'apai – Tonga April – June 2014*. [Online] UNDP. Available at: <https://info.undp.org/docs/pdc/Documents/TON/Review%20report%20CFW%20debris%20removal%20-%20Ha'apai.pdf>.

²¹³ Kioa, S. N. (19 April 2016). Reserve Bank of Tonga. (Hobbs, C. and Pickles, J., Interviewers).

- While Tongatapu is well-served by markets, outer islands become increasingly subsistence-based the further away they are from the main island. For this reason, cash and voucher transfers are feasible for basic commodities and most suited to reconstruction on the main island of Tongatapu, but become increasingly less feasible on the outer islands.

RECOMMENDATIONS

- Globally, across the humanitarian sector there is growing recognition that cash and voucher transfers can support people affected by disasters in ways that often maintain a greater level of human dignity than providing people with relief items. In certain circumstances, cash can also help provide people with better access to food and shelter, and help rebuild or protect livelihoods. The question is no longer whether cash is an appropriate way to meet the needs of people in emergencies, but how organisations, donors and governments can use cash transfers to the best effect.
- In Tonga there are already a number of cash- and voucher-based programmes that form part of formal and informal social protection systems. There are also examples of cash-based interventions following emergencies. However, there are limited policies or examples of best practice in using cash transfers in times of emergencies. It is important that any cash-based programming is based on evidence and is guided by needs to ensure it is appropriate.
- Understanding when and where cash-based programming is appropriate requires consideration of market dynamics, access to financial services, and how acceptable and appropriate cash-based programming, is based on sociocultural dynamics. Tonga faces unique challenges as a Pacific Island Country (PIC), and these require careful consideration.

BACKGROUND

Tonga is a Polynesian state, with a population close to 106,000.²¹⁴ Over 70% of its people live on the largest island, Tongatapu, and around 34,000 of these people live in the capital city of Nuku'alofa.²¹⁵

Tonga consists of 172 islands that form four major clusters, but only 36 of the islands are inhabited.²¹⁶ The country's total land area is 747 square kilometres (sq. km).²¹⁷ However, the entire land and sea area, as marked by the Exclusive Economic Zone, is around 640,050 million sq. km (see Figure 16).²¹⁸ Because of this, there is a considerable distance between inhabitable islands.

²¹⁴ World Bank. (2016d). *World Development Indicators: Tonga*. [Online] World Bank. Available at: <http://data.worldbank.org/country/tonga>.

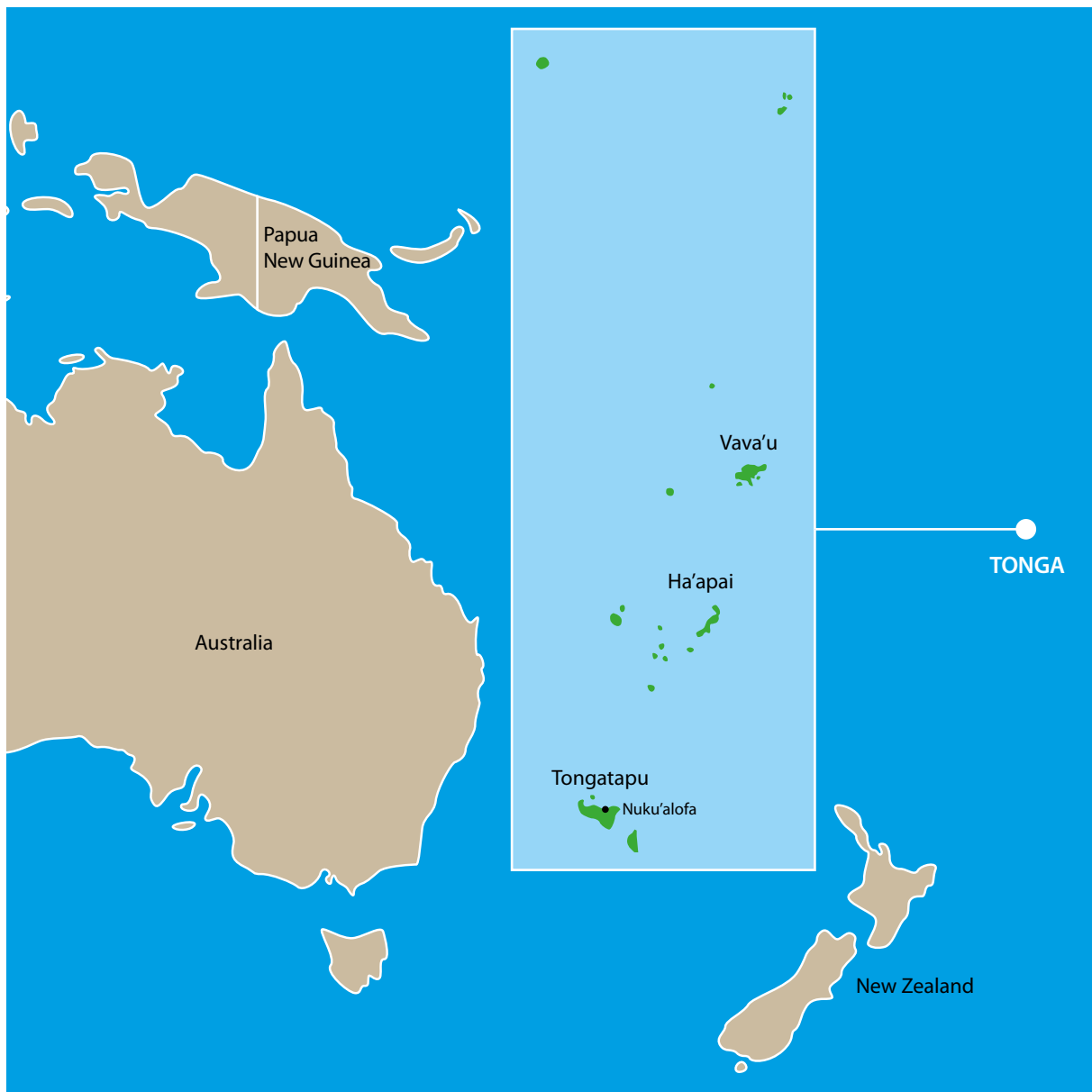
²¹⁵ OCHA. (n.d.). *Country Profile: Tonga*. Retrieved from United Nations Office for the Coordination of Humanitarian Affairs: www.unocha.org/pacific/country-profiles/tonga.

²¹⁶ Government of Vanuatu. (2015). *Vanuatu Post-Disaster Needs Assessment, Tropical Cyclone Pam*. [Online] Government of Vanuatu. Available at: www.gfdrr.org/sites/default/files/publication/PDNA_Cyclone_Pam_Vanuatu_Report.pdf.

²¹⁷ Government of Tonga. (2010b). *Social Protection Issues Paper*. Tonga: Ministry of Finance and National Planning.

²¹⁸ Ibid.

Figure 13: Tonga country map



Tonga is an Upper Middle Income Country with a per capita GDP of US\$5,100 (2015 estimate).²¹⁹ Compared to other countries in the region, Tonga has good basic infrastructure and relatively well-developed social services. Technically, the services sector is responsible for over half of GDP (62.9% of GDP in 2015); however, public services are the largest contributor, and this is heavily reliant on international grants and loans.²²⁰ GDP per capita growth was 2.7% in 2015 and has been low over the past decade.²²¹ The country is the leading recipient of remittances among all the PICs, estimated at US\$61m in 2014.²²²

²¹⁹ CIA. (2016). *The World Factbook: Tonga*. [Online] Central Intelligence Agency. Available at: www.cia.gov/library/publications/resources/the-world-factbook/geos/tn.html.

²²⁰ Ibid.

²²¹ World Bank. (2016). *World Development Indicators: Tonga*. [Online] World Bank. Available at: <http://data.worldbank.org/country/tonga>.

²²² World Bank. (2015). *Migration and Remittances Data*. [Online] Bank. Available at: www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data.

Tonga is heavily reliant on imports, which are equivalent to about 40% of Gross National Income (GNI), and the country has a large structural trade deficit.²²³ Despite 27.5% of the labour force being primarily engaged with agriculture, the country imports a high proportion of its food, mainly from New Zealand,²²⁴ and agriculture accounts for only 18.3% of GDP. The country remains dependent on external aid and remittances from overseas Tongans to offset its trade deficit.

Development outcomes in Tonga have been relatively strong compared with other PICs, but progress is fragile. Life expectancy at birth is 72.7 years (73 for women and 67.3 for men), and the adult literacy rate is 99%.²²⁵ Extreme poverty is rare, and health and education indicators are relatively strong due to government investments in these areas.²²⁶

DISASTER PROFILE

Understanding what climate hazards countries are exposed to helps with the consideration of what forms of assistance might be required when disasters occur, as well as the potential impact on infrastructure and services.

Tonga is the second most exposed country in the world to natural hazard risks, and faces the third highest level of disaster risk in the world, along with a high degree of vulnerability to climate change impacts.²²⁷ Its location, climate and topography render the country particularly susceptible to both climate-related hazards (e.g. cyclones, floods, drought and storm surges) as well as purely natural hazards (e.g. earthquakes, tsunamis and volcanic eruptions).²²⁸ Between 1980 and 2014, the country reported 11 tropical cyclones and one major earthquake/tsunami.²²⁹ The most recent major cyclones were Cyclone Ian, which particularly affected the island of Ha'apai in January 2014, and Tropical Cyclone Winston, which hit the country's northern islands in February 2016. A drought also was experienced in late 2014.

Particularly due to affects of *El Niño*, rainfall patterns are already shifting and are expected to continue changing over this century, with the intensity and frequency of both drought and extreme rainfall days expected to increase.²³⁰ There are likely to be more very hot days and there will fewer – but more intense – tropical cyclones.²³¹ Tonga has many low-lying coastal areas and atolls, including the main island of Tongatapu, which makes it highly vulnerable to 'hydro-meteorological' hazards. Climate-related changes are adding pressure to fragile island systems through coastal erosion and saline intrusion into limited freshwater sources. These changes are projected to negatively affect tourism, agricultural production, food security and health, and are likely to create more emergency situations that have a disproportionate impact on poor rural people.

²²³ CIA. (2016). *The World Factbook: Tonga*. [Online] Central Intelligence Agency. Available at: www.cia.gov/library/publications/resources/the-world-factbook/geos/tn.html.

²²⁴ Ibid.

²²⁵ Ibid.

²²⁶ Ibid.

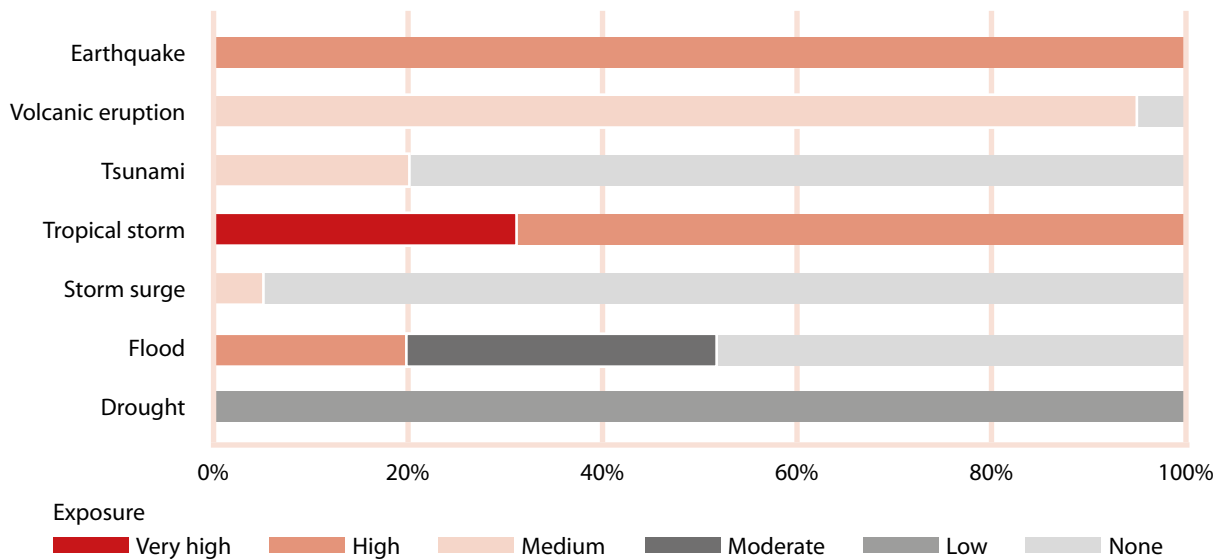
²²⁷ United Nations University Institute for Environment and Human Security (UHU-EHS). (2015). *World Risk Report 2015: Food insecurity increases the risk of disaster*, p. 46. [Online] United Nations University Institute for Environment and Human Security. Available at: <https://ehs.unu.edu/media/press-releases/worldriskreport-2015-food-insecurity-increases-the-risk-of-disaster.html#info>.

²²⁸ PreventionWeb. (2014). *Tonga Disaster & Risk Profile: Basic Country Statistics and Indicators (2014)*. [Online] PreventionWeb. Available at: www.preventionweb.net/countries/ton/data.

²²⁹ Ibid.

²³⁰ Australian Bureau of Meteorology and CSIRO. (2011). *Climate Change in the Pacific: Scientific Assessment and New Research*. Volume 1: Regional Overview. Volume 2: Country Reports.

²³¹ Ibid.

Figure 14: Tonga natural hazard risks: degree of exposure/area of country affected


Source: OCHA, 2007²³²

Although the number of people killed in disasters in Tonga is relatively low, the proportion of the population affected by disasters is significant (14.6% per year on average over the period 1950–2012).²³³ It is estimated that disaster damages cost Tonga an average annual loss of US\$15.5m, or 4.3% of its GDP. Over the next 50 years, Tonga has a 50% chance of experiencing a loss exceeding US\$175m and resulting in more than 440 casualties.²³⁴ Cyclone Ian alone cost around 11% of GDP (US\$50m) in 2014.²³⁵

The growing number of informal settlements in Tongatapu's urban centres (e.g. around the capital, Nuku'alofa) is increasing the risks in hazard-prone areas with low-quality housing. Additionally, having a low population density spread out over a large area of ocean makes it challenging and costly to develop and maintain disaster/climate-resilient infrastructure and systems. Many among the isolated rural and low-island populations live at subsistence levels, which limits their ability to protect themselves from disaster and climate-related risks.

GENDER

According to the 2011 Human Development Report (HDR), Tonga ranked 90th out of 187 countries in terms of the Human Development Index (HDI).²³⁶ As of 2011, Tongan women accounted for 3.4% of the elected representatives, which stands in stark contrast to the regional averages for East Asia and the Pacific (20.2%) and small island developing countries (20.6%).²³⁷ This poor political representation does not seem to stem from the low educational achievement of women, since, according to the 2011 HDR, 84% of women and 87.8% of men in Tonga had at least secondary education, which is well above regional averages for East Asia and the Pacific and small island developing countries.²³⁸

²³² OCHA. (2007) *TONGA: Natural Hazard Risks*. OCHA Regional Office for Asia Pacific. Issued: 28 June 2007. [Online] PreventionWeb. Available at: www.preventionweb.net/files/4200_OCHATONHazardv1070628.pdf.

²³³ PreventionWeb. (2014). *Tonga Disaster & Risk Profile: Basic Country Statistics and Indicators (2014)*. [Online] PreventionWeb. Available at: www.preventionweb.net/countries/ton/data.

²³⁴ Ibid.

²³⁵ Ibid.

²³⁶ UNDP. (2015). *Human Development Indicators: Tonga*. Retrieved from United Nations Development Programme: <http://hdr.undp.org/en/countries/profiles/TON>.

²³⁷ Ibid.

²³⁸ Ibid.

There is significant disparity in women's labour force participation relative to men's participation rate: half the Tongan women were in the labour force, compared to 75% of Tongan men.²³⁹

Tongan culture has ancient traditions including a 'kin-based stratification', or allocation of power based on age, sex and birth order. The *Api*, or basic order of Tongan society, is based on the oldest male having control over a family group. This control, or leadership, is a responsibility with the family group, but it also gives power over decision making on things such as resource allocation, family labour duties and discipline.²⁴⁰

Much of the decision making within households is traditionally undertaken by the father/husband. Embedded deeply in the Tongan cultural framework, this patriarchal, or *Ulumotu'a* (oldest male) leadership gives final say to the male leader of any Tongan family. The *Fahu*, the highest female in the social structure, or oldest sister in the family structure, traditionally does not have the same extent of decision-making power.²⁴¹ It could be argued that an increase in educated male and female couples has balanced the decision making more equally between husband and wife. However, in the extended family structure, the traditional kin-based stratification is usually observed.

POLICY, PLANNING, COORDINATION AND THE EXISTING USE OF CASH

Understanding the policy, planning and coordination environment for emergencies provides insight into a country's capacity to undertake CTP, and an understanding of how quickly CTP can be deployed and on what scale when a disaster strikes. If good policies and robust planning are already in place to guide the use of CTP in emergencies, then it is likely that programmes can be easily implemented. Similarly, if there are existing cash-based social protection programmes in place then it is more likely that cash transfer programming can be rolled out through existing mechanisms.

In recent years, Tonga has made significant efforts to develop disaster preparedness, planning and coordination during emergencies. Tonga is the first PIC to develop a combined Disaster Risk Management (DRM) and Climate Change Adaptation (CCA) policy and planning framework that is linked to national development goals.²⁴² A new Ministry of Environment, Energy, Climate Change, Disaster Management, Meteorology, Information and Communication²⁴³ (MEIDECC) brings together several key DRM and CCA departments in the government. The main oversight bodies are a National Environment and Climate Change Coordinating Committee (NECCC) and a National Emergency Management Committee (NEMC). The latter is responsible for coordination and oversight of national emergency responses, as prescribed under the Emergency Management Act 2007 (EMA).²⁴⁴

The National Emergency Management Office (NEMO) was established under the Emergency Management Act 2007 and is responsible for emergency management. NEMO is the primary government agency responsible for the coordination of DRM, but operates with limited human and financial resources. The MEIDECC Minister serves as the chair of NEMO.²⁴⁵

The government has adopted a cluster-based system for coordination, modelled on the UN cluster system.²⁴⁶ The core clusters are: Coordination/Logistics; Essential Services (Water, Power, Telecommunications) Emergency Shelter; Non-Food Items (NFI); Safety and Protection; Communications; Health and Nutrition; Water, Sanitation and Hygiene (WASH); Food Security and Livelihoods (FSL); Education; and Social Recovery Reconstruction. The

²³⁹ Ibid.

²⁴⁰ Moengangongo, M. (1986). *Tonga: Legal Constraint And Social Potentials*. In *Land Rights of Pacific Women* (pp. 87–101). Suva: Institute of Pacific Studies of the University of the South Pacific.

²⁴¹ Spickard, P., Rondilla, J. L., & Wright, D. H. (2002). In *Pacific Diaspora: Island Peoples in the United States and Across the Pacific* (pp. 271–272). Honolulu: University of Hawai'i Press.

²⁴² Government of Tonga. (2010a). *Joint National Action Plan on Climate Change Adaptation and Disaster Risk Management 2010–2015*. [Online] Suva: Pacific Islands Applied Geoscience Commission (SOPAC). Available at: <https://sustainabledevelopment.un.org/content/documents/1335TongaDisaster%20Management20Strategy.pdf>.

²⁴³ PMO. (2016). *Prime Minister's Office: Government of the Kingdom of Tonga*. [Online] Available at: www.pmo.gov.to.

²⁴⁴ Government of Tonga. (2007). *Tonga: Emergency Management Act 2007*. [Online] Government of Tonga. Available at: <http://faolex.fao.org/docs/pdf/ton79925.pdf>.

²⁴⁵ NEMO. (2011). *Structure of Disaster Management in Tonga*. [Online] The Ministry of Works: The National Emergency Management Office in Tonga (NEMO). Available at: <https://tonganemo.files.wordpress.com/2011/08/nemostructure.jpg>.

²⁴⁶ Aho, L. (20 April 2016). Director National Emergency Management Office, (Pickles, J. and Vo, R., Interviewers).

cluster system was first deployed following Cyclone Ian, but based on interviews in-country, at the time of writing only three key clusters were active: FSL, Health and Nutrition and WASH. The clusters are responsible not only for coordination but also for determining needs and for advising NEMO on appropriate response strategies.

Currently there is no working group or cluster that is mandated to consider the use of cash in emergencies and the required preparedness. The current agencies responsible for existing national social protection cash transfers are not actively engaged in the clusters. However, in the immediate aftermath of Cyclone Ian, several clusters did consider the role of cash in the form of cash for work programmes. For instance, the protection cluster noted that women should be able to participate in any cash for work activities and that work activities should consider the livelihoods of women; and the FSL cluster led by the Ministry of Agriculture, Forestry and Fisheries (MAFF) in coordination with the Ministry of Commerce, Tourism and Labour was tasked with identifying and implementing cash for work opportunities to stimulate livelihood productivity.²⁴⁷

BOX 2. USE OF CASH AND VOUCHERS IN EXISTING SOCIAL PROTECTION AND EMERGENCY PROGRAMMING IN TONGA

Government social insurance: The insurance programme covers public servants, and since 2012 has also included the private sector. The National Retirements Benefits Fund (NRBF) operates as a mandatory superannuation scheme for the non-government sector (e.g. private sector, churches, etc.), in which employees and employers make matching contributions. All employers with one or more employees are liable to contribute to the NRBF. For financial year 2013–14, 5,502 members were enrolled in the scheme, an increase of 27.8% from the previous year. A total of US\$324,023 was paid out in retirement benefits.²⁴⁸

Government Social Welfare Scheme (SWS) for the elderly: The SWS has been operational since 2012. It was originally targeted at those aged 75+, but the eligible age was lowered to 70+ in 2014. There are around 3,970 eligible older people. A monthly stipend of Tongan Pa'anga (TOP)\$65 is paid to each beneficiary, administered through the NRBF. The estimated coverage for financial year 2014–15 is approximately 60% (2,384) of those eligible.²⁴⁹ Payments were originally made directly into bank accounts, but are now administered directly in cash, at the request of beneficiaries who feel that receiving the cash-in-hand gives them more control over payments.²⁵⁰

Government disability support: The government has been piloting a disability scheme since 2012. The support includes a cash transfer component to people with a disability.²⁵¹

Cash- and voucher-based microfinance: The largest microfinance organisation in Tonga is South Pacific Business Development Tonga (SPBD Tonga). This operates in Tongatapu, Vava'u, Ha'apai and Eua. SPBD Tonga has a loan portfolio of more than TOP\$2.2 million and lends to almost 5,000 people (almost exclusively women), representing 25% of all families.²⁵² When Cyclone Winston hit Ha'apai, SPBD made cash transfers to all borrowers.²⁵³

The Tongan Development Bank (TDB), under the direction of the Ministry of Finance & National Planning (MFNP), oversees a grant-funded microfinance scheme. This US\$280,000 scheme was established as a revolving fund to help women's groups in the outer islands facing hardship and struggling with the high interest rates of local microfinance companies. It offered a lower interest rate, no fees, and shorter terms.²⁵⁴ The Government of Tonga underwrites another microfinance scheme that is administered through the TDB, but its repayment rate has not been high.

²⁴⁷ NEOC. (2014). *Tropical Cyclone Ian Response Plan. Government of Tonga*. [Online] National Emergency Operations Committee (NEOC). Available at: www.humanitarianresponse.info/system/files/documents/files/2014-01-30_TC-Ian-Response-Plan.pdf.

²⁴⁸ NRBF. (2014). *Annual Report 2014*. Nuku'alofa. [Online] National Retirement Benefits Fund (NRBF) and Social Welfare Scheme. Available at: www.nrbf.to/index.php/annual-report/category/12-financial-year-2014?download=22:annual-report-2013-englishf.

²⁴⁹ Government of Tonga. (2014). *Budget Statement 2014/2015*. [Online] Nuku'alofa: Ministry of Finance and National Planning. Available at: www.finance.gov.to/sites/default/files/Budget%20Statement%202014-15%20English%20FINAL.pdf.

²⁵⁰ Mr. S Leimoni Taufui (20 April 2016). CEO, Tonga National Retirement Benefits Fund (NRBF). (Pickles, J. and Vo, R., Interviewers).

²⁵¹ Manuofetoa, L. (21 April 2016). Deputy Director – Social Protection, Deputy Director Ministry of Internal Affairs. (Pickles, J., Interviewer).

²⁵² Lofgren, A. (21 April 2016). General Manager, South Pacific Business Development (SPBD) Microfinance Ltd. (Jackson, R. and Ofuyo, R., Interviewers).

²⁵³ Ibid.

²⁵⁴ World Bank. (2014e). *Tonga: Making Social Protection More Responsive To Natural Disasters and Climate Change*. [Online] World Bank. Available at: <http://socialprotection.org/discover/publications/tonga-making-social-protection-more-responsive-natural-disasters-and-climate>.

COUNTRY SNAPSHOT: TONGA

SPBD is currently working in coordination with a major local NGO, Mainstreaming of Rural Development Innovation (MORDI), to deliver a voucher-based microfinance initiative. Loans will be provided to farmers in the form of vouchers to buy quality work tools from MORDI to support agricultural enterprises.²⁵⁵

Post-disaster cash for work: Following Cyclone Ian, UNDP partnered with the Ministry of Agriculture, Fisheries and Forestry to deliver a 'Post Cyclone Livelihoods Recovery and Cash for Work Project' in three locations of Ha'apai (Lifuja, Foa and 'Uiha). Payments were made via a private sector mobile phone company, Digicel Tonga (For more information, please see the section on mobile money, below.). The project provided temporary cash for work income to disaster-affected families to cover immediate financial needs and to accelerate the recovery of traditional livelihoods, such as agriculture and handicrafts (an important source of revenue in Tonga).²⁵⁶ The cash for work project is the best-known example of CTP in Tonga, and many stakeholders interviewed based their views of cash transfer programming with this project.

Informal remittance-based social protection: Private overseas remittances remain the most important form of social protection in Tonga. The country is the leading recipient of remittances – relative to GDP – among all the PICs, estimated at US\$61m in 2014.²⁵⁷ Remittances account for 31% of GDP, and 82% of households benefit from them.²⁵⁸ Remittances are primarily used to fund household consumption, but also have been used to support post-disaster recovery.²⁵⁹ Since 2007, seasonal employment schemes in Australia and New Zealand have provided new sources of remittances to the country. The Ministry of Internal Affairs (MIA) coordinates and facilitates arrangements for the workers.²⁶⁰

Traditional forms of community support: Like other PICs, Tonga has a strong culture of sharing between families and within communities, which becomes a key social protection mechanism when economic, health and natural disaster shocks occur. Although there has been some deterioration of these traditional structures in recent years, they are still very strong. Faith-based organisations also play an important role in social protection during emergencies. Tongans make considerable cash contributions to religious institutions in normal times, and churches provide support to community members in the form of cash and vouchers during times of natural disasters.

Overall it can be seen that there are already a number of cash-based social protection initiatives active in Tonga, and that when disasters strike, cash is already an important part of the response through the role that informal remittances play as a basic social protection mechanism. However, an overall limited understanding amongst key actors of the role of formal cash programmes and the lack of inclusion of key social protection agencies in the emergencies clusters demonstrate that at a national level there is no coherent planning and preparedness for using cash transfers.

²⁵⁵ Patolo, S. (2016, April 19). General Manager, Mainstreaming of Rural Development Innovation (MORDI) Tonga Trust. (Hobbs, C. and Vo, R., Interviewers).

²⁵⁶ UNDP. (2014). *Fast Facts: Post Cyclone Livelihoods Recovery and Cash-for-Work*. [Online] UNDP. Available at: www.pacific.undp.org/content/pacific/en/home/library/fastfacts/Tonga_recovery.html.

²⁵⁷ Anisi, O. (19 April 2016). CEO, Ministry of Internal Affairs. (Hobbs, C. and Pickles, J., Interviewers).

²⁵⁸ Ibid.

²⁵⁹ World Bank. (2014c). *Hardship and vulnerability in the Pacific Island Countries*. [Online] World Bank. Available at: www.worldbank.org/en/news/feature/2014/03/27/hardship-and-vulnerability-in-the-pacific-island-countries.

²⁶⁰ Anisi, O. (19 April 2016). CEO, Ministry of Internal Affairs. (Hobbs, C. and Pickles, J., Interviewers).

CONSUMPTION AND MARKETS FOR FOOD AND NON-FOOD ITEMS

Cash and voucher programming in times of emergencies are only appropriate if there are suitably strong markets to support the demand that cash and vouchers generate. In non-emergency times, cash-based programming can help to stimulate market functioning; however, in times of emergency response, there must be guaranteed supply or a programming mechanism to guarantee supply, otherwise the cash and vouchers will be ineffective at meeting needs and/or can easily be devalued by inflation.

Consumption of food and non-food items in Tonga is highly reliant on imports. In 2015, Tonga imported around US\$152m of goods.²⁶¹ Based on the value of the imported items, the most common were foodstuffs, machinery and transport equipment, fuels and chemicals. It is therefore expected that in times of emergencies, imports would form a key component of relief supplies.

Even during normal times, Tonga imports a high proportion of its food, mainly from New Zealand. In comparison, in 2014, Tonga exported only US\$29.4m worth of goods. Key export items are all agricultural, and include squash, fish, vanilla beans and root crops.²⁶² The key partners that Tonga imports from and exports to are listed in Table 4.

Table 5: Tonga key import and export trading partners

Key import countries	Fiji 35%	NZ 20.5%	China 10.8%	US 9.1%	Australia 4.3%				
Key export countries	NZ 16.7%	US 15.6%	Fiji 11.2%	Japan 10.3%	Samoa 9.5%	South Korea 9%	Australia 7.9%	American Samoa 6%	Belgium 5.6%

Source: CIA. (2016)²⁶³

Table 5 provides an overview of average monthly household expenditure in Tongan Pa'anga (TOP\$), as of the 2009 Household Income and Expenditure Survey (HIES).²⁶⁴ As can be seen, even in non-emergency periods Tongans spend a large portion of their total expenditure on food and basic utility bills. Understanding consumption in normal periods is important for providing a base understanding of the types of items that will be required when emergencies strike, and what items people normally use cash to purchase. As a large portion of existing expenditure is used to buy food, it appears that cash could be a useful response in areas where it is technically feasible.

²⁶¹ CIA. (2016). *The World Factbook: Tonga*. [Online] Central Intelligence Agency. Available at: www.cia.gov/library/publications/resources/the-world-factbook/geos/tn.html.

²⁶² Ibid.

²⁶³ Ibid.

²⁶⁴ Government of Tonga. (2013). *Tonga: Household Income and Expenditure Survey 2009*. Statistics Department of Tonga – Prime Minister's Office.

Table 6: Average monthly expenditure on different items across Tongan Islands (TOP\$)

Expenditure type	Tonga		Tongatapu		Vava'u	Ha'apai	'Eua	Niuas
	Urban	Rural	Urban	Rural				
Consumption expenditure								
Food	820	774	820	791	825	584	666	957
Alcohol and tobacco	59	57	59	56	67	41	34	117
Clothing and footwear	45	34	45	41	34	8	16	28
Housing and utilities	233	134	233	152	125	92	100	35
Household furnishings and equipment	90	62	90	61	63	39	95	74
Medical and health	11	6	11	7	5	1	5	0
Transport	196	162	196	188	151	99	87	87
Communication	102	49	102	56	27	58	49	38

Source: Government of Tonga. (2013)²⁶⁵

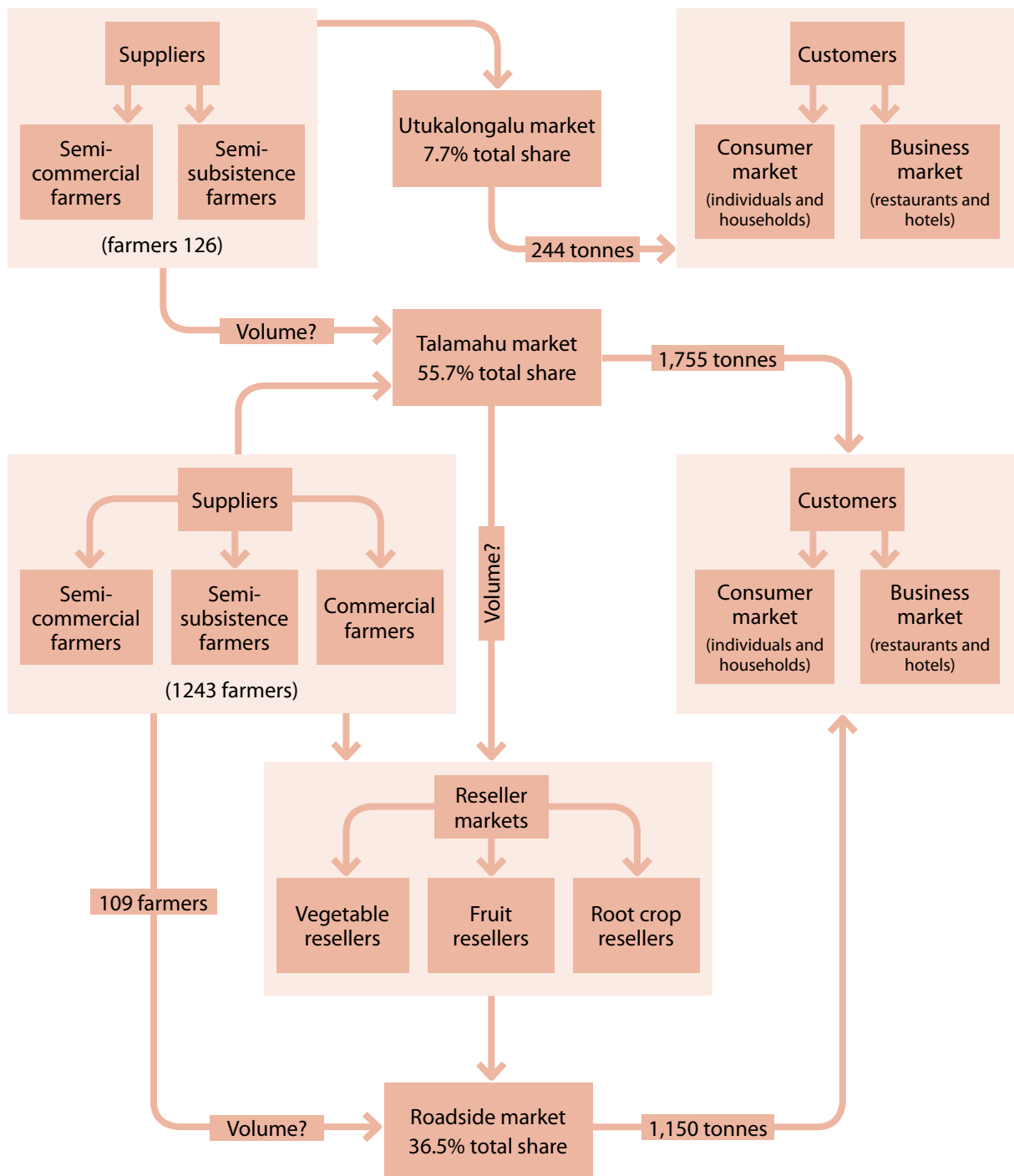
There are three main municipal food markets in Tonga: Talamahu Market, Fanga'ihesi Market and 'Utukalongalu Market (in Vava'u). Historically, these were the main outlets for domestic agricultural production in Tonga until civil unrest in 2006, when traders also started operating at roadside markets in Tongatapu. Some of these have developed into mini-markets and stock a variety of items, including those requiring cold storage. There are two major supermarkets in Tongatapu as well as multiple mini-markets.

Even on Tongatapu, people from rural areas buy food items at the main markets in Nuku'alofa, despite relatively high transport costs.²⁶⁶ This is largely because rural households are subsistence farmers; also, because of the sharing nature of the culture, households have overall low levels of commercial consumption, so there appears to be no market even for small-scale shops (beyond the roadside sale of local vegetables) in rural areas.

Figure 15 is a summary market map taken from a 2011 Food and Agriculture Organization (FAO) domestic market study and provides a good overview of the flow of domestic agricultural trade.

²⁶⁵ Ibid.

²⁶⁶ Based on focus group discussions with community members in rural communities of Nuku'alofa.

Figure 15: Tonga Fresh Produce Domestic Market Map 2010

 Source: FAO, 2011²⁶⁷

²⁶⁷ Ika, S., K., (2011). *Tonga Domestic Market Study: Using the Domestic Market Survey Report to investigate selected policy issues.*[Online] FAO. Available at: www.fao.org/fileadmin/templates/est/AAACP/pacific/05_Tonga_market_study_2011_Final_ReportOctober2011.pdf.

GOVERNMENT MARKET DATA COLLECTION

Tonga has a relatively strong agricultural market data collection system relative to other countries in the region. The Statistics and Economic Unit, which is part of the Policy and Planning Section of the Corporate Services Division of the Ministry of Agriculture and Food, Forests and Fisheries (MAFFF), has the main role to collect data, compile data sets, analyse and publish this information. The unit produces a quarterly market report, the 'Domestic Market Survey Report'. Initially, this report only sampled the central Talamahu market in Tongatapu but, in 2009 the survey report was extended to include data on roadside markets in Tongatapu and the Utukalongalu market in Neiafu, Vava'u.

The government collects information on: monthly and quarterly average weights in kilograms (kg) of common trade units (CTU) of produce sold at the markets; monthly and total quarterly supplies of agriculture produce in CTU and in tonnes; and monthly and quarterly average prices of agricultural produce sold in the market in price per CTU and in price per kg.

Appendix 2 of this annex provides pricing information for local and imported food items, based on the prices of varying outlets in Tongatapu, including the Talamahu market (agriculture produce), Vuna Wharf (fresh fish), supermarkets, village stores, petrol stations, restaurants, airlines, etc. Despite strong market monitoring, there is relatively limited analysis beyond calculation of the Consumer Price Index. Market data are not collected on the outer islands, as the purchase of commercial items on outer islands is ad hoc.

The country's food markets are currently in a period of deflation, with the annual inflation rate as of December 2015 at -1.2%.²⁶⁸

Some of the supermarkets included in the study in Tongatapu make regular deliveries to the closer islands, but deliveries to outer islands appear to be ad hoc and infrequent. As an example, one supermarket owner interviewed described a process where households on the islands of Niuaus would call the supermarket in Tongatapu and place orders; when there were enough orders to make the 3-day boat trip worthwhile, a boat would deliver.

SUBSISTENT AND SEMI-SUBSISTENT HOUSEHOLDS

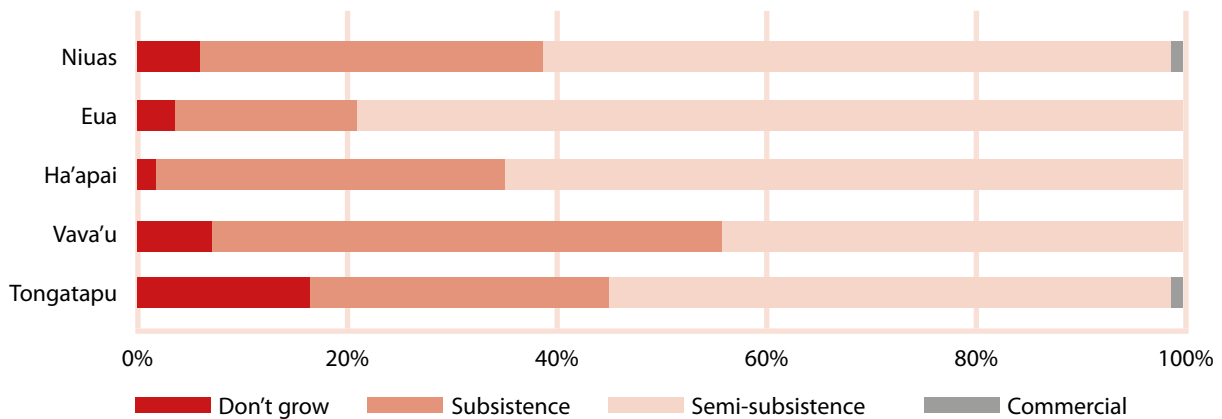
Despite the high level of reliance on imported food, there are also a large number of subsistence households who rely very little on food markets. Subsistence farmers were defined as those households that run the entire farm purely for food security and social obligation purposes, with no trade or income derived from farming activities. In contrast, semi-subsistence farmers are households that run their farms for the purpose of food security and social obligation, but occasionally sell some of the excess to earn some income. Commercial farmers are those who run their farms purely for commercial purposes and make their living from the profits.

The Tongan Constitution requires that every male has to do farming in order to feed his own family.²⁶⁹ Households plant their crops on their own land to maintain food security through the provision of a supplementary source of food.²⁷⁰ Annual crops such as root crops – yams, cassava, giant taro, yautia taro, swamp taro and sweet potato – as well as bananas and plantain are the primary crops for food security. Cassava is the dominant food crop and the top choice for food security purposes, which is followed by yam, often grown and given followed by yam, which is often grown and given as a food gift to fulfill social obligations.

²⁶⁸ GoT, Statistics Department. (December 2015). Consumer Price Index Statistical Bulletin.

²⁶⁹ GoT, Ministry of Agriculture, Food, Forests and Fisheries (MAFFF). (2015). Tonga National Agricultural Census Thematic Report.

²⁷⁰ Ibid.

Figure 16: Agricultural and non-agricultural households by type


Source: Government of Tonga, 2015²⁷¹

In addition to the two supermarket chains, there are also two major hardware shops in Tongatapu.²⁷²

Overall, Tonga's market system is characterized by a robust market-based economy in the main city of Tongatapu and of Vava'u, and with subsistence-based economies in the rural areas of Tongatapu and on the outer islands. At the same time, the country is dependent on imports to meet much of the need for processed goods. On the outer islands there is informal trading between people living on the islands, and small levels of inter-island trade. There is also ad hoc activity by commercial traders who visit the islands intermittently with supplies.²⁷³

FINANCIAL SERVICES

In order to understand whether cash-based programming is feasible, it is important to understand whether there are safe and secure delivery mechanisms available that will support a programme to reach all intended beneficiaries. Understanding the extent to which people access the banking sector also provides insight into the existing level of financial literacy in the country, which is also important for determining what type of cash-based programme might be most appropriate. It should, however, be noted that people can also rely on the informal financial sector, and that financial literacy and experience of managing money are not solely dependent on access to formal services.

FORMAL BANKING SECTOR

The Pacific region is one of the most unbanked regions in the world. Like many PICs, Tonga has a small and underdeveloped financial sector. There are three registered commercial banks: Westpac, the largest; Australia and New Zealand Banking Group Limited (ANZ); and MBF, a locally incorporated and fully commissioned commercial bank under the central supervision of National Reserve Bank of Tonga.²⁷⁴ There is also a government-owned developmental financial institution, Tonga Development Bank (TDB), which provides micro-loans and saving accounts.

The TDB has the greatest reach across all of the major islands. It moves cash to the outer islands once a month and operates cash-distribution services on every island;²⁷⁵ for this reason, the TDB also acts as a service provider for mobile money operators and money-transfer agencies. The majority of its business (80%) involves small loans of TOP\$5,000 and below.²⁷⁶

²⁷¹ Government of Tonga. (2015). Tonga: National Agricultural Census Main Report.

²⁷² Jones, D., & Nadan, S. (April 2016). Pacific Timber and Hardware. (Jackson, R. and Ofuyo, R., Interviewers).

²⁷³ Ibid.

²⁷⁴ Kioa, S. N. (19 April 2016). Reserve Bank of Tonga. (Hobbs, C. and Pickles, J., Interviewers).

²⁷⁵ Ibid.

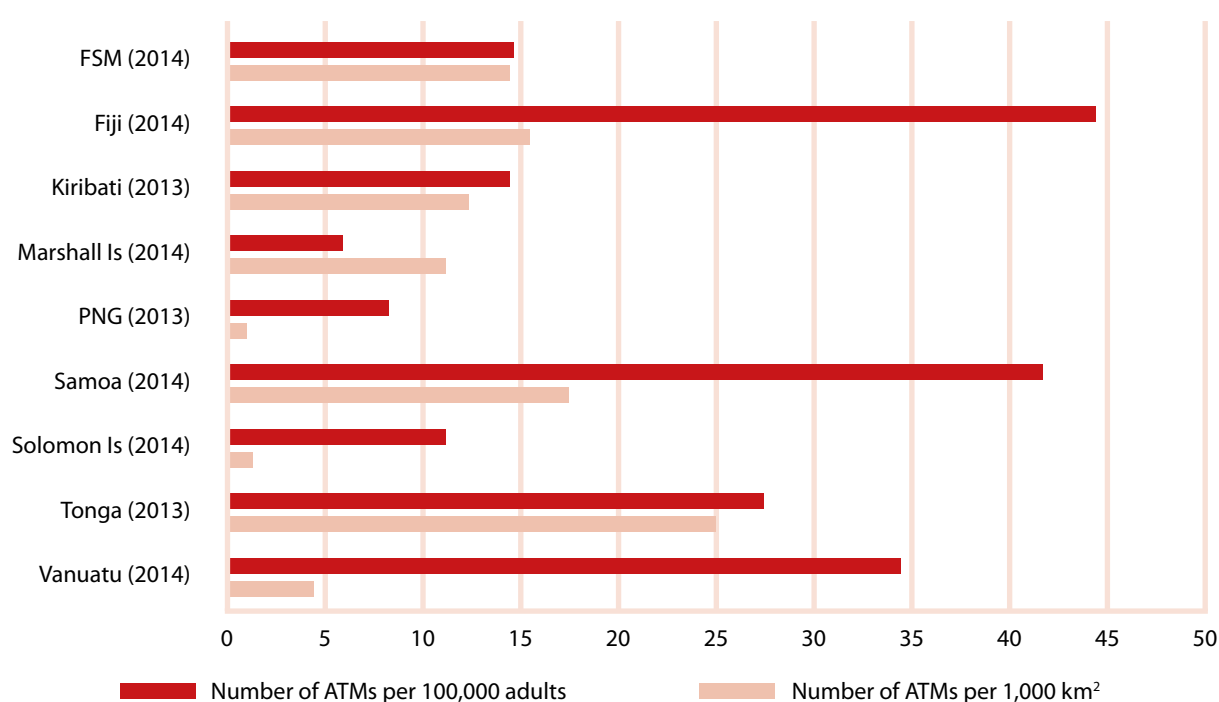
²⁷⁶ Ibid.

COUNTRY SNAPSHOT: TONGA

The Reserve Bank of Tonga is currently working with the UN Capital Development Fund (UNCDF) Pacific Financial Inclusion Programme (PFIP)²⁷⁷ on demand- and supply-side surveys, which will provide robust data on access to financial services across every island. This is expected to be available in September 2016. At the time of writing, data were not available, so this report relies heavily on available supply side banking data at a national level.

Figures 18 and 19 below outline the penetration of formal financial services in Tonga. The number of ATMs and bank branches per 100,000 adults gives an insight into the percentage of the population using financial services, whereas the number of ATMs/bank branches per 1,000km² provides some understanding of the geographical disbursement of services. As can be seen, Tonga performs reasonably well compared to other PICs; however, compared to Asia Pacific countries in general, penetration is low. For example, the average number of ATMs per 100,000 people across Asia and the Pacific is 43.9, compared to 27 in Tonga.²⁷⁸

Figure 17: ATMs in Tonga compared to other PICs

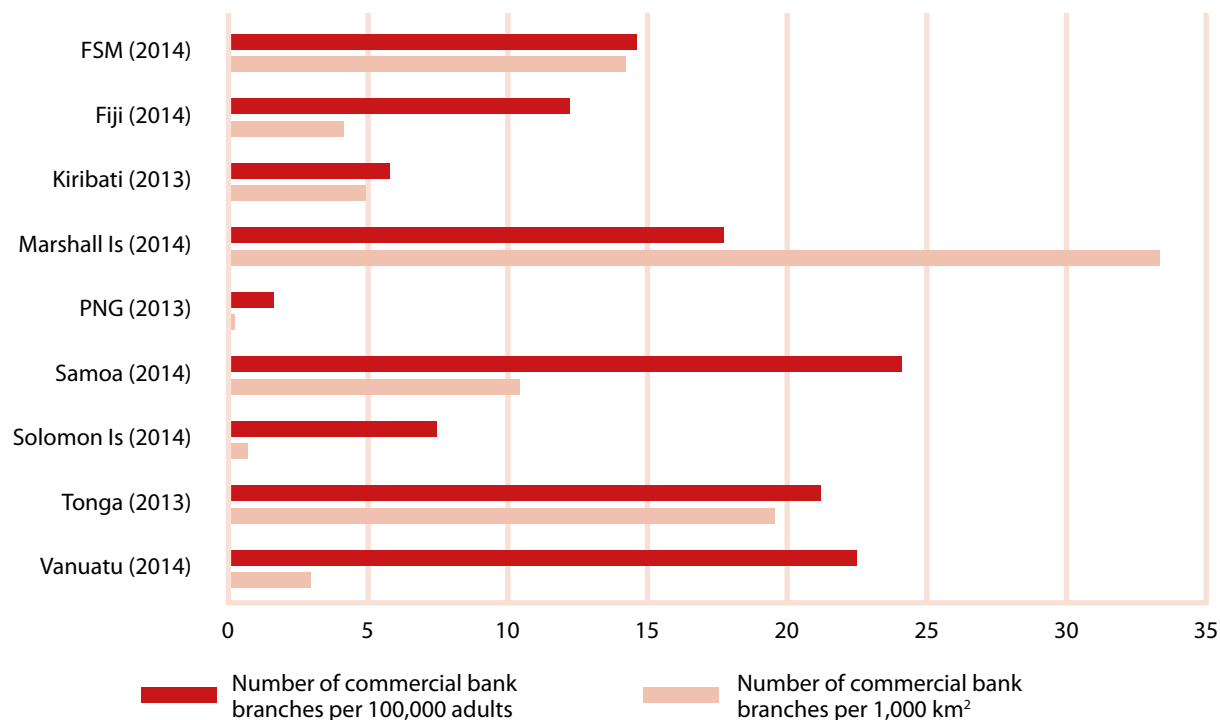


Source: World Bank, 2016²⁷⁹

²⁷⁷ UNCDF. (2016). *Pacific Financial Inclusion Programme*. [Online] UNCDF. Available at: www.uncdf.org/en/pfip.

²⁷⁸ Islam, E. (2016). *Financial Inclusion in Asia and the Pacific Discussion Paper*. First High-Level Follow-up Dialogue on Financing for Development.

²⁷⁹ World Bank. (2016e). *The Global Findex Database, Measuring Financial Inclusion Around the World*. [Online] World Bank. Available at: <http://datatopics.worldbank.org/financialinclusion>.

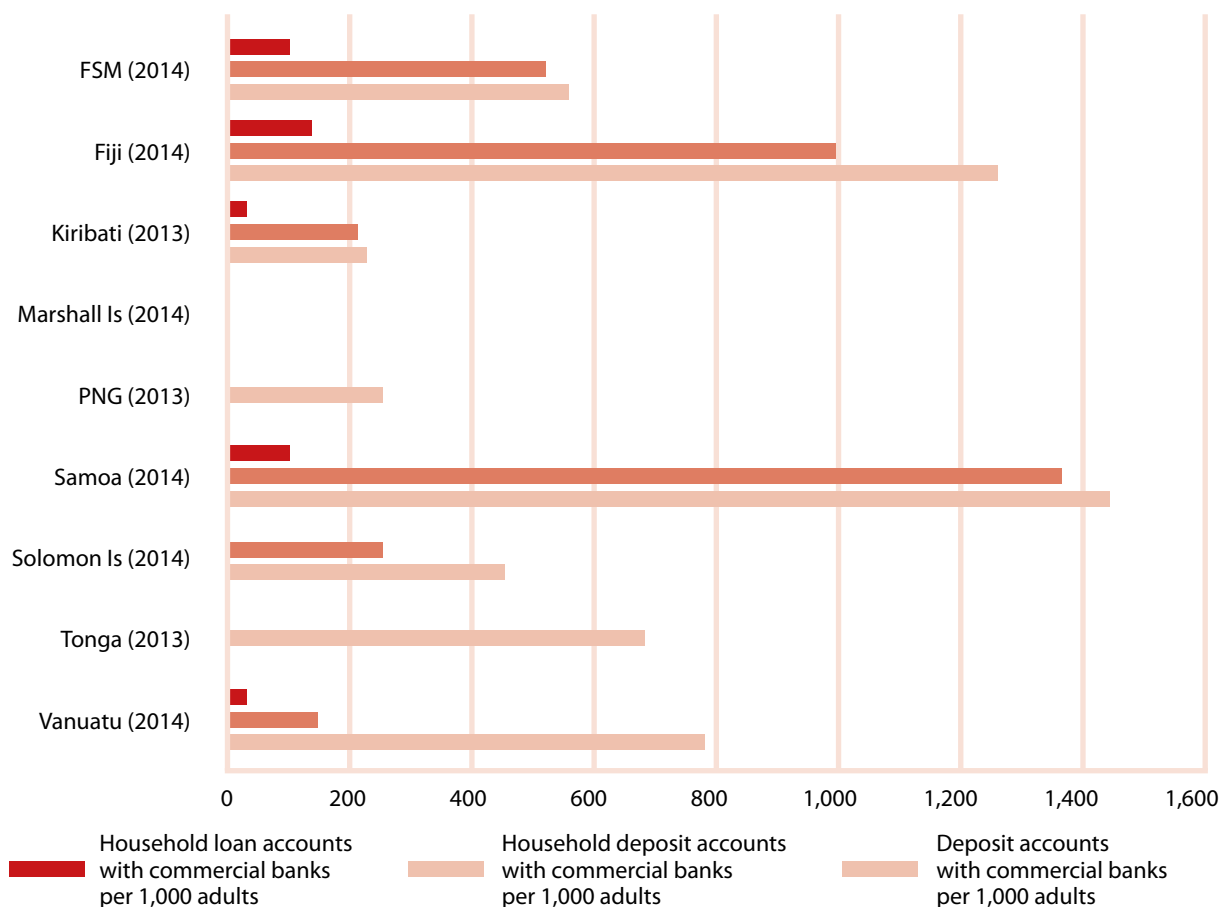
Figure 18: Bank branch penetration in Tonga compared to other PICs


Source: World Bank, 2016²⁸⁰

There are no robust data on the percentage of Tongans that are formally banked; however, the number is expected to be low, particularly on outer islands where there are no permanent branches and where there have been fewer microfinance-based initiatives. It is known that there are about 700 accounts open per 1,000 adults; however, this also includes commercial accounts, and double counts people with more than one account. Demand-side data provided by the PFIP will be important in filling this critical data gap.

²⁸⁰ Ibid.

Figure 19: Accounts held in Tonga compared to other PICs



Source: World Bank, 2016²⁸¹

REGULATION OF FINANCIAL SERVICES AND PREPAREDNESS

Tonga’s financial sector is regulated by the Reserve Bank of Tonga under the 1988 Act²⁸² and operates within the framework of the Prudential Statements. The bank regulates currency, manages external reserves, provides assistance to the Finance Minister and is the principle banker for the government. Banks registered with the Reserve Bank are largely self-governing with each board and governor managing policies, procedures, risk and business within their own establishment.

A good practice to satisfy financial regulations, i.e. ‘Know Your Customer’ (KYC)²⁸³ requirements, in emergencies is working with local village officials to provide a letter attesting to a person’s identity in instances when personal ID cards may be lost or destroyed. However, KYC policy is currently in the process of being introduced; it was not possible at the time of writing to determine the impact of this policy and whether there will be flexibility in times of natural disasters.²⁸⁴

Given the high number of natural disasters in Tonga, the nation has legislated that all banks must have emergency preparedness plans that are regularly reviewed by the Reserve Bank. The Reserve Bank believes that many lessons were learned during the 2006 riots and that banking services have shown themselves to be able to re-establish services almost immediately after natural disasters occur.²⁸⁵

²⁸¹ Ibid.

²⁸² National Reserve Bank of Tonga. (2016). *Our Regulatory Framework*. [Online] Available at: www.reservebank.to/index.php/frameworks.html.

²⁸³ Know Your Customer (KYC) refers to process of a business identifying its customers. It is used by banks to prevent or mitigate the risk of money-laundering, anti-corruption and due diligence.

²⁸⁴ Kioa, S. N. (19 April 2016). Reserve Bank of Tonga. (Hobbs, C. and Pickles, J., Interviewers).

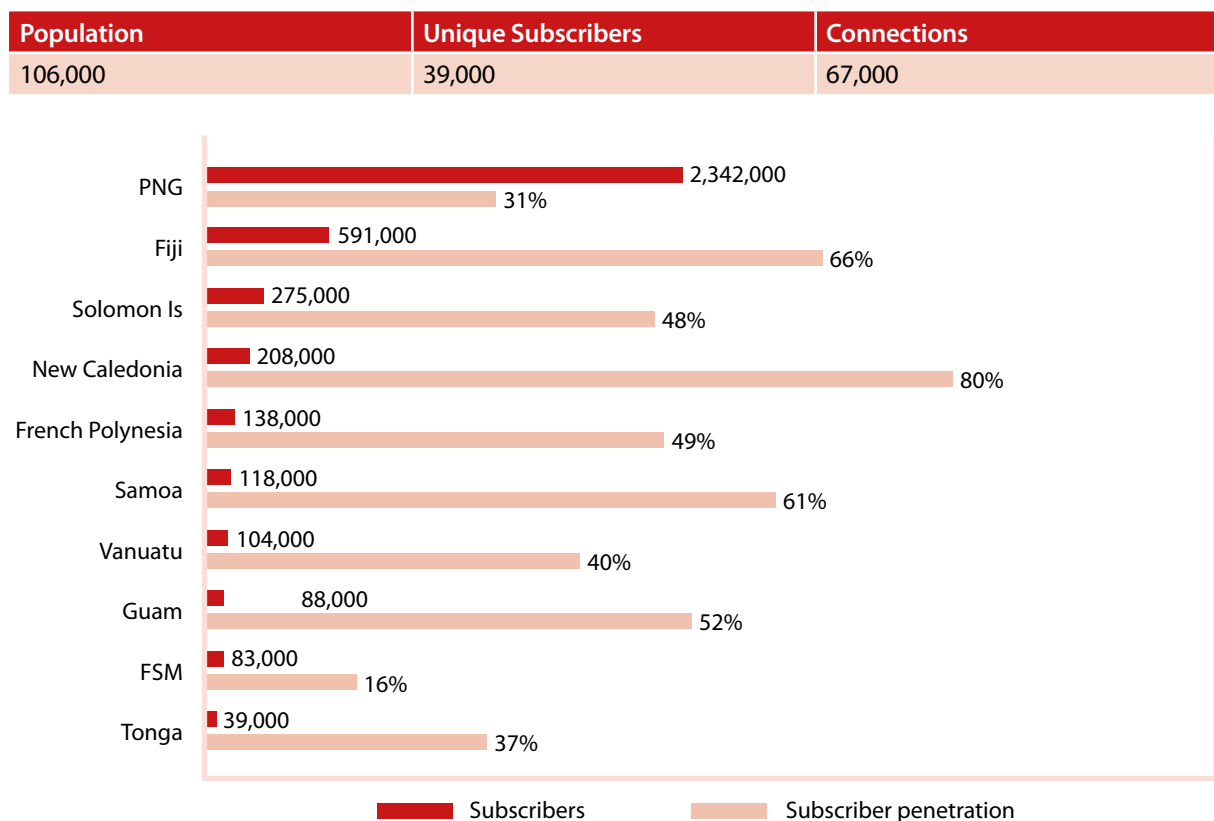
²⁸⁵ Ibid.

The Reserve Bank underwent a complete currency renewal in the middle of 2015 and believes the process of refreshing currency also proved an important preparedness step in terms of the logistics required in the event of a large-scale emergency and the need for large amounts of cash to be taken to multiple islands.²⁸⁶

MOBILE MONEY

The mobile network in Tonga covers over 96% of the population. Digicel and the Tonga Communications Corporation (TCC) have the greatest share of the market, with Digicel holding over 60% market share.²⁸⁷

Figure 20: Number and percentage of unique subscribers to mobile plans in Tonga compared to other PICs



Source: GSMA, 2015²⁸⁸

Digicel is one of the largest actors in Tonga's remittance market through the use of mobile transfers. On the main island of Tongatapu, Digicel operates its own shop fronts and branches, whereas on the outer islands Digicel partners with TBD to deliver cash.²⁸⁹

To provide financial services targeted at the unbanked, in 2012 Digicel Tonga launched a commercial Near Field Communication (NFC) service, 'Beep and Go'.²⁹⁰ Beep and Go is the world's first integrated NFC-capable wallet. It works by linking an NFC Point of Sale (POS) terminal to a mobile money wallet without the need for a credit card or smartphone. Digicel has seen over 50% of mobile money users register their accounts to an NFC tag, and a 30% increase in unique users of mobile money services. However, overall use of the service has been relatively slow, as many Tongans prefer to simply withdraw their cash in-store and then pay using cash.²⁹¹

²⁸⁶ Ibid.

²⁸⁷ McGrane, R. (21 April 2016). CEO, Digicel. (Hobbs, C., Jackson, R., Pickles, J. and Vo, R., Interviewers).

²⁸⁸ GSMA Intelligence. (2015). *The Mobile Economy Pacific Islands 2015*. [Online] GSMA Intelligence. Available at: <http://gsmamobileeconomy.com/pacificislands>.

²⁸⁹ McGrane, R. (21 April 2016). CEO, Digicel. (Hobbs, C., Jackson, R., Pickles, J. and Vo, R., Interviewers).

²⁹⁰ Ibid.

²⁹¹ Ibid.

As outlined in previous sections, Digicel has already provided cash in emergency response through its mobile network. A successful partnership was put in place with Digicel Tonga, UNDP and the Government of Tonga to deliver the government's cash for work programme in Ha'apai, following Cyclone Ian. This enabled programme participants to receive their funds in a timely, efficient manner at lower cost.²⁹²

MICROFINANCE AND THE INFORMAL SECTOR

The use of microfinance has already been outlined in the above section on the use of cash in existing development programmes. South Pacific Business Development (SPBD) is the largest provider of microfinance and lends to almost 5,000 people (over 25% of families). Its broader range of services include: loans, voluntary savings, insurance, and training and consulting associated with its loans and savings programmes.²⁹³ The average loan balance as of 2014 was US\$488, and SPBD holds over US\$280,800 in savings on behalf of over 8,000 savers.²⁹⁴

In addition to the formal financial sector, there is also a strong use of informal financial services, in particular store credit. This study interviewed a number of supermarkets and small market holders, and all outlined a process where considerable amounts of credit of over TOP\$100 (US\$50), were regularly provided to people between pay periods. Like other PICs, lending between family members and friends in Tonga appears to be less common than sharing and gifting money to those in need without expectation of repayment, particularly to family members and neighbours.

ACCEPTANCE AND APPROPRIATENESS

Interviews with government officials, NGOs, civil society and the general public revealed varying opinions about the appropriateness and acceptance of using cash-based programmes in emergencies. The most immediate issue relating to feasibility surrounded the technical issues of financial access and market functioning, as covered in the previous sections. It is clear that where there are no existing food markets, and where the basic items needed for recovery are not sold, that cash-based programming will not be possible. However, five other key themes emerged from the interviews, and are explored in more depth in this section. These are: (i) limited understanding about cash-based programming in emergencies, and many people's association of cash-based programming with one specific cash for work project in Tonga; (ii) concerns about whether emergency needs should be met with any formal assistance, let alone cash assistance; (iii) concern that giving people cash could create dependency; (iv) issues relating to gender dynamics and the provision of cash; and (v) perceptions of weak financial literacy in the country and concern about people's capacity to spend money appropriately. Some of the concerns raised are not unique to Tonga, or even the Pacific region, but may be valid in the context. This section provides quotes to highlight the perceptions of people interviewed on the main island of Tongatapu.

1. Limited understanding about cash-based programming in emergencies, and many people's association of cash-based programming with one specific cash for work project in Tonga.

The first key issue was that most people we spoke to equated cash transfer based programming with the Government of Tonga and UNDP's cash for work programme on Ha'apai, following Cyclone Ian in 2014. There was limited understanding about what constitutes cash-based programming, and how other forms of cash and voucher assistance also fall into this category. Therefore, initial responses to the proposal of humanitarian cash transfers were often framed in terms of the appropriateness of cash for work, and were heavily tainted by people's opinion of the programme they know. The quotes below demonstrate the competing views of government officials in Tonga towards using cash, based on contrasting perceptions of one particular project.

"Cash programming is not good in Tonga; people should start removing rubble and rebuilding without being paid for it"

Government official

²⁹² UNDP. (2016). *UNDP and Digicel Partner on Cash-for-Work in Ha'apai*. [Online] UNDP Pacific Office in Fiji. Available at: www.fj.undp.org/content/fiji/en/home/presscenter/pressreleases/2014/05/29/undp-and-digicel-partner-on-cash-for-work-in-ha-apai.html.

²⁹³ Lofgren, A. (21 April 2016). General Manager, South Pacific Business Development (SPBD) Microfinance Ltd. (Jackson, R. and Ofuyo, R., Interviewers).

²⁹⁴ MIX. (2014). *MFI Report: Financial Inclusion Lab Mix Market Analysis 2014*. [Online] MIX. Available at: www.themix.org/mixmarket#ixzz484He38OB [Accessed 12 May 2016].

“Cash programming can help with recovery. I think the cash for work [project] on Ha’apai was good for people’s recovery”.

Government official

2. Concerns about whether emergency needs should be met with any formal assistance, let alone cash assistance.

The second issue relating to acceptance of cash transfer programming is the question of whether assistance is required after an emergency at all. Many of the discussions the study field mission team had with people revolved around the fact that a large amount of remittances tends to pour into Tonga following natural disasters, and, therefore, giving people more money may not be necessary, or helpful. As discussed above, the government’s own agriculture and natural disaster preparedness plan revolves heavily around self-sufficiency and ensuring that there are enough root crops available after a disaster for the country to be self-sufficient. For this reason, most government officials and civil society members felt that cash could be more useful as medium-term recovery assistance. The Food Security Cluster does not yet have the tools to undertake food security assessments, and thus, this has never been analysed post-disaster, making it hard to determine whether this is actually true or not, or who may require assistance and could benefit from cash.

“People look after each other in times of crisis – some are poorer, without remittance and assets, but [there are] community systems in place to manage it. The people don’t need cash after emergencies”.

Government official

“People don’t need emergency assistance after a natural disaster, there will be enough food in the ground, but people might need longer-term help to rebuild their houses. So maybe cash for work could be a good idea”.

Government official

“I come from the furthest island, Niua. During big storms we seek shelter in the school. If houses are damaged we just work together to rebuild them using the trees and what we have on the island. We grow enough food that we can dig it up and eat afterwards if we have lost food; we don’t really need much help”.

NGO staff member

“Some people do need assistance after natural disasters, especially the elderly or the disabled. There are people that will need help”.

Civil society organisation director

3. Concern that giving people cash could create dependency

Another key issue linked to the needs-based question above is the concern shared by many government officials and members of civil society that cash may create dependency. There is a growing sense amongst many of the actors the field research team interviewed that the large amount of remittances received by Tongans each year is actually suppressing genuine self-agency and development in the country. There were mixed views on this; unfortunately, it was beyond the scope of this study to evaluate the issue in more detail.

Table 7 provides details on workforce participation and unemployment. It can be seen that there are relatively high levels of non-participation amongst men of working age who are not looking for work; however, there could be multiple reasons for this. Table 7 also provides an agricultural wage labour guide. Any cash for work style programming must be developed so as not to distort local wage rates.

“Giving people cash makes them dependent. After the cyclone hit Ha’apai, people were sitting around not working to repair things or remove the rubble, because they were expecting someone else to come and do it for them”.

NGO director

“After the cyclone, people were traumatized and sitting around feeling hopeless. The cash for work programme got people up and back to work; I would say it had a good psychological impact. It helped people to rebuild their lives”.

UN official

“There is always agricultural work available. Work is not the problem; it is that people don’t want to work to earn money [when they can rely on remittances]”.

NGO official

4. Issues relating to gender dynamics and the provision of cash

A number of organisations representing women's rights and the rights of the disabled were interviewed in order to determine whether cash would be an appropriate response given gender relations and the capacity of the disabled to access markets and/or financial services. Women were also interviewed separately to men in community-based consultations. The findings were varied; some people felt that cash would be more likely to be controlled by men and diverted to non-urgent needs, and could potentially cause antisocial behaviour, while most of the women interviewed from the general public did not express significant concern about this. In terms of domestic violence and the impacts of cash, global research highlights that where financial pressures are eased, rates of domestic violence are likely to decrease after a natural disaster; however, if cash-based programming is poorly designed and increases financial tension, it could have the opposite impact. Interestingly, the Family Protection Act Tonga 2013²⁹⁵ includes legislation against both 'domestic violence' and 'economic abuse'. It is illegal under Tongan law to deprive partners from finance and the capacity to make financial decisions relating to their money.

"I think that vouchers would be better than cash. If we give women cash, it's likely that their husbands may use it to buy items that aren't really needed". NGO director

"We know of cases of domestic violence which have been exacerbated by financial tensions relating to unpaid microfinance loans. We need to make certain that cash does not create more tension within a household". NGO officer

"Give the money to us; we know how to spend it. We're not worried about the men taking our money. If you give it to us, we will spend it on what we need".

Community member, female focus group discussion

"It would be better to give people with disabilities the food they need. Otherwise they might not be able to buy it". NGO director

5. Perceptions of weak financial literacy in the country, and concern about the capacity of people to spend money appropriately

The final issue raised in relation to the acceptance and appropriateness of cash was financial illiteracy. Many government officials and civil society members questioned whether those in need would budget and use the money appropriately. A variety of issues were raised which ranged from poor capacity to budget to the likelihood that households would gift at least a portion of any money they are given to church groups and to fulfil other social obligations. Interestingly, many members of the public, but not all, thought this about their own capacity to manage cash. Part of this issue is that giving commodities is culturally engrained in Tonga, and there is strong social acceptance of both giving and receiving food and non-food items.

"Money come into one's hands and then it goes out through the fingers".

Member of the public

"You would have to be careful not to give people cash and then have them give it away through church obligations or other social obligations". NGO director

"Probably it would be better to give people vouchers; that way you would know that money was being spent on basic items. I think vouchers could be a good idea".

NGO director

"Yes, give us cash then we can buy what we want to buy. We need money; we have food in the ground but we have no money. Where would we get money after a disaster to repair our house?".

Member of the public

²⁹⁵ Family Protection Act Tonga (2013). [Online] Available at: www.crownlaw.gov.to/cms/images/LEGISLATION/PRINCIPAL/2013/2013-0018/FamilyProtectionAct2013_1.pdf.

There are clearly varying views about the appropriateness of using of cash as a tool in emergencies. The lack of evidence and knowledge around best practice and programming options clouds existing perceptions. However, it is clear that the design of cash-based programmes in Tonga should take into consideration some of the key issues raised, such as ensuring that cash helps people to recover and builds resilience not dependency, and that gender dynamics and financial literacy considerations are taken into account.

CONCLUSIONS AND RECOMMENDATIONS

Tonga is an Upper Middle Income Country that is highly vulnerable to climatic hazards. Compared to other countries in the region, Tonga has relatively good basic infrastructure and more developed social services. The findings show that there are some islands where cash-based programming is not a good option. Many of the outer islands demonstrate few features that indicate cash-based programming would be feasible, let alone suitable; this is the case on islands where there are no formal markets, and where households subsist on what they produce and on bartering between families. However, innovative voucher-based programmes linked to suppliers in Tongatapu could be an option even in these remote locations. The islands of Tongatapu, Ha'apai and Vava'u all offer good opportunities for cash-based programming, and some of the other island clusters could also utilize cash- or voucher-based programmes if well designed.

Overall, it can be seen that there are already a number of cash-based initiatives occurring in Tonga, and that when disasters strike, cash is already an important part of the response through the role that informal remittances play as a basic but informal social protection mechanism. However, an overall limited understanding amongst key actors of the role of cash in emergencies, and limited inclusion of existing social protection agencies in the emergency clusters, demonstrate that at a national level there is no coherent planning and preparedness for using cash transfers. Based on our interviews with various cluster leads, it is also evident that there are no standardised tools for determining when and where cash may be appropriate, and under what conditions.

Ultimately, it is feasible to use cash in Tonga in emergency situations, and it will be a good response option in many circumstances. This report has highlighted some of the key factors for consideration by major actors to better prepare for cash-based programming in emergencies. Some specific recommendations are outlined below.

RECOMMENDATIONS

- **CTP design and monitoring should be informed by improved needs analysis.** Appropriate programme design for CTP should be based on clear and articulated need, as this will reduce concerns relating to dependency and will ensure that cash is only provided where it best supports people to meet their basic needs, while encouraging resilience.
 - Emergency assessment tools used by the clusters should be designed to determine emergency needs. As an example, one gap identified by the study is that the food cluster undertakes emergency agricultural assessments, which is good for articulating medium- and longer-term food security needs and agricultural losses but does not assess emergency food needs to determine who requires immediate assistance and at what level. It is recommended that Tonga adapts an Integrated Food Security Phase Classification (IPC) tool, in line with international standards. This is likely to require training from a partner organisation.
 - Standardised tools should be developed for determining when and under what conditions cash is appropriate as an emergency modality.
 - Investment should be made in ongoing monitoring and building baseline information prior to and in preparedness for a crisis.

- **There are already several cash-based activities in Tonga, and it would be advantageous to bring actors together for preparedness planning, which can be coordinated through NEMO.** Ensuring adequate preparedness and planning will be vital so that cash can be utilised at scale, rapidly, and to its full potential when natural disasters occur. Given that there are a number of different actors undertaking different preparedness activities, it will be important to bring all of these organisations together.
 - Bringing together telecommunications and the banking sector with the clusters will help with mapping out where cash is feasible, and will ensure that actors are better positioned to coordinate when a disaster occurs.
 - Involving the private sector in preparedness drills and activities will support coordination.
 - Training and sensitisation of key government officials from social protection agencies could be helpful in determining how existing social protection mechanisms can be scaled up or utilised in emergencies.
 - There is a demand for increased knowledge amongst government and private sector actors on best practice cash-based programming, and this can be supported by increased dialogue, sensitisation, publications and training opportunities across the private and government sectors.
- **'Know Your Customer' (KYC) and the impact of new legislation in an emergency.** The limited current requirements for KYC ensure that cash-based disaster planning could be easily implemented and would be flexible in times of emergencies, when people often lose their ID. However, these laws are going to change and the impacts are not certain.
 - Ensure that any KYC legislation or regulations are disaster-sensitive and take into consideration issues relating to loss of ID in times of natural disasters.
- **Practical next steps for preparedness.** This paper has done much work to pull together available market information, labour wage rates, price information for basic food items, and other basic data that could help in the design of cash and voucher programmes. Some of the practical and important next steps include:
 - Carrying out an update on the 2011 market baseline mapping undertaken by FAO.
 - Further analysis of labour wage rates and employment, unemployment and underemployment on the various islands to determine appropriate rates of pay in the case of future cash for work programming.
 - More detailed analysis of existing market price data to determine basic commodity 'baskets' on different islands, to guide the cash/voucher amount.
 - Designing practical guidelines for ensuring that cash programmes are gender-sensitive and take into account the needs of people with disabilities.

APPENDIX 2: MONTHLY PRICES OF KEY FOOD ITEMS USED IN THE TONGAN NATIONAL CONSUMER PRICE INDEX

	Unit	2013	2014	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Root crops																	
Talo – Futuna	1 kg	0.97	1.04	0.95	1.09	1.36	1.36	1.11	1.51	1.62	1.85	2.04	2.20	2.07	2.71	2.28	2.49
Talo – Tonga	1kg	1.13	1.04	1.50	1.29	1.64	1.53	1.33	2.13	1.72	2.30	2.58	2.48	2.24	2.24	2.41	3.18
Manioke	1 kg	0.65	0.59	0.50	0.54	0.55	0.50	0.50	0.54	0.60	0.64	0.60	0.66	0.66	0.78	0.77	0.90
Kumala	1 kg	1.03	1.27	1.51	1.37	1.87	2.44	1.78	2.19	2.28	2.76	2.87	2.71	2.24	2.41	2.16	2.18
Yams, early	1 kg	4.01	3.93	4.98	5.43	5.66	4.07	3.87	4.26	4.70	4.05	4.41	7.22	8.89	8.35	7.41	8.59
Yams, late	1 kg	2.79	1.92	1.73	1.73	1.73	1.73	1.73	2.15	2.47	2.76	2.56	2.97	3.57	3.81	3.94	4.54
Vegetables																	
Lu	1 kg	3.64	4.21	5.83	7.43	8.44	5.30	5.15	6.28	5.97	7.26	5.80	4.93	4.58	4.41	5.99	4.80
Pele	1 kg	2.03	2.25	2.62	3.44	3.73	3.00	2.52	1.85	1.95	2.98	2.74	2.20	1.94	1.73	2.01	1.64
Tomatoes	1 kg	3.78	4.51	1.77	1.23	2.14	4.02	6.48	10.90	7.75	5.64	7.33	4.63	1.41	0.71	0.66	1.02
H/Cabbage	1 kg	2.70	2.84	2.36	3.11	4.17	3.70	4.57	3.88	3.80	2.37	2.25	0.94	1.17	0.96	1.39	1.24
Carrots	1 kg	3.41	3.59	3.68	2.98	3.87	3.98	3.40	5.18	6.24	5.28	6.57	5.23	5.02	2.07	1.19	1.35
Capsicum	1 kg	6.44	7.85	5.91	4.21	7.88	5.69	3.25	5.38	8.11	12.53	10.50	6.94	8.66	4.71	5.58	5.28
Fruits and nuts																	
Bananas, ripe	1 kg	2.37	2.23	2.83	2.55	3.23	2.57	1.80	2.26	2.81	3.64	4.42	3.04	4.82	3.96	3.40	3.01
Watermelon	1 kg	1.28	1.48	2.16	2.02	2.30	1.99	1.47	1.07	2.23	2.41	3.62	2.22	1.45	1.46	1.50	1.52
Pineapple	1 kg	5.31	4.76	4.16	2.70	4.74	4.65	7.43	5.91	7.26	7.11	9.03	6.99	5.82	8.54	5.57	4.19
Pawpaw	1 kg	1.86	1.60	1.54	1.37	1.59	1.75	1.42	1.67	2.41	3.09	2.76	2.64	2.07	1.45	1.48	1.56
Coconut, dry	1 kg	0.37	0.36	0.36	0.39	0.37	0.34	0.39	0.35	0.42	0.47	0.42	0.48	0.46	0.57	0.55	0.64
Coconut, green	1 kg	0.64	0.68	0.70	0.70	0.78	0.77	0.78	0.74	0.80	0.81	0.90	1.08	1.01	1.01	1.02	0.99
Peanuts	1 kg	20.19	21.13	24.00	24.00	24.00	24.00	24.00	24.00	21.52	22.00	22.00	22.67	22.67	22.67	23.67	24.00
Marine and animal products																	
Sausages	1 kg	7.08	6.95	6.88	6.88	6.88	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Eggs	1 egg	16.60	16.91	16.38	16.38	16.38	16.38	16.38	16.88	17.00	16.50	16.50	16.50	16.50	16.50	16.50	16.50
Tuna	1 kg	10.37	10.95	10.25	9.00	10.00	9.88	10.00	10.00	10.27	10.00	10.00	10.56	9.79	10.00	10.25	10.00
Octopus	1 kg	14.73	15.94	22.06	26.48	19.99	12.00	21.40	23.15	18.04	21.39	18.93	14.01	11.57	12.81	12.82	18.39
Cockles (to'o)	1 kg	3.50	4.33	4.08	4.82	3.77	3.21	2.78	3.25	4.30	5.15	7.55	6.29	5.65	5.19	4.28	4.81
Stringed fish, mixed	1 kg	7.92	7.88	7.16	7.17	7.88	7.06	7.43	7.38	7.80	7.96	8.86	10.01	8.51	8.04	7.38	8.99



COUNTRY SNAPSHOT: TONGA

	Unit	2013	2014	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sept 15	Oct 15	Nov 15	Dec 15	Annual change %
Fruits and Vegetables																		
Potatoes	1 kg	2.79	3.05	3.10	3.33	3.25	3.58	3.60	3.80	3.60	3.35	3.48	3.48	3.48	2.98	2.98	2.98	-11%
Onions	1 kg	3.01	3.28	3.38	3.13	3.38	3.50	3.50	3.50	3.50	3.35	3.38	3.38	3.38	3.10	3.10	3.10	-1%
Apples	1 kg	8.63	8.58	8.63	8.10	8.10	8.63	8.63	8.63	8.63	8.63	8.63	8.63	8.63	8.63	8.63	8.63	7%
Oranges	1 kg	12.90	12.63	12.90	9.75	9.75	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	5%
Meats, Fish and Poultry																		
Mutton Flaps	1 kg	11.50	13.52	14.43	14.04	13.92	13.96	13.39	13.06	12.49	11.69	11.74	10.58	10.76	10.81	10.88	10.75	-23%
Chicken Pieces	1 kg	3.84	3.77	3.52	3.63	4.28	4.57	3.76	3.70	3.57	3.24	3.10	2.97	2.99	3.04	3.08	3.05	-16%
Other Food																		
Flour	1 kg	1.85	1.74	1.65	1.65	1.71	1.71	1.71	1.71	1.71	1.74	1.68	1.70	1.70	1.67	1.67	1.69	3%
Sugar	1 kg	2.25	1.99	1.83	1.83	1.84	1.89	1.99	2.01	1.99	2.00	1.98	1.95	1.96	1.91	1.91	1.91	5%
Tobacco																		
Winfield Blue	Pack	11.24	11.25	11.26	11.26	12.35	12.56	12.53	12.60	12.74	12.56	12.61	12.64	12.66	12.71	12.85	12.85	14%
Port Royal	Pack	23.21	23.21	23.21	23.21	23.07	23.02	23.02	23.02	23.02	23.02	23.02	23.02	23.02	23.02	23.02	23.02	-1%
Private Transportation																		
Petrol	Litre	2.83	2.82	2.71	2.59	2.40	2.15	2.14	2.28	2.34	2.42	2.55	2.57	2.44	2.37	2.34	2.27	-12%
Diesel	Litre	2.90	2.87	2.74	2.64	2.48	2.25	2.21	2.29	2.31	2.37	2.45	2.41	2.29	2.27	2.28	2.24	-15%

Source: Government of Tonga, 2015²⁹⁶²⁹⁶ Government of Tonga. (2015b). *Consumer Price Index*, Nuku'alofa: Government of Tonga, Statistics Department.

Table 7: Labour force participation and wage rates

Age group	Labour force (%)		working (%)		unemployment rate (%)	
	poor	non poor	poor	non poor	poor	non poor
14–10	6.8%	3.7%	6.8%	3.7%	0.0%	1.6%
19–15	23.1%	18.9%	19.0%	15.8%	17.6%	16.4%
24–20	61.4%	59.7%	50.6%	52.9%	17.7%	11.4%
29–25	74.5%	78.3%	67.9%	72.8%	8.8%	6.9%
34–30	74.1%	78.9%	68.7%	76.4%	7.3%	3.1%
39–35	73.3%	77.6%	70.5%	76.2%	3.8%	1.9%
44–40	75.1%	77.2%	74.2%	75.5%	1.3%	2.2%
49–45	78.0%	77.2%	76.3%	76.0%	2.2%	1.6%
54–50	73.2%	70.8%	71.5%	70.1%	2.3%	1.0%
59–55	64.1%	62.3%	63.4%	62.0%	1.0%	0.5%
64–60	58.1%	52.5%	57.7%	52.2%	0.7%	0.6%
69–65	46.8%	45.8%	46.3%	45.8%	1.1%	0.0%
74–70	39.0%	40.5%	39.0%	40.5%	0.0%	0.0%
75+	20.6%	14.7%	20.6%	14.7%	0.0%	0.0%
Sum	52.5%	57.2%	49.2%	54.8%	6.3%	4.1%

 Source: Government of Tonga, 2015²⁹⁷

²⁹⁷ Government of Tonga. (2015c). *Unpublished: 2013–2014 Household Income and Expenditure Survey, Preliminary Findings – Release 1*, Provided by Fiji Bureau of Statistics.

ANNEX 2: COUNTRY SNAPSHOT: FIJI

Fiji Country Snapshot is an annex to the CaLP Scoping Study into CTP feasibility in the Pacific, although it can also be used as a standalone document. It summarises the critical information necessary for consideration of factors related to the use of CTP in times of crisis, whether before, during or after the event. As well as drawing on a considerable foundation of research on the topic in Fiji, the document represents the inputs and contributions of a wide range of stakeholders consulted during the study. The research was carried out over a three-week period, in which one week was spent in Suva.

The Fiji Snapshot should be read by practitioners, policy makers and other concerned stakeholders in Fiji, and is expected to provide a platform from which further discussion might be had and decisions might be made. It begins with some critical context, and moves on to consider the Tropical Cyclone Winston response as an ongoing case study. It concludes with analysis, reflecting the viewpoints and perceptions of the stakeholders of the study, and provides consolidated recommendations for next steps which include immediate activities, filling gaps in evidence and research, and taking advantage of opportunities moving forward.

The Government of Fiji was able to transfer cash to a large number of people within a four-week period following Tropical Cyclone Winston, which hit Fiji in February 2016. The ongoing social assistance; the multiple other programmes that are operating in-country; and the and the TC Winston response demonstrate the immediate viability of CTP in Fiji. Though widely accepted as a tool in crises, a strong preference for conditional and restricted CTP has limited opportunities to meet needs through market support. The potential gains of CTP are under-realised, and markets could be used much more effectively in a way that integrates local markets and promotes choice for recipient households.

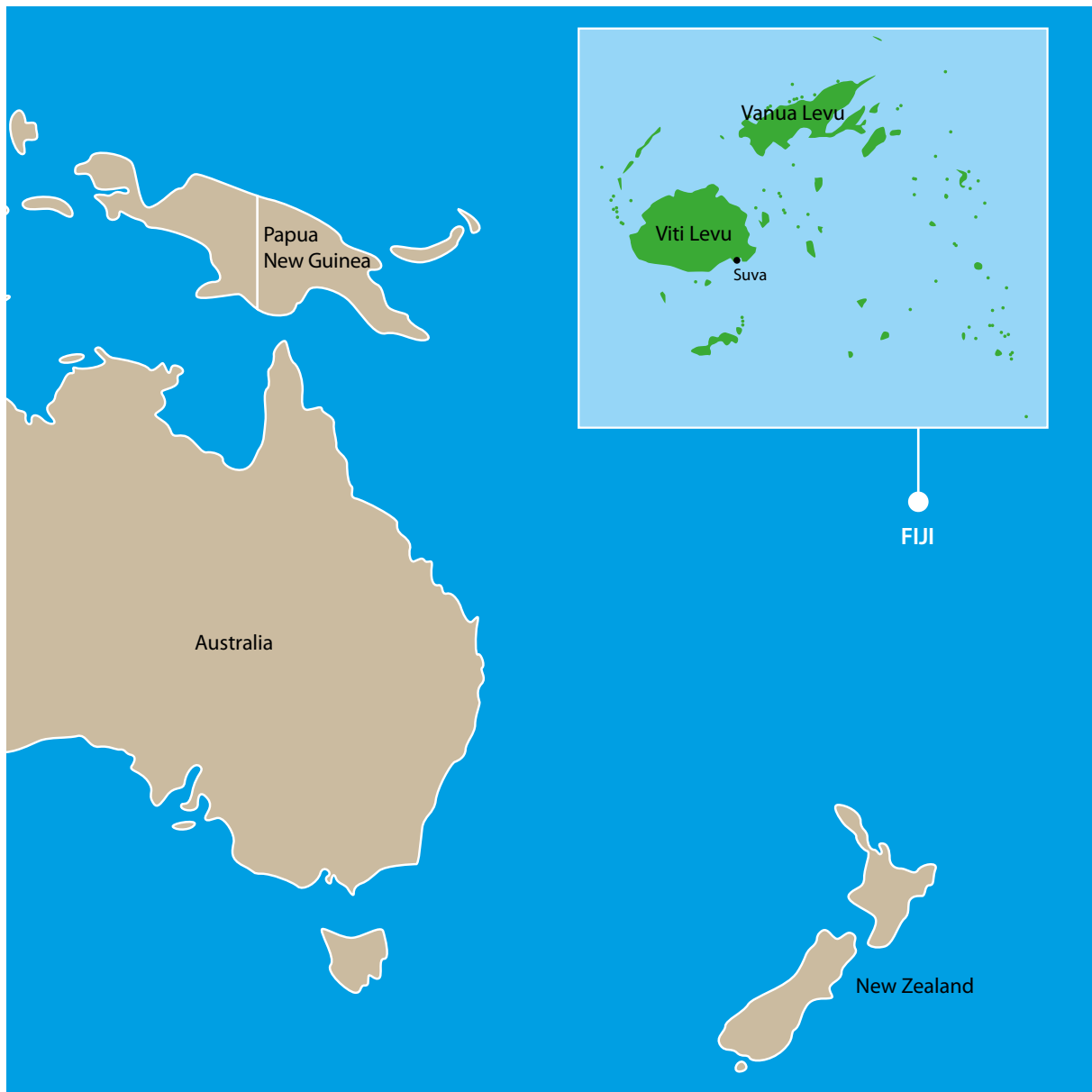
BACKGROUND

The Republic of Fiji is made up of 332 islands, 106 of which are inhabited.²⁹⁸ Its population is estimated at approximately 858,000, of which 46.8% are of indigenous Fijian origin and 37.5% are indo-Fijian,²⁹⁹ descendants of a population that first arrived from India in the 18th century. The two largest island of Vanua Levu and Viti Levu account for three-quarters of the total land area of the country. Taveuni and Kadavu are the third and fourth largest islands respectively, and others are grouped into Mamanuca and Yasawa, Lomaiviti and the Lau Group. Rotuma, the most remote island, is some 500km north of the archipelago, and has special administrative status.

²⁹⁸ CIA. (2016b). *The World Factbook: Library*. [Online] Central Intelligence Agency. Available at: www.cia.gov/library/publications/the-world-factbook [Access 08 July 2016].

²⁹⁹ Ibid.

Figure 21: Map of Fiji



Viti Levu is home to nearly 75% of the population, who live in the country's capital, Suva; and the other key towns of Nadi, a tourism centre and host to the international airport; and Lautoka, where much of the country's sugar cane production is centred. Suva is the central international port for goods and home to all administrative offices, as well as the regional base of many private, UN and civil society entities working across multiple countries in the region. Scheduled domestic flights operate between Viti Levu and the island groups, but travel by sea is much more affordable and more commonly used.

DISASTER PROFILE

Fiji is ranked as the country facing the 16th highest level of disaster risk in the world, and 14th most exposed to natural disasters. The South Pacific is estimated to have been hit by 1,000 tropical cyclones with hurricane force winds in the past 60 years – approximately 16 per year on average. Amongst some of the strongest storms to hit Fiji are tropical cyclones Kina and Ami, in 1993 and 2003 respectively. Together these killed 404 people, while strong winds and widespread coastal flooding caused damage and destruction to infrastructure, buildings and farmland, costing the economy between US\$200m and US\$300m.³⁰⁰ Tropical Cyclone Winston, which struck in February 2016, was the strongest cyclone (category 5) to make landfall in Fiji in recorded history and resulted in 44 fatalities.

The vulnerability to natural disasters is expected to cost Fiji US\$79.7m on average per year in losses in future, which will have a significant erosive impact on its economic development. Fiji's development and trade are further challenged by its relatively small size and its isolation from global markets. Fiji is relatively better connected than many Pacific Island Countries (PICs), which means that markets are more diverse and better integrated, but long distances to, from and within Fiji make transport of goods and people expensive. Like most PICs, Fiji has a trade deficit, meaning that it imports more than it exports.

This reliance on imports makes Fiji vulnerable to external price and supply volatility. The relative impact of this on consumers is discussed in more detail in the section below on markets.

VULNERABILITY

Understanding the appropriateness of CTP in any context requires an understanding of socioeconomic vulnerability. While understanding vulnerability is critical to any programme decision-making process, understanding whether CTP is an appropriate solution means understanding the specific nature of vulnerability and the means by which people make, save and spend their money over time. Put simply, if the problem is not one that can be resolved by increasing disposable income, then CTP may not be the most appropriate modality to meet needs, at that time.

The 2013–2014 Household Income and Expenditure Survey (HIES) in Fiji³⁰¹ records that 237,405 people lived in households whose total earnings were below the poverty line. Representing 28.7% of the population, this is a fall of 2.9% since the 2008–2009 survey. Poverty rates are uneven across the country, with rates as high as 52.6% and 42.1% amongst rural populations in Northern and Eastern Fiji respectively. Nationally, around 19.8% of the urban population live under the poverty line, compared with 36.7% of the rural population.

There is an even population split between urban and rural areas (50.1% and 49.9% respectively), but a household living in a rural area is twice as likely to be unable to meet their basic needs. They are also likely to have a greater dependency ratio, regardless of their wealth status. Some research talks about the 'poverty of opportunity'³⁰² for people living in rural areas, referring to challenges in accessing commodities at affordable prices and services such as financial services, education and healthcare. Households living in poverty in urban and rural areas have greater dependency ratios, are more likely to be headed by a female, and are less likely to have continued education beyond high school.

The HIES notes eight primary income sources reported by survey respondents, which are included in Table 8 below. Since it is common in Fiji for two or three people within the household to be working, these data can be difficult to analyse. One household may be involved in casual wage earning, agriculture and subsistence, for example. It is also common for at least two generations in one household to be contributing to household income, as is the practice of remittance of funds, either from the urban areas of Fiji or from a family member working outside the country.

³⁰⁰ World Bank. (2011). *Fiji – Country Risk Profile*. Washington, D.C. [Online] World Bank Group. Available at: <http://documents.worldbank.org/curated/en/2015/05/24559773/fiji-country-risk-profile>.

³⁰¹ Government of Fiji. (2015a). *FBoS Release No: 98, 2015 – Statistics New Bulletin – HIES*. [Online] Available at: www.statsfiji.gov.fj/component/advlisting/?view=download&format=raw&filed=1381 [Access 07 June 2016].

³⁰² Brown, R. P., Connell, J., & Jimenez-Soto, E. V. (July 2014). Migrants' Remittances, Poverty and Social Protection in the South Pacific: Fiji and Tonga. *Population, Space and Place*, 20(5), 434–454. Retrieved from: <http://onlinelibrary.wiley.com/doi/10.1002/psp.1765/citedby>.

One anomaly in these data, for example, is subsistence, which is reported in the HIES as being the primary income source for just under 5% of the population; however, semi-subsistence is common practice in rural and peri-urban areas. In fact, it is considered so viable across the country that the government is supporting subsistence as a food security strategy, as well as an emergency preparedness and response strategy.

Table 8: Income sources per respondent in recent Household Income and Expenditure Surveys in Fiji (%)

Income Sources	2002–03	2008–09	2013–14
Permanent Wages and Salary	851 (43)	1,344 (44)	2,143 (61)
Casual Wages	228 (11)	294 (10)	277 (7.3)
Agriculture Business	197 (10)	216 (7)	345 (9.1)
Commercial Business	145 (7)	126 (4)	171 (4.5)
Subsistence	151 (8)	158 (5)	187 (4.9)
Remittances and Gifts	84 (4)	259 (9)	402 (10.5)
Other Income	342 (17)	652 (21)	114 (3.0)
Total	1,998 (100)	3,049 (100)	3,639 (100)

Source: Government of Fiji, 2015³⁰³

Remittances were reported in the survey as the principle income source for 10.5% of the population, a proportion that has more than doubled since 2002–2003. Though there is a good amount of research into remittances, there is some discrepancy in available data on the significance of remittances as an income source for Fijian households. One study reports that 15% of Fijians live overseas and that one-third of all households have at least one international migrant.³⁰⁴ The same study reports that 43% of all households receive remittances, meaning that one remitter contributes to more than one household. This estimate would best match the input of stakeholders in this study, who repeatedly highlighted the significance of remittances to household income.

The Asian Development Bank's (ADB's) analysis of its 2012 household survey data indicated that 20% of the population live in households receiving remittances from abroad, and a further 12% receive domestic remittances, i.e. money transferred from one area of the country to another. As well as being a significant factor in household resilience, stakeholders interviewed for this CaLP study – particularly those in the private sector – considered the receipt and management of remittances as good indicators of the relative feasibility of transferring cash in crises.

Over 30% of the population in Fiji live in poverty in normal times, meaning nearly one-third of all Fijians struggle to meet their minimum basic needs. Many more live very close to the poverty line and are therefore at risk of not being able to meet basic needs during a crisis. People lose assets and income opportunities immediately following a crisis, and in this environment it may be appropriate to provide cash support.

GENDER

The last decade has seen the introduction of new legislation in Fiji to protect women at home and at work, and to ensure that women are better represented in national and local governance. The National Women's Action Plan 2010–2019 intends to address structural and social barriers that impede gender equality.³⁰⁵ But as these developments progress, women remain under-represented in positions of power and earn considerably less than their male counterparts. Traditional and distinct male and female gender roles continue as before (as discussed below), though this is much more likely to be the case in rural and peri-urban areas.

³⁰³ Government of Fiji. (2015b). *2013–2014 Household Income and Expenditure Survey*, Suva. Government of Fiji: Statistical News.

³⁰⁴ There is a substantial presence of Fijian men in the security industry in the Middle East, according to Bedford and Hugo (2012).

³⁰⁵ CARE. (2016). *Rapid Gender Analysis: Tropical Cyclone Winston Fiji*. [Online] The Live and Learn-CARE partnership. Available at: www.sheltercluster.org/sites/default/files/docs/ll-care_tcwinston_rapidgenderanalysis.pdf.

Gender concerns which emerged during the study primarily related to a need to focus on understanding women's burden of work. In addition to gender-determined roles in agriculture, with women primarily working with small livestock and in petty trade, women are responsible for childcare and housework. The Asia-Pacific Human Development Report³⁰⁶ cites recent research that puts the value of unpaid household work at almost FJ\$480m (US\$237m), a figure greater than the income from sugar or tourism, the country's two largest industries. One 2007 study estimated that women in Fiji work 26–31% more hours than men due to their heavy burden of childcare and household maintenance.³⁰⁷ These burdens increase following a disaster.

Household decision making is a complex issue, as is control over household expenditures. Many studies report a mixed picture when it comes to the balance of power between men and women^{308, 309}. Though traditionally men would have control over the income, and in many cases earn more income within a household, cited reports identify an increasingly balanced control in some cases, and others claim that about 50% of women have some control. However, issues around lack of independence of women came up as a contributor to domestic violence, with some stakeholders concerned that women are unable to leave violent husbands due to lack of financial independence³¹⁰ which was reinforced by interviews undertaken within this study.

Understanding the gender dynamic in household income and expenditure is critical in all programmes, but the fact that CTP provides additional 'income' in the same form brings sensitivities that need to be identified. Women's work burden becomes important when considering cash for work programmes especially, and this was the reason for this issue arising repeatedly in the course of this study. There are a number of options that may be more appropriate for women, or men, with high workloads; one set of options are to base cash for work schemes on the type of work people might already do, such as childcare; the other option is to provide cash without a condition of work.

TROPICAL CYCLONE WINSTON

The fieldwork for this study took place eight weeks after Category 5 Tropical Cyclone (TC) Winston, the most severe cyclone ever recorded in the South Pacific, which hit Fiji on 20 and 21 February 2016. As shown in the map below, the cyclone passed across the middle of the two main islands of Fiji, having the most impact on the north of Viti Levu, Taveuni and on the smaller islands in its path. Forty-four people lost their lives as a result of the cyclone and over 62,000 people were evacuated to nearly 900 evacuation centres. The government declared a State of Natural Disaster for 30 days and officially requested international assistance.

³⁰⁶ UNDP. (2010). *Asia and the Pacific Human Development Report 2010*. p 63. [Online] UNDP. Available at: www.undp.org/content/undp/en/home/librarypage/hdr/asia_and_the_pacifichumandevelopmentreport2010.html.

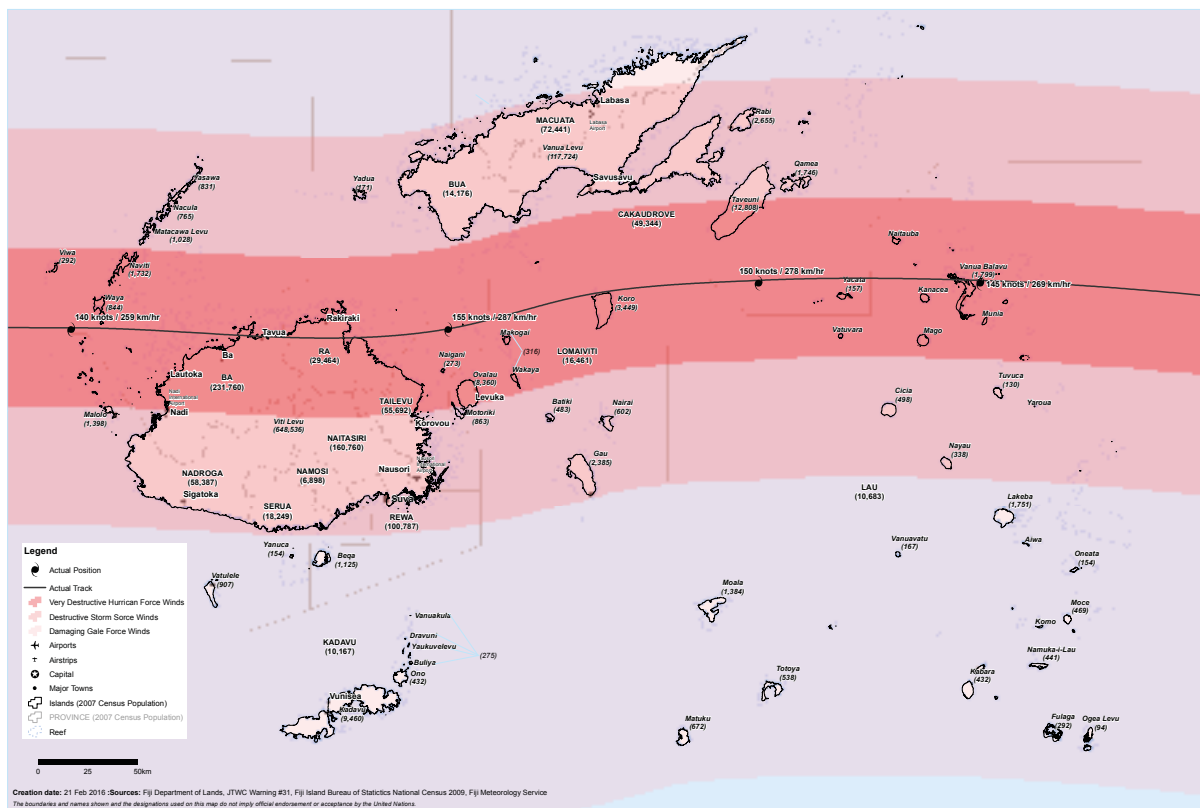
³⁰⁷ Narsey, W. (2007). *Gender Issues in Employment, Underemployment and Incomes in Fiji*. [Online] Suva: Vanuavou Publications. Available at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.606.2187&rep=rep1&type=pdf>.

³⁰⁸ CARE. (2016). *Rapid Gender Analysis: Tropical Cyclone Winston Fiji*. [Online] The Live and Learn-CARE partnership. Available at: www.sheltercluster.org/sites/default/files/docs/ll-care_tcwinston_rapidgenderanalysis.pdf.

³⁰⁹ Narsey, W. (2007). *Gender Issues in Employment, Underemployment and Incomes in Fiji*. [Online] Suva: Vanuavou Publications. Available at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.606.2187&rep=rep1&type=pdf>.

³¹⁰ UNFPA. (2008). *An Assessment of the State of Violence Against Women in Fiji*. [Online] Suva: UNFPA Pacific Sub Regional Office. Available at: www.un.org/womenwatch/ianwge/taskforces/vaw/Fiji_VAW_Assessment_2008.pdf.

Figure 22: Fiji Map – Tropical Cyclone Winston, 21 February 2016



Source: OCHA, 2016³¹¹

Nearly 350,000 people living in the cyclone’s path were affected. Initial assessments identified that 28,000 homes were partially damaged or totally destroyed.³¹² In addition to the damage to homes, people lost productive assets, food and seed stocks. Many of the homes affected by Cyclone Winston were then affected by the storms and floods immediately preceding Cyclone Zena at the beginning of April 2016, which undermined much of the rehabilitation that had taken place or was underway.

The TC Winston response is representative of the logistical challenges of responding to multiple, immediate needs of a highly dispersed population. The smaller, outer islands most affected have a population of between 800 and 4,000 people, according to the 2007 census. Two have fewer than 200 people living on them permanently. According to OCHA, international assistance in the form of military and other air support made it possible to reach these areas in the first month. As support tapered off in the following months, the issue of reaching affected islands became a burden shared by households, humanitarian actors and the private sector.

This study took place immediately following the Post Disaster Needs Assessment (PDNA), the findings of which were not available by the completion of this report. One stakeholder interviewed for the study had been involved in the PDNA data collection, and made reference to an increase in poverty rates of 33% following Cyclone Winston. Given the fragility of food and income security of a large proportion of the population, it would follow that the loss of income and assets in the crisis would increase poverty, at least in the short term.

³¹¹ OCHA. (2016b). *Fiji: TC Winston Final Track – 21 February 2016*. [Online] ReliefWeb. Available at: <http://reliefweb.int/map/fiji/fiji-tc-winston-final-track-21-feb-2016>.

³¹² OCHA. (2016a). *Fiji: Severe Tropical Cyclone Winston, Situation Report No. 18*. [Online] Available at: www.humanitarianresponse.info/en/system/files/documents/files/ocha_tc_winston_situation_report_18.pdf.

Fiji has been struck by a number of consecutive crises. Prior to Tropical Cyclone Winston, the same region was impacted by delayed rains, which are also predicted for the coming season. One month after TC Winston, flooding caused by the passing Cyclone Zena washed away much of the recovery efforts and support provided to people by the Ministry of Agriculture.³¹³ Aggregate shocks are a common challenge for Fiji and countries in the Pacific.

COORDINATION

The response to Tropical Cyclone Winston is being coordinated by the National Disaster Management Office (NDMO), and the government leads a number of sector-level clusters. The government has led strongly within the response and requires sign-off on all critical decisions, including approval of assessments and programme decisions. The government led on situation and response analysis in the early stage of the response.

The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) was leading an ad hoc Cash Working Group (CWG), which was formed for the relief efforts and was regularly attended by more than 20 people from at least 10 different agencies from the UN and I/NGOs in the initial phases of the response. The CWG coordinated information on who is doing what and where, shared relevant information to stakeholders and convened a number of specific, and a number of specific technical discussions related to cash. The CWG produced guidelines on cash for work, cash for food and cash for assets, which are available through a Google group.

CTP CAPACITY

The use of cash as a component of development and humanitarian programming is not a new phenomenon in Fiji. Social protection programmes were developed over the last decade and cash transfers have been used by the government, the UN and civil society at a small scale in previous crises. The box below outlines ongoing and planned CTP activities that are implemented by development and humanitarian practitioners in Fiji. The majority of this information was consolidated by the informal Cash Working Group in Suva, led by OCHA. The study team has added additional information provided during the course of the interview period.

Also important to note are the large-scale cash transfers ongoing through traditional social assistance systems such as remittances, from the diaspora and through microfinance from the private sector. As noted above, remittances are received by 26–43% of the population and is widely acknowledged by actors as the most responsive social assistance in crises. Microfinance is available in all rural areas and provided by three different private sector bodies, which is discussed in the later section on financial service providers.

³¹³ MoA distributed one million seedlings and 500,000 packets of seeds due to floods that destroyed some 60–70% of targeted land.

CTP in development and social assistance	
Ministry of Women, Children and Poverty Alleviation ³²¹ (also referred to as Ministry of Social Welfare)	<p>Poverty Benefit Scheme (PBS) – formerly a part of the Family Assistance Programme (FAP). Targets poor households with a monthly income less than FJ\$1,400. Special consideration is given to people with disabilities</p> <p>Care and Protection Allowance (C&P) – also part of the former FAP, targeting underprivileged children (transfer provided to the caregiver).</p> <ul style="list-style-type: none"> Under PBS and C&P schemes, the Ministry of Women, Children and Poverty Alleviation transfers monthly cash grants ranging from a minimum FJ\$25 up to a maximum of FJ\$110 to the beneficiaries, depending on household size, up to a maximum of four household members. In addition to the cash grant, beneficiaries under these two programmes also receive a monthly FJ\$50 food voucher. These programmes reach 13% of the population. <p>Social Pension scheme targeting people aged 68+ years, with an annual household income not exceeding FJ\$9,100; beneficiaries receive FJ\$50 monthly.</p> <ul style="list-style-type: none"> All funds transferred through these schemes use electronic transfers into recipient bank accounts. <p>Food voucher programme targeting rural pregnant mothers on condition that they regularly attend rural health facilities for pre- and post-natal care. Recipients receive a FJ\$30 monthly food voucher, redeemable against specific food items.</p> <p>Bus fare concession targeting elderly persons 60+ years (50% concession) and people with disabilities (full concession).</p> <p>Income-generating project graduation, targeting recipients under the C&P and PBS by providing them a one-off grant up to a maximum FJ\$2,000 to start up a business. The grant value is dependent on the nature of the business.</p>
Ministry of Industry, Trade and Tourism (MITT) ³²²	<p>Micro and small enterprise grants – FJ\$1,500 to FJ\$4,000 as a one-off grant, awarded to qualifying persons under the business application scheme.</p>
Ministry of Employment, Productivity and Industrial Relations ³²³	<p>Working in partnership with the International Labour Organization (ILO), a cash for work programme targeting 12 people (11 men and one woman) focusing on disaster risk reduction and the relocation of a village in a floodplain. Recipients were provided with a daily wage and safety training. Money was transferred cash in hand.</p>
CTP in emergencies (as of mid-May 2016)	
Government of Fiji CTP assistance post-Winston	<p>The government allocated FJ\$19.9m to the Cyclone Winston response through the following social protection programmes. Importantly, the assistance was not targeted only to those in affected areas, but instead was delivered nationwide to all those on the schemes involved.</p> <p>PBS – A one-off lump sum payment of FJ\$600 was made to all families on this scheme. The figure was calculated as being FJ\$200 per month, for three months.</p> <p>C&P – A one-off lump sum payment of FJ\$300 was made to all families on this scheme. The figure was calculated as being FJ\$100 per month, for three months.</p> <p>Social Pension scheme – A one-off lump sum payment of FJ\$300 was made to all those on this scheme. The figure was calculated as being FJ\$100 per month, for three months.</p> <p>No government Cyclone Winston response funds were distributed through the food voucher programme, bus fare concession programme or income-generation project schemes.</p>

COUNTRY SNAPSHOT: FIJI

Government of Fiji Help for Homes	<p>FJ\$70m available for this initiative.³²⁴</p> <p>Ministry of Women, Children and Poverty Alleviation will take the lead role in the distribution of e-cards across the affected areas, with the support of the Ministry of Finance and the Planning Office.</p> <p>Target – affected Fijian households earning less than FJ\$50,000 annually.</p> <p>Vodafone pre-paid electronic cards will be provided with a set amount and a pin number, to enable the purchase of building materials from several hardware outlets (select hardware stores identified through a tendering process).</p> <p>Building code guidelines issued by the Fiji Institution of Engineers will be provided to support a ‘Building Back Better’ approach.</p> <p>Three packages have been established, as follows:</p> <ul style="list-style-type: none"> • FJ\$1,500 for partial roofing damage. • FJ\$3,000 for serious roofing damage. • FJ\$7,000 for almost/completely destroyed homes.
World Food Programme (WFP)	<p>Used the existing Government of Fiji social safety net system, providing a top-up through the government’s e-food voucher system for two months (May–June 2016) to households and individuals in the 12 most affected areas and currently registered in any of three government social protection schemes: PBS, C&P allowance or the Social Pension scheme:</p> <ul style="list-style-type: none"> • 12,761 households from PBS and C&P schemes received FJ\$150 per month for two months. • 7,895 individuals from Social Pension scheme received FJ\$50 per month for two months. <p>Nearly all assistance was voucher-based, except in areas without access to stores accepting vouchers, where cash top-up through the banks was made for the beneficiaries.</p>
Adventist Development and Relief Agency (ADRA)	<p>One-off FJ\$40 food voucher per household, complemented with seed/seedling distribution. Value based on NDMO emergency ration. Target of 1,800 households, specifically those not included in the government-WFP food voucher programme.</p>
UNDP & ILO	<p>Cash for work: objective to clear debris and rehabilitate farm land, targeting women and young people for 20 days’ work.</p>

³¹⁴ MSWWPA. (2016). *Ministry of Social Welfare, Women and Poverty Alleviation (MSWWPA), Government of Fiji*. [Online] Available at: www.welfare-women.gov.fj.

³¹⁵ MITT. (2016). *Ministry of Industry, Trade and Tourism, Government of Fiji*. [Online] Available at: www.mit.gov.fj.

³¹⁶ MEPIR. (2016). *Ministry of Employment, Productivity and Industrial Relations (MEPIR), Government of Fiji*. [Online] Available at: www.labour.gov.fj.

³¹⁷ This information was consolidated by the Shelter Cluster, based on information provided by the Government.

MARKETS

Markets are a critical driver of development and of recovery following a crisis, and understanding how CTP and the distribution of goods can impact positively or negatively can greatly improve the impact of a response over time. Understanding how markets work before, during and following a crisis is important when considering CTP, because it will be critical that people are able to buy the appropriate goods or services, in adequate quantity and quality, and at a price that allows people to meet their immediate needs.

UNDERSTANDING MARKETS

Research and interviews did not enable the study to provide an accurate or complete mapping of Fiji's markets. With the exception of the financial services market, this information has not been consolidated in-country, and gathering the data was beyond the parameters of the study. Information on the number of traders, their location and trade volumes are not collected by the Ministry of Industry & Trade and Tourism (MITT) or the Commerce Commission, though plans to record these data are now being implemented.³¹⁸

PRICES

The Ministry of Agriculture, with support from the UN Food and Agriculture Organization (FAO), monitors the prices of agricultural produce and fresh food commodities in 12 markets.³¹⁹ Many other prices are monitored over time and controlled by the Commerce Commission, which reviews and determines fixed prices over time. Fixed-price commodities include: dried and packed food, hardware, fuel and oil, and transport costs to, from and between the islands. The Commerce Commission is empowered to prosecute and fine those who do not adhere to the price controls under the Commerce Commission Act, legislation passed through Parliament in 2010.³²⁰

Prescribed prices indicated under price control are illustrative of the increased logistics costs of transporting goods as one moves further out from the urban capital. It also provides a useful indication of the increased 'cost of living' further away from public roads. Prices for all goods are significantly higher the greater the distance from Suva, with goods between 13% and 22% more expensive in outer islands than in the capital. Likewise, fuel is 2% more expensive when purchased more than 3km from a public road. See Box 1 below for more detail on how prices are determined.

There appears to be a converse effect on the pricing of fresh food (apart from fish); these items are more expensive in urban areas, where production and cultivation is not possible. Though the study did not identify any data to verify this, this was mentioned in individual interviews with representatives from government ministries, the private sector, civil society and in community meetings.

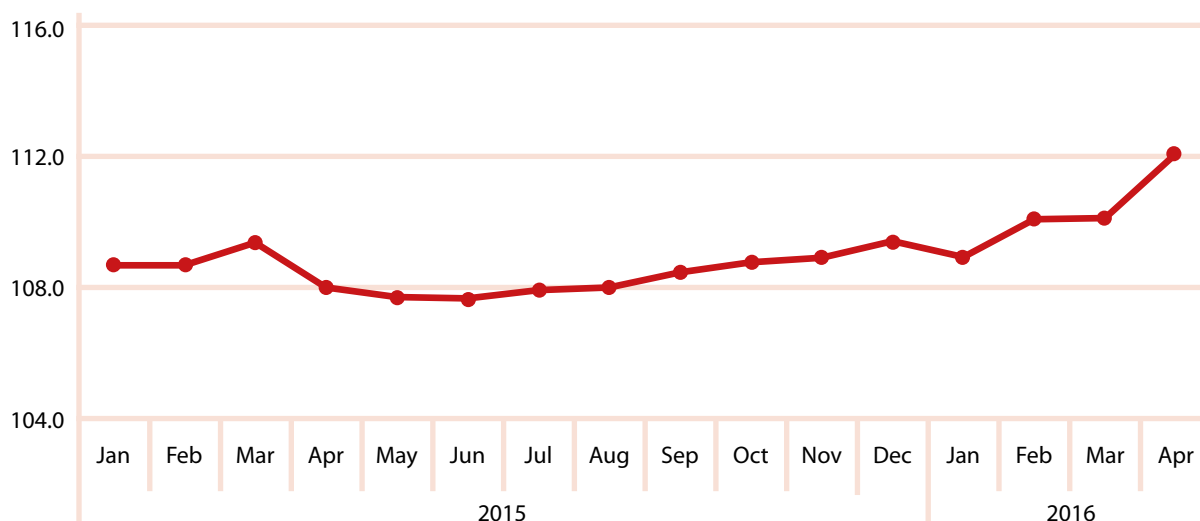
Also available is a series of data collected for the Consumer Price Index (CPI) by the Fiji Bureau of Statistics. The chart below represents the CPI for 2015 and the first quarter of 2016. The year-on-year increase between April 2015 and April 2016 represents 1.7%. It was not possible to source any more detailed market information underlying the CPI, including a breakdown of item costs or regional information. As such, it does not provide sufficient information to inform decisions related to CTP.

³¹⁸ The Commerce Commission is beginning a piece of research looking into the supply chain of fresh food. Named 'From Farm to Table', the research is expected to consider the competitiveness of the domestic agriculture market and is projected to be finished by January 2017.

³¹⁹ Government of Fiji. (2016) *Market Prices Information: Markets Sheets*. [Online] Ministry of Agriculture, Government of Fiji. Available at: <https://mis.sbc4d.com/en/market.php>.

³²⁰ Fiji Government. (2010). *Commerce Commission Decree 2010*. [Online] Fiji Government. Available at: www.commcomm.gov.fj/wp-content/uploads/2015/04/ccd-2010.pdf.

Figure 23: Fiji Consumer Price Index (All items index) from January 2015 to April 2016



Source: Fiji Bureau of Statistics³²¹

SUPPLY CHAIN

A handful of supermarkets and large wholesalers own the majority share of the food and grocery markets, either supplying to their own chain stores or to small traders through a series of wholesalers. 'MH' is the supermarket selected to support the government and WFP food security voucher assistance programme. The supermarket has four stores across Viti Levu and Vanua Levu, and no presence on other islands.

Small and medium traders are supplied by wholesalers, either directly from Suva or through medium-sized intermediaries on the four larger islands. One Suva-based wholesaler, Punjas & Sons, is a wholesale trader of food and non-food items within Fiji as well as four other PICs. It estimates that it has a 30% share of the market in Fiji, and is currently distributing items to medium and small traders in many of the outer islands.

Similarly, a total of five hardware stores supply the country's hardware requirements, according to information provided by the Commerce Commission. All of these companies have their head office and principal branch in Suva, and at least one branch in Vanua Levu, but none have branches on other islands in the country.

OPPORTUNITIES FOR MARKETS

Of the different components of this study in Fiji, markets were certainly the least understood topic by all stakeholders. That is to say that the relationship between providing cash transfers to people and understanding local and national markets is not well-understood. An example of this is the length of time it took people to recognise market-based programming, therefore identifying specific CTP at a later stage. This was true for the microloans and small business grants, which were understood to be market-support interventions, but less recognised as cash transfers *per se*.

Among the stakeholders interviewed for the study who had previous experience of markets, there seemed to be two distinct knowledge groups: those who understood emergency CTP, and those who understood markets. Identifying a way to bring these discussions together may support a more effective solution. It was not in the scope of the study to address current capacity issues, but efforts continue within the coordination system in-country.

However, those unfamiliar with the Fiji and the Pacific are cautioned against applying specific assumptions on market systems. The 'confusion' mentioned above is likely to be indicative of the relative appropriateness of supporting markets in remote areas and islands, where the commonly assumed model of supporting smaller markets to provide goods and services may simply be out of reach and unsustainable. Even if the political and local will exist, the investment needed to create viable markets in some areas is considerable.

³²¹ Government of Fiji. (2015a). *FBoS Release No: 98, 2015 – Statistics New Bulletin – HIES*. [Online] Available at: www.statsfiji.gov.fj/component/advlisting/?view=download&format=raw&fileid=1381 [Access 07 June 2016].

BOX 3: PRICE CONTROL – HOW IT WORKS

The Commerce Commission is an independent body set up to 'to enhance the welfare of the people of Fiji by fostering a competitive, fair and informed market place'. The Commerce Commission is responsible for price controls on a range of food and non-food items for wholesale and retail nationally. These prices are determined by collating invoices and supplier-provided costings to estimate the cost of wholesale supply across the country.

Prices for food goods are controlled or fixed at five different rates: Viti Levu urban, Viti Levu rural, Vanua Levu urban, Vanua Levu rural, and outer islands, and prices get incrementally higher in all of these categories. Interestingly, fuel prices are determined both by the urban, rural or outer island base, as well as the distance from a public road, presumably taking into account the cost of transport.

The table below is a sample of the cheapest product of each food commodity as of April 2016:

Product	Viti Levu urban (FJ\$)	Viti Levu rural (FJ\$)	Vanua Levu urban (FJ\$)	Vanua Levu rural (FJ\$)	Outer islands
Rice (10kg)	10.39	10.91	11.01	11.53	11.74
Blue peas (1kg)	1.75	1.84	1.86	1.94	1.98
Salt (1kg)	0.79	0.83	0.84	0.88	0.90
Baby formula (900g)	27.48	28.85	29.12	30.50	31.05
Tinned tuna (142g)	1.56	1.64	1.65	1.72	1.75
Tea (200g)	2.30	2.42	2.44	2.55	2.60
Soya bean oil (750ml)	3.06	3.22	3.25	3.40	3.46
% increase from base cost	0	5%	6%	11%	13%

The table below notes the price of unleaded motor spirit as of April 2016:

Location	Retail price per litre (FJ\$)	Retail price per litre (FJ\$)	% increase from base cost
Vitu Levu located within 3km of a public road	1.67	1.43	0
Vitu Levu located beyond 3km of a public road	1.72	1.47	2%
Vanua Levu, Ovalau and Taveuni located within 3km of a public road	1.71	1.46	2%
Vanua Levu, Ovalau and Taveuni located beyond 3km of a public road	1.74	1.49	4%
Other outer islands apart from Rotuma	1.91	1.65	14%
Rotuma	2.04	1.68	22%

Prices for hardware items are controlled at the national level but not broken down by region or location. The data above are included in the report for illustration purposes and should not be assumed to reflect actual prices, nor are they adjusted for any price changes as a result of Cyclone Winston. They are, however, demonstrative of the understood differential in prices and the cost of consumer items throughout the country.

IMPACT OF A CRISIS ON MARKETS

At the time of this study, two months following Cyclone Winston, no market analysis had been undertaken and shared. People stated a number of barriers to undertaking market assessment. The main barrier related to a general pushback on pushback from the government on non-state actors to conduct any assessments overall, which impacted not only on markets but also on other forms of situation and response analysis. Others cited lack of capacity, referring to insufficient people and skills.

The PDNA will include a calculation of price changes in affected regions and may be used to support programme planning moving into the recovery framework.³²² The following assumptions on the market situation post-cyclone were drawn based on anecdotal feedback from stakeholders, initial rapid assessment data provided by stakeholders of the Cash Working Group as well as pre-existing market dynamics:

COMMODITY AVAILABILITY, ASSET LOSS AND PRICE VOLATILITY

- Consumption of food items did not change, but demand for fresh food from markets increased due to loss of stocks and damage to crops usually relied on for semi-subsistence.
 - Reduced local supply coupled with increased demand caused a significant increase in prices for fresh food that is expected to be sustained for three to four months following the cyclone, when agriculture is expected to have recovered in affected areas.
 - People coped with price hikes by reducing their intake of fresh fruit and vegetables.
 - Large-scale suppliers of durable food items reported that there were no problems in ensuring goods were available in affected areas. Possibly due to price controls, no supplier reported increasing prices due to transportation challenges.
- Demand for hardware and shelter items and other household items increased significantly as people replaced and repaired lost and damaged property and productive assets.
 - Suppliers stated their ability to provide for additional demand; there are no available data on the prices of hardware goods following Cyclone Winston. Anecdotally:
 - The Commerce Commission stated that since Cyclone Winston, 62 traders were fined for increasing prices and appeared in the national newspaper for 'taking advantage of victims of the disaster'. Subsequently, legislation was passed to counteract price hikes.
 - Shelter actors noted a concern about the quality of goods post-crisis, rather than price volatility.
- The impact of market damage and disruption on market and livelihoods recovery was noted by only a few stakeholders, but was likely to be a more significant component of the recovery framework. As such, it was not yet clear how credit, stocks and debt were affected.
- Prices of non-food basic needs may have increased in the weeks following the cyclone due to damage to infrastructure and physical market places, but there was no available information on this.
- Initial assessments indicate that approximately 1,750 female market vendors, whose livelihoods support an estimated 9,915 individuals and who provide food for the wider community, were affected by the destruction of markets in Ba, Levuka, Rakiraki, Tavua and Savusavu.³²³
- Small and medium traders reported significant losses of credit. The cyclone hit a couple of weeks after a major holiday, a popular time for borrowing; and so many households were already in debt and then faced significant challenges in repaying loans.

³²² As a component of the larger study, PDNAs from Samoa and Vanuatu were analysed; markets data were not sufficient and were primarily aimed at macro economy recovery.

³²³ CARE. (2016). *Rapid Gender Analysis: Tropical Cyclone Winston Fiji*. [Online] The Live and Learn-CARE partnership. Available at: www.sheltercluster.org/sites/default/files/docs/ll-care_tcwinston_rapidgenderanalysis.pdf.

MARKET DETERMINANTS OF THE VOUCHER / RESTRICTED CTP DECISION

In the absence of market analysis or any market data following the cyclone, it is difficult to determine the appropriateness of opting for a voucher-based intervention. As discussed above, the decision to provide commodity vouchers rather than cash was reported to relate to the belief that recipients would 'not make the right decisions with cash'. However, it is not just the government that decided to opt for a restricted CTP (voucher system), rather than providing cash. Both the shelter cluster and the WFP also opted for restricted vouchers, with the following rationale:

Shelter Cluster

- The shelter cluster expressed concern about the quality of materials that people would be able to obtain.
- Assessments among their stakeholders demonstrated a preference for in-kind assistance, reflecting the difficulty with which they would be able to source the goods they needed.
- The shelter cluster therefore came up with a brochure programme which allowed beneficiaries to select the items they needed from a set list.

WFP

- The Government of Fiji was responsible for topping up the cash intervention and asked WFP to lead on topping up the food vouchers. WFP and the government then worked together on the determination of the ration, and included additional commodities to expand the diversity of foods available. WFP was able to rapidly assess the capacity of existing retailers under the voucher programme to ensure supply of goods. This enabled a rapid focused market assessment of upstream supply chain and retailers.

MARKETS AND A CTP RESPONSE

- The relationship between markets and CTP is not well-understood amongst actors in Fiji. The difficulty with which this set of questions was received in the study is reflective of this poor understanding, as is the lack of data surrounding markets. Expertise in these topics exists in-country, so the solution is to bring the two groups together for the discussion around CTP.
- There are no assessment or ongoing monitoring data that confirm that markets are not able to provide goods in adequate quantity and quality. However, the concentration of markets in the capital and on the two main islands naturally inhibits the responsive capacity of local markets in outer islands, especially with goods not regularly in demand.
- All available price information indicates a large difference in prices between markets in normal times, with those further away from national ports being 13–22% more expensive.³²⁴ None of the existing or ongoing CTP account for this difference in prices, which effectively erodes the benefit of a single cash grant as remoteness increases.

FINANCIAL SERVICE PROVIDERS

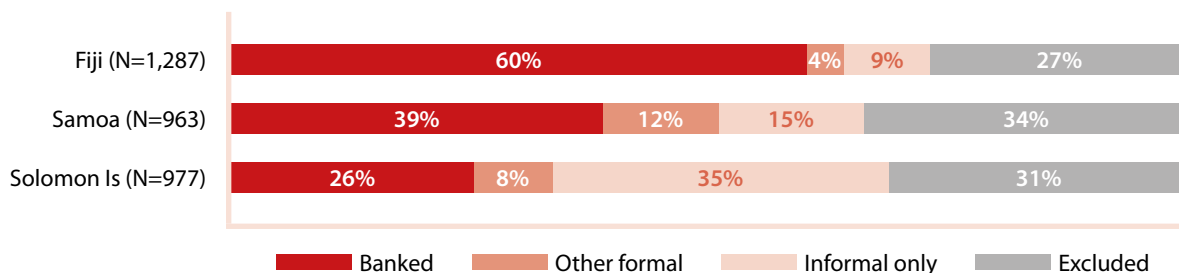
In order to assess the feasibility of at-scale CTP, it is necessary to assess the means by which cash can be transferred to its intended recipient. For this reason, the study considered the possible financial service providers (FSPs) and their relative potential to provide a transfer mechanism that is safe, accountable and timely. As well as interviews with financial service providers, this section draws on input from other stakeholders in the study and research undertaken by the UN Capital Development Fund (UNCDF) Pacific Financial Inclusion Programme (PFIP), as well as ongoing work of microfinance institutions.

³²⁴ Fiji Commerce Commission. (n.d.). Fiji Commerce Commission. [Online] Available at: www.commm.gov.fj.

COUNTRY SNAPSHOT: FIJI

There are five foreign commercial banks operating in Fiji: Australia and New Zealand Banking Group Limited (ANZ), Westpac, Colonial, Bank of South Pacific (BSP) and Bank of Baroda, as well as three credit companies. Microfinance is provided by three microfinance institutions, four village banks and one cooperative.³²⁵ Despite the presence of five commercial banks in Fiji, the most common methods of transferring funds from urban to rural areas continue to be through the post office and through cash-in-hand, as the means with which people are familiar and which they trust. People on the outer islands especially are said to have significant amounts of physical cash stored at home.

Figure 24: Types of financial service providers in Fiji, Samoa and Solomon Islands



Source: Alliance for Financial Inclusion, 2016

Conversations with stakeholders considered two financial markets relevant to the study topic: the market for international money transfer and that for domestic money transfer. The former is worth significantly more to corporate business, banks and the government, and as a result, systems supporting international money transfer have received greater investment and attention. It is reported that 60% of the population are ‘banked’,³²⁶ but interviews with private sector actors cautioned about using this figure, on the basis that many people do not access financial services, but rather use their account to receive money, and almost always cash out entirely in the first transaction.

INTERNATIONAL TRANSFER MARKET

There have been innovations in recipient experience on international transfers in recent years. For example, mobile money operators have offered competitive options for those sending international transfers into the PICs. Incentivized by the large volume of money that is regularly transferred through remittances – and profit margins made on the foreign exchange (Forex) conversion spread (ranging from 8–12%) – mobile money operators have reduced or eliminated fees for sending and receiving transfers, and pay commissions directly to agents, in some cases benefitting recipient households by up to FJ\$1,000 a year.

Stakeholders noted the prohibitive legislative environment for financial service providers, exemplified by the difficulties in operating with a bank account in New Zealand and Australia. Increased de-risking, a result of increased pressure from the US to impose strict ‘Know Your Customer’ (KYC) and anti-money laundering standards, has led to challenges for Pacific operators to open bank accounts. One reported issue at the time of the study has resulted in the shutting down of bank accounts associated with money transfer agencies operating in Fiji, Tonga and Samoa. These are all issues of consideration that need to be taken into account in the establishment of any future cash program, particularly issues relating to KYC which after emergencies when ID is lost can create challenges in people being able to access cash.

³²⁵ SPBD. (n.d.). *Fiji*. [Online] South Pacific Business Development (SPBD). Available at: www.spbdmicrofinance.com/spbd-network/fiji.

³²⁶ Ibid.

DOMESTIC TRANSFER MARKET

Despite the relatively high level of government-to-person (social assistance) and person-to-person (remittance) transfers of money inside Fiji, it still remains far behind countries in other regions when it comes to financial access.³²⁷ In the domestic transfer market, limitations exist in the distribution channels and in liquidity, making it difficult to provide an efficient and affordable banking system. Limited investment in the financial system means that there are a limited number of payments that can be made, and that much of the system relies on manual entry rather than specific IT solutions. ANZ, for example, has three main distribution channels: branch offices (100), ATMs (70) and Point of Sale (PoS) (90), but these are centralized in urban and peri-urban areas and do not have reach in outer islands.

Stakeholders in the study considered the reasons behind the limited use of banks in Fiji, especially in rural areas, and there were two slightly different opinions. One school of thought posits a lack of basic financial literacy and financial management and planning, such as savings, in addition to the fact that many people do not have confidence in banking institutions and also mistrust new technology, such as mobile money. An example cited is that when ANZ introduced mobile money in Fiji at the same time as in Samoa, Vanuatu, Solomon Islands and PNG, it failed to take off in Fiji despite being successful in the other countries. To address this as a presumed cause of limited uptake of financial products, many entities – including ANZ – provide financial literacy training as a part of their corporate social responsibility.

Another theory explaining limited use of banks is that people are not provided with the right incentives to 'bank' their money. Bank accounts and other financial products still carry sizeable fees in Fiji, whether to withdraw money or to transfer money between different banks. If a person receives FJ\$100 and it costs FJ\$5 per withdrawal, then cashing out in one transaction might be considered a wise decision. The PFIP survey on financial inclusion also considers people's perceptions of why they are or are not banked. In this case, the proposed solution was to present legislation that would allow financial institutions to reduce fees, provide incentives and innovate.

Both Vodafone and Digicel have been developing products with the Government of Fiji in recent years. For example:

As part of the PFIP, Digicel Mobile Money (DMM) was launched in Fiji in July 2010 and in Samoa, Tonga and PNG in 2011. DMM offers domestic money transfer, international remittance, and bill payment. It is estimated that the service benefits up to 500,000 people, of whom 40% are women and 30% are living in rural villages. This project received co-funding from the GSMA Mobile Money for the Unbanked (MMU) Fund and AusAID Fiji to extend the service to the outer islands of Fiji.³²⁸

Additionally, in 2010, Digicel Fiji partnered with Fiji Post to offer a mobile money electronic wallet (e-wallet),³²⁹ which enables customers to pay Digicel post-paid bills, and to top up, deposit or withdraw cash from their electronic wallets at select Digicel and Fiji Post outlets across the country. Registration is free. Fiji was the first of Digicel's six Pacific markets to make this service available.

Domestic reforms continue,³³⁰ with a plan next year for a national switch, which all financial institutions will be required to join and which will break down existing barriers to enable bank customers to access their funds from any ATM. Even companies like Vodafone will be able to join the national switch.

The Government of Fiji is also finalizing laws that will facilitate infrastructure-sharing between the existing telecommunications companies and any new entrant to the market. This will dramatically reduce the cost of building new infrastructure, which will mean savings to be passed on to consumers and an increased focus on services.

³²⁷ PFIP. (n.d.). *Support to Digicel Mobile Money, Fiji, Samoa, Tonga and Vanuatu*. [Online] Pacific Financial Inclusion Programme. Available at: www.pfip.org/about/where-we-work-1/fiji/support-to-flexpacific-mobile-money-fiji-samoa-vanuatu.html.

³²⁸ Ibid.

³²⁹ Digicel Fiji. (2010, July 15). *Digicel Fiji Launches Mobile Money*. [Online] Digicel Fiji. Available at: www.digicelfiji.com/en/about/news/digicel-fiji-launches-mobile-money.

³³⁰ The Fijian Government. (2013). *Launching of Vodafone's 4G LTE Network – PM Bainimarama*. The Fijian Government. [Online] Available at: www.fiji.gov.fj/Media-Center/Speeches/LAUNCHING-OF-VODAFONE%E2%80%99S-4G-LTE-NETWORK--PM-Bainim.aspx.

FINANCIAL SERVICE PROVISION IN TROPICAL CYCLONE WINSTON RESPONSE

People received cash transfers within one month of the cyclone; these were received not only by people directly affected, but by all those indirectly affected. Pre-existing relationships with financial service providers, and considerable investment by all stakeholders in improving the means by which people receive their social assistance and remittances, were to credit for this. That cash was transferred to affected people so quickly following the cyclone is noteworthy, and lessons from this case would benefit countries in the region and globally.

However, the study identified some evidence that the increased cash flow following the crisis, both as a result of the various ongoing programmes as well as the increase in remittances, put strain on the fragile and, in some places limited, financial system. The increase in the cash amounts challenged liquidity for example, especially in remote locations where people are less likely to use or access a bank account. The usual system is to transfer funds to the unbanked through local traders, through pre-agreements. These normal arrangements were not robust enough to cope with increased liquidity requirements.

The pension programme, the Fiji National Provident Fund (FNPF), put significant strain on a number of ANZ branches, both the actual payment and the application process. The demand for payments is said to have backed up sufficiently that a decision was made to write cash cheques to approved recipients. It was possible to cash this check at any bank, or at any retail partner. Anecdotal reports identify that a small number of people were able to cash their cheques at beer halls, adding to the belief that CTP recipients are not capable of spending responsibly, which is discussed below.

Following Cyclone Winston, the government coordinated with all commercial banks to develop a loan offer of FJ\$5,000 at a 4.5% interest rate, though typical rates are around 18%. Reportedly, all banks responded by making this available, though the study did not look into the conditions of this. Other private sector partnerships were extended or formed to provide the following:

- ANZ worked with the government to support the draw-down of pension payments from the FNPF. ANZ's central outlet in Suva received approximately 500 recipients per day to cash out pension checks. Additionally, the government and financial service providers relaxed KYC³³¹ requirements during a brief period after the disaster, to allow for the loss of ID and papers.
- Westpac continues to support regular social assistance payments with the Ministry of Women, Children and Poverty Alleviation, and was responsible for providing the additional financing within those schemes.
- Despite all the progress and opportunities above, key stakeholders are still transferring money by hand. This is the case in the ILO and UNDP cash for work programmes. Staff of these organisations are regularly travelling with significant amounts of cash.
- Financial service providers recommended increased coordination and communication of financing and cash needs. Staggering recipient payments and withdrawals at different times and amongst different distribution channels would help to avoid over-extending the system and issues with agent network liquidity. Overall though, financial service providers and other stakeholders expressed the need to invest in financial services provision in-country, and therefore to focus on improved preparedness and resilience of systems to build an adequate response platform.
- Overall, the response and ongoing CTP schemes demonstrate that there are a number of viable and feasible options for safe and accountable cash transfers in emergencies.

³³¹ Know Your Customer (KYC) refers to process of a business identifying its customers. It is used by banks to prevent or mitigate the risk of money-laundering, anti-corruption and due diligence.

ACCEPTANCE AND PREFERENCE

The Scoping Study considered acceptance as a fundamental foundation of appropriate and successful CTP. Acceptance in this case considered that of all stakeholders in a CTP response, and explored the issues that respondents deemed important in considering the acceptability of the approach. N.B. *The information in this section reflects to a greater extent input from senior leadership and government, and would be strengthened by additional engagement with communities and affected populations.*

- CTP is broadly accepted by all actors in Fiji, as reflected in the number of ongoing programmes designed to provide for social assistance needs and short-term needs in emergencies, outlined above. These transfers are implemented by government, the UN and NGOs. Almost all are one or both of the following: restricted, i.e. there is a restriction on what the money can be spent on; or conditional, whereby a recipient must do something in order to be eligible for the grants.
- Acceptance of cash transfers has its limitations and is built on a perception that recipients will not wish to, or will not be able to spend a transfer on the purpose for which it is intended. Thus, CTP to date has been mostly restricted. This negative perception has been reinforced by the recent experience following the TC Winston, when a large scale unrestricted CTP³³² enabled people to draw-down on their pension early. Anecdotal feedback of visible misuse of this programme in the capital came up in almost all interviews and it has done a disservice to broader programmes of this nature.
- This reported misuse extends beyond CTP in long-term and short-term programming into microfinance. The Government of Fiji closed its own microfinance programme in 2008 due to failed repayments, according to the Ministry of Industry, Trade and Tourism. In this case, the poor repayment rates amongst its clients led to the decision to reimburse funds and close the programme, as well as closing a number of other institutions with similar programmes. Now there are only three microfinance institutions with permission to operate in Fiji.
- Though preference is not something that comes out strongly in assessments or monitoring, initial assessments following Cyclone Winston suggested that CTP is not a *preferred* response by people affected. When probed during interviews as a part of this study, people preferred a mixture of cash and in-kind assistance. Preference seems to strongly correlate to the challenges of procuring goods in more remote locations and the volatile prices related to transport costs, as opposed to concerns over intra-household conflict or obligations to community members, though this does not mean these are not issues.
- Concerns over gender arose mainly in relation to the importance of understanding the burden already felt by women in caring for family. This was raised by many stakeholders, most often based on reflection on ongoing cash for work schemes. This is a concern that is true of all programming rather than being specific to CTP, but is certainly a critical consideration.

CONCLUSION AND RECOMMENDATIONS

- CTP is very much a dynamic topic in Fiji. There are a number of ongoing programmes which – though challenged by factors seen globally, such as targeting and under-resourcing³³³ – were considered to be effective in contributing to poverty alleviation. Awareness and general acceptance of the role of CTP in meeting the needs of the population, short and long term, is widespread across all stakeholders, but this knowledge could and should be deepened.
 - There is a demand for increased training and this can be supported by increased dialogue, sensitisation, publications and training opportunities.

³³² People affected by the cyclone were able to apply for between FJD1,000 and FJD5,000 of their pension early. Though reportedly used appropriately in affected areas, recipients in Suva were seen purchasing flat screen televisions, drinking in beer halls and taxis are said to 'never have been so busy'.

³³³ World Bank. (2011a). *Fiji – Assessment of the social protection system in Fiji and recommendations for policy changes*. [Online] World Bank. Available at: <http://documents.worldbank.org/curated/en/2011/12/15785008/fiji-assessment-social-protection-system-fiji-recommendations-policy-changes>.

COUNTRY SNAPSHOT: FIJI

- The potential impact of CTP is under-realised in Fiji. Though widely accepted, an in-depth understanding of the topic rests with just a few entities, including one or two ministries. Its potential is further diluted by nature of it sitting across sectors, and therefore across working groups and ministries.

There are three clear gaps in the discussion of CTP, which would benefit from focused dialogue, discussion, training and planning. These are:

- Understanding the means by which markets could be strengthened using CTP, enabling unconditional and less restricted transfers and improving the feasibility of using markets in future crises.
- Understanding how CTP design elements, such as complementary programming and effective targeting, can positively impact on issues around how people spend their money and whether or not people make informed decisions.
- Understanding the role CTP might have in bridging emergencies and development, by including a more detailed analysis of the context during the recovery period.
- Significant expertise exists in-country. Improving the utilization of CTP would be supported by improved coordination between actors and additional technical support.
- Building markets that are responsive to changes in demand during a crisis will require commitment and resources from government. More evidence is needed to support this investment.
- There is potential to include a focus on CTP and markets in the recovery framework.
- CTP design and monitoring should be informed by improved needs analysis. Appropriate programme design for CTP should be based on a clear and articulated need/income ratio gap over time. No programme in Fiji provides a different grant in different areas of the country. It is not always clear how cash transfer grant sizes are calculated, and without this benchmark it is not possible to effectively monitor impact over time and across geographical areas.
 - Tools and approaches need to be amended to allow for sufficient information to be collected following a crisis.
 - Investment should be made in ongoing monitoring and building baselines prior to and in preparedness for a crisis.
 - Cash grants could be pegged against a specific 'basket of goods', even if spend is 'unrestricted'. This would allow for necessary changes to transfer values.
- A basic understanding of markets would benefit decision making on CTP:
 - A market baseline and mapping of critical markets can be carried out in different levels of detail. While work now underway to map food and agriculture supply chains is positive, it is possible to provide more top-line data with less investment of time and resources.
 - Identify gaps in knowledge/areas for further research. As a minimum, consider evidence that would support strategic direction in market-based programming.
 - Provide analysis of price monitoring – this may be time- and resource-intensive, and short-term solutions should be considered in crises.
 - Invite private sector actors, Commerce Commission and other stakeholders in determining market conditions to the Cash Working Group meetings on occasions, to support partner understanding of markets.
- Consider alternative design elements that can support unconditional and unrestricted cash transfers, such as improved targeting to ensure only the right people get the transfer, timeliness to ensure that it is still relevant, and improved education and communication for recipient households.
 - There may be opportunities to pilot this approach in the recovery efforts.

- There are opportunities to add value to existing CTPs in-country:
 - **Targeting:** At present, the government's social protection programmes, on which much of the immediate aid was added, target less than half of all households living below the poverty line.
 - **Amending the grant to reflect prices in remote areas:** Reducing the risk of deflation of purchasing power in remote areas can be done by identifying a clear intention for the grant and calculating a number of locally accurate cost brackets. If this fails, the differential estimated by the Commerce Commission may act as a good guide.
 - **Complementing programming more effectively:** Providing a programme of goods, services and technical assistance alongside a cash grant can greatly increase the impact and accountability to recipient households. The shelter cluster strategy outlines the intention to do this, but there are also opportunities in other sectors.
 - Consider a blended approach, where **vouchers may be mixed with cash**, as is the case with the Ministry of Social Welfare programme with the WFP. Applying this approach may support market resilience as well as strengthening financial service provision.
- Capitalize on the learning from Cyclone Winston to work on preparedness between actors, including the private sector. There seemed to be significant willingness to invest in and learn from the experience in-country. This would be for internal learning, but also to share with other PICs.

PRIORITY ADDITIONAL READING AND RESOURCES

- The World Bank reviewed Fiji's social protection systems in 2011; access online at <http://documents.worldbank.org/curated/en/2011/12/15785008/fiji-assessment-social-protection-system-fiji-recommendations-policy-changes>
- UNCDF/PFIP have a number of reports that look into financial inclusion in the region. See both the demand side survey and the supply side survey in 2015 for more detail. There is also a video summarizing financial inclusion in Fiji.
- The Commerce Commission website has the most up-to-date price controls. The Annual Report from 2015, available online, shows some trend data.
- The Asian Development Bank (ADB) and South Pacific Business Development (SPDB) have statistics on their respective websites, which detail the most up-to-date figures on their own programmes.

ANNEX 3: INTERVIEW LIST

Tonga interviews, 18 April–25 April 2016

Mr. Aholotu Palu

Deputy Secretary
Ministry of Finance and National Planning

Dr. Ana Taufe'ulungaki

Former Minister of Education
University of the South Pacific

Ms. Amy Lofgren

General Manager
South Pacific Business Development Microfinance Ltd

Mr. Andrew To'imoana

Deputy Director
Information and Communication

Ms. Betty Blake

General Manager
Ma'a Fafine moe Famili, Fasi moe Afi

Mr. Daniel Jones

General Manager
Jones Industry

Mr. Hasiloni Fungavai

Chief Finance Officer
Tonga Development Bank

Mr. Hufekina Naufahu

Town Officer
Haveluliku

Mr. Inoke Taufu

Disaster Management Officer
Tonga Red Cross Society

Mr. Kapialani Ioane

Human Resource Officer
United Nations of Food and Agriculture Organisation (FAO)

Mr. Leveni'Aho

Director
National Emergency Management Office (NEMO),
Ministry of Meteorology, Environment, Information,
Disaster Management, Energy and Communication
(MEIDECC)

Mr. Loic

Tonga humanitarian coordinator
OXFAM

Ms. Lola Koloamatangi

Acting General Manager
Centre for Women and Children, Fasi-moe-Afi

Ms. Losaline Ma'asi

Chief Executive Officer
Ministry of Agriculture and Food, Forests and Fisheries

Ms. Lu'isa Manuofetoa

Deputy Director - Social Protection
Ministry of Internal Affairs

Ms. Maliana Sevele

General Manager
Tonga Super Market

Ms. Masiva'ilo Masila

Government Statistician
Statistic Department

Ms. Ofa Guttenbeil Likiliki

General Manager
Women and Children Crisis Centre

Mr. Onetoto Anisi

Chief Executive Officer
Ministry of Internal Affairs

Mr. Pau Likiliki

Assistant FAO representative for TONGA
United Nations of Food and Agriculture Organisation
(FAO)

Mr. Peni Ve'a

Director
Ministry of Infrastructure

Mr. Rizvi Jurangpathy

Chief Executive Officer
Tonga Communications Corporation (TCC)

Mr. Ronan Fleming

General Manager
MBF Bank

Mr. Ronan McGrane

Chief Executive Officer
Digicel Tonga

Mr. S Leimoni Taufui

Chief Executive Officer
National Retirement Benefits Fund & Social Welfare

Mr. Shalvin Nadan

General Manager
Pacific Timber and Hardware

Dr. Sione Ngongo Kioa

Governor
National Reserve Bank of Tonga

Mr. Soane Patolo

General Manager
Mainstreaming of Rural Development Innovation
(MORDI) Tonga Trust

Mr. Tavite Fisitalia

Naunau'ō e'Alamaite Tonga Association (NATA)

Ms. Tupou Fakakovikaetau

Deputy Director – Women Division
Ministry of Internal Affairs

Ms. Verna Tukuafu

Self-Reliance Manager
Self-Reliance Services

Mr. Viliami Manu'atu

Town Officer – Kala'au
Kala'au Community

Fiji interviews, April 26, 2016– April 29, 2016

Ms. Caroline Currie

Asian Development Bank (ADB) Regional

Mr. Edward Bernard & Mr. Satoshi Sasaki

International Labour Organisation (ILO)

Mr. Iliapi Tuwai

Adventist Development and Relief Agency (ADRA)

Mr. Joann Young

Food and Agriculture Organisation (FAO)

Mr. Luke Koroisave

Chief Economic Planning Officer
Regional Planning Division, Ministry of Strategic
Planning, National Development and Statistics
(NDMO)

Mr. Mark Flaming

Pacific Financial Inclusion Programme (PFIP) Regional

Mr. Mike Arunga

Information Management Officer
United Nations Office for the Coordination of
Humanitarian Affairs (UN OCHA) Regional Office for
the Pacific

Mr. Nhung Pham

Regional GenCap Advisor for Pacific
United Nations Entity for Gender Equality and the
Empowerment of Women (UN Women)

Mr. Peter Grzic

HAO – Cash Work Group TC Winston Coordinator
United Nations Economic and Social Commission for
Asia and the Pacific (UN ESCAP)

Mr. Raj Subhag

Digicel

Mr. Rajnesh Prasad

Chief Marketing Officer
Vodafone Fiji

Mr. Rumbidzai Chitombi

World Food Programme (WFP)

Ms. Ruth Verevukivuki

United Nations Development Programme (UNDP)

Ms. Sunil Gurung

EFSVL Technical Adviser
Oxfam

Mr. Veilawa Rereiwasaliwa

ANZ Bank

Mr. Vilimone Baledrokadroka

Deputy Secretary
Ministry of Employment, Productivity and Industrial
Relations



ANNEX 4: DATA COLLECTION MATRIX

Research question	Regional stakeholders			Key informant in Fiji and Tonga				Community stakeholders	
	Secondary data review	Reference group interviews	E-survey	Government actor	Humanitarian actor	Private sector service	Market actor	Household interview	Focus group discussion
1. CTP enabling environment – is cash an appropriate tool to meet needs?	Public economic data	Ongoing review of project docs	Survey results		Review of situation and response analysis	Interviews with private sector actors.			
How do people meet their needs in normal times?	✓	–	–	✓	–	–	✓	✓	✓
How do people make, save and spend their money?	✓	–	–	✓	–	–	✓	✓	✓
How do seasons affect expenditure patterns?	–	–	–	✓	–	–	✓	✓	✓
Are there specific social-cultural factors that constrain access to resources? Are there any gender-related issues, e.g. concerns around power dynamics or gender-based violence? Are there specific barriers faced by people with disabilities related to cash in emergencies?	–	–	–	✓	–	–	✓	✓	✓
How do needs change in crisis? How does this impact on expenditure over time?	✓	–	–	✓	–	–	✓	✓	✓
2. CTP enabling environment – can markets support a CTP response?	Regional data		Country-specific data		Technical Focus Group Discussion – OR doc review	Selected service markets			
Mapping of market systems for key commodities in the regions / note any significant differences across countries.	✓	–	✓	✓	✓	✓	✓	–	–
How significant are import markets in providing critical commodities?	✓	–	✓	✓	✓	✓	✓	–	–

Research question	Regional stakeholders			Key informant in Fiji and Tonga				Community stakeholders	
	Secondary data review	Reference group interviews	E-survey	Government actor	Humanitarian actor	Private sector service	Market actor	Household interview	Focus group discussion
How might this be affected by / change in crises in the region?	✓	–	✓	✓	✓	✓	✓	✓	✓
For target countries, what are the market trends at national and local levels; how are these affected by seasonal changes?	✓	–	✓	✓	✓	✓	✓	✓	✓
How are markets likely to be affected in emergencies?		–	✓	✓	✓	✓	✓	✓	✓
How responsive are markets to changes in demand?		–	✓	✓	✓	✓	✓	✓	✓
Recommendations for improved market utilization in crisis times.		–	✓	✓	✓	✓	✓	✓	✓
3. CTP enabling environment – are there viable delivery platforms?									
How do people currently receive cash ‘transfers’ (remittance, payments, social protection, etc.)?	✓	–	✓	✓	✓	✓	–	✓	✓
How many people are accessing financial services?	✓	–	–	✓	✓	✓	–	✓	✓
What are the different options available? How supportive is each option of privacy, accountability and risk mitigation needs?	✓		✓	–	✓	✓	–	✓	✓
What technology is available to support CTP?	✓		✓	✓	✓	✓	–	✓	–
Do regulatory restrictions exist in-country that support or constrain CTP?	✓		–	✓	✓	✓	–	✓	–
Are existing delivery platforms vulnerable to impact during shocks?	✓		✓	–	✓	✓	–	✓	✓
Do people have bank accounts, use banking infrastructure? How do people transfer funds?	✓		✓	–	✓	✓	–	✓	✓



Research question	Regional stakeholders			Key informant in Fiji and Tonga				Community stakeholders	
	Secondary data review	Reference group interviews	E-survey	Government actor	Humanitarian actor	Private sector service	Market actor	Household interview	Focus group discussion
4. Attitude and acceptance			Multiple choice?			Partner in CTP programme		Possibly include if previous beneficiaries	
In your opinion, is CTP used successfully in the Pacific countries?	✓	✓	✓	✓	✓	✓	–	–	–
What are some of the enabling factors?	✓	✓	✓	✓	✓	✓	–	–	–
What are the main constraints?	✓	✓	✓	✓	✓	✓	–	–	–
Is CTP incorporated into preparedness planning?	✓	✓	✓	✓	✓	✓	–	–	–
What are the attitudinal barriers to CTP?	–	✓	✓	✓	✓	✓	–	–	–
5. Institutional capacity	Unlikely to find data		Define for the survey						
Do institutions have the necessary tools and processes to design and deliver CTP [risk mitigation, accountability, needs and market assessment, decision making]?	✓	✓	✓	✓	✓	✓	–	–	–

Research question	Regional stakeholders			Key informant in Fiji and Tonga				Community stakeholders	
	Secondary data review	Reference group interviews	E-survey	Government actor	Humanitarian actor	Private sector service	Market actor	Household interview	Focus group discussion
Do actors have the necessary skills and experience to design and deliver CTP [response analysis, market analysis, delivery mechanism and partnerships]?	✓	✓	✓	✓	✓	✓	-	-	-
What measures are actors taking / have they taken to incorporate CTP into preparedness and emergency planning?	✓	✓	✓	✓	✓	✓	-	-	-
What learning has there been from the use of CTP in previous crises?	✓	✓	✓	✓	✓	✓	-	-	-
What are the critical needs of stakeholders in CTP institutional capacity?	✓	✓	✓	✓	✓	✓	-	✓	✓
6. Experience to date			If respondent has experience						
Where has CTP been used, to date [In which sectors / which countries / at what point along the humanitarian programme cycle]?	✓	✓	✓	✓	✓	-	-	✓	✓
Have market assessments and analysis been undertaken during emergency response operations to inform response analysis, or during non-crisis periods?	✓	✓	✓	✓	✓	-	-	-	-
Were programme decisions based on response analysis?	✓	✓	✓	✓	✓	-	-	-	-
Was planned CTP delivered on time? If not, what were the constraints?	✓	✓	✓	✓	✓	-	-	✓	✓
Were actors able to use adequate transfer systems?	✓	✓	✓	✓	✓	-	-	✓	✓
How has CTP been coordinated? What cash coordination structures are in place?	✓	✓	✓	✓	✓	✓	-	-	-
What impact has CTP had, and how is this measured?	✓	✓	✓	✓	✓	-	-	✓	✓



Research question	Regional stakeholders			Key informant in Fiji and Tonga				Community stakeholders	
	Secondary data review	Reference group interviews	E-survey	Government actor	Humanitarian actor	Private sector service	Market actor	Household interview	Focus group discussion
7. Opportunities and recommendations									
Are there opportunities to align with existing social protection systems or programmes?	✓	✓	✓	✓	✓	-	-	-	-
Are there any ongoing developments or initiatives that may support increased CTP capacity?	✓	✓	✓	✓	✓	✓	-	-	-
How can CTP in the Pacific better link in with the global developments of CTP?	✓	✓	✓	-	✓	-	-	-	-
What are the entry points for cash sensitisation and preparedness?	✓	✓	✓	✓	✓	✓	✓	✓	✓
How can CaLP, the CaLP Community of Practice and other stakeholders, including donors, contribute to improved CTP preparedness?	✓	✓	✓	✓	✓	✓	✓	-	-
What are stakeholders' (i.e. government agencies, humanitarian actors, private sector actors and financial service providers) needs in selected countries to be able to implement cash transfers?	✓	✓	✓	✓	✓	✓	✓	✓	✓

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The Cash Learning Partnership

The use of Cash Transfer Programming (CTP) to provide humanitarian assistance so that people may access the goods and services they need before, during and following a crisis has been gaining momentum over the past decade. Despite the considerable use of cash and vouchers by government and non-state actors in major emergencies in Asia, the use of CTP in humanitarian response in the South Pacific islands has been relatively small-scale, and limited to only a few countries.

As one of the most disaster-prone regions in the world, Pacific Island Countries (PICs) are under growing pressure to ensure that when disasters strike, humanitarian response is efficient, effective and helps build resilience. Four PICs are amongst the top 10 countries that are most at risk worldwide, according to the World Risk Index 2015 report. Earthquakes, floods, storms and droughts cause both human and capital losses throughout the region every year. Furthermore, the dependence of many PICs on external markets for commodities and services makes the region highly vulnerable to supply volatility and price inflation.

This Scoping Study sought to consider the feasibility of scaling up the use of cash transfers in emergencies in the Pacific. By assessing barriers to the uptake of CTP, both attitudinal obstacles as well as operational challenges, the study aimed to support practitioners and decision makers in identifying next steps for CTP. The study explored previous and ongoing cash transfer activities, both short- and longer-term programmes, to identify lessons and good practice. The study examined four critical questions:

1. Is there an enabling environment for cash transfers during emergency response in the Pacific islands?
2. What CTP experience in emergencies has there been in the region to date?
3. What are the key features of the markets in the target countries, and what are the implications for CTP feasibility?
4. Are the infrastructure and operational environment for cash transfers adequate and supportive?

The Scoping Study report is made up of three components: a regional report and two case studies on Fiji and Tonga.

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