



FINAL REPORT

Project No: RAS/13/56M/JPN

Project Title: Supporting the definition and extension of a social protection floor (SPF) in Vanuatu and the Solomon Islands ('the project')

Period Covered: April 2014 - April 2015

Total Budget: USD 199,981

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Implemented by: ILO Office for Pacific Island Countries, Suva ('the office')

Donor: ILO/Japan SSN Fund

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Place: Suva, Fiji

I. Country Context

The project was initially designed to cover Vanuatu and Solomon Islands. As the project progressed, the office, with donor approval, sees the need to also provide support for the extension of social protection in Fiji. Relevant characteristics of the three countries are described below.

Geographically dispersed Islands

Vanuatu, Fiji and Solomon Islands are made up of scattered archipelago islands in the western Pacific Ocean. The dispersion of the islands creates administrative difficulties in communication, provision of services and access.

	Vanuatu	Fiji	Solomon Islands
Number of Islands	83	332 (around 100 of which are inhabited)	Nearly 1,000 (around 300 of which are inhabited)
Population (2013)	264,700	881,065	561,231
Land size	12,189 km ²	30,407 km ²	18,376 km ²
Exclusive Economic Zone	680,000 km ²	1,290,000 km ²	1,340,000 km ²

Vulnerability to covariate risks

Another notable feature of their geographical location is its vulnerability to natural disasters. The region is also greatly affected by changes in sea level and other impacts of climate change. These characteristics put the three Pacific Island countries in high covariate risks requiring strong and comprehensive social protection policies.

Vanuatu is on the Pacific ring of fire, which makes it vulnerable to earthquakes, volcanoes (nine active) and tsunamis, and at the same time positioned in one of the most active cyclonic areas in the Pacific. The Natural Hazards Risk Atlas (produced by Verisk Maplecroft, 2015) ranked Vanuatu's capital, Port Vila, as the world's most exposed city to natural disasters. In fact, one month prior to the completion of the project, Vanuatu was hit by a cyclone of category 5, which left the country in devastation. While the majority of project activities have been completed, some follow-up activities have to be put on hold as the country's focus was on relief and reconstruction.

Solomon Islands is similarly at high risk of natural disasters with cyclones, earthquakes, tsunamis and floods among the frequent disasters. Most recently in April 2014, Honiara city and the surrounding areas were hit by flash flood which killed dozens and affected more than 50,000 people (10 percent of the population).

Fiji is also known to be prone to similar disasters, although no major disaster hit Fiji during the 1 year of this project. Cyclones and floods are among the frequent natural occurrences.

Highly Informal Social Protection System

As in most Pacific Island countries (PICs), existing social protection systems in the three countries are predominantly informal and traditional. The people relies assistance from their families or communities (Kastom/Wantok system) when faced with life contingencies. These systems are important in supporting the most vulnerable members of society and those affected by personal and natural disasters. Whilst continuing to play an important role, traditional social protection mechanisms do not eliminate hardship as they may not be effective in communities with limited resources in the first place, or communities experiencing aggregate shocks. Formal social protection program is limited to a small number of people, mainly workers in the formal sector. The biggest social security programme is the National Provident Fund, providing compulsory contributory savings scheme for public and private sector workers.

In **Solomon Islands and Vanuatu**, there is almost no social assistance program, other than primary education and primary health care, which are in principle free of charge¹. There is no specific ministry or department that focuses on the welfare issues in both countries, though in Solomon Islands the Ministry of Women, Youth, Children and Family Affairs (MWYCFA) may take some (limited) welfare-related tasks.

Fiji has the most established social protection system compared to the other 2 countries. Other than the Fiji National Provident Fund (FNPF) which provides old age benefit, disability benefit and survivors' benefit to formal sector workers, Fiji has a long standing, albeit small in size, social assistance programmes for the very poor and vulnerable². Social assistance programmes include the Poverty Benefit Scheme which provides cash transfer to poor families (poorest 10% of the population) Care and Protection Allowance (C&P Allowance) for poor and vulnerable children, social pension for poor elderly, and food voucher scheme. Social assistance schemes are managed by the Department of Social Welfare under the Ministry of Women, Children and Poverty Alleviation. Fiji is also the only country in which the right every person to social security is enshrined in the constitution (2013)³.

Large subsistence economy

Throughout South Pacific, subsistence agricultural sector is large and monetised sector is a small part of the economy. Fiji is arguably the most monetised, and having the biggest proportion of formal economy of the three countries⁴. The informal nature of the economy presents significant challenges in social protection provisions, especially since the current focus of the government is still on developing contributory social insurance (targeted at formal sector workers) and less on social assistance.

On the other hand, as the countries are moving towards more modernised economy, traditional mechanisms are gradually declining with urbanisation and changes in social structure. In addition, the openness to the global market, while providing opportunities to gain from trade and achieve strong economic growth, comes with higher vulnerability to market disruptions.

II. Project Objectives

The project responds to the apparent need for improved social protection for all Pacific Islanders. The lack of adequate social protection system is one of the biggest challenges to Pacific Island Countries' equitable and sustainable development, as well as a disregard of one of the human rights of its people. It has the objective of supporting the definition and extension of a social protection floor (SPF), initially in Vanuatu and the Solomon Islands. As the project progressed, the ILO and the donor also see the need to provide support for the extension of social protection in Fiji.

The project was designed to assist target countries in developing their social protection policies in line with the Social Protection Floor Recommendation (ILO Recommendation 102), with the goal of having more social protection schemes protecting more people with adequate level of benefits.

In **Vanuatu and Solomon Islands**, given the limited provision and understanding of social protection, emphasis was put on awareness raising and discussion on national priority setting. In **Fiji**, the focus was

¹ Free primary education and free health care they both face considerable challenges in the availability and quality of services, particularly outside of the capital cities. In all three countries (Fiji having a lesser extent), serious medical treatments require medical evacuation to other countries such as Australia or New Zealand. Moreover, despite the fee-free policy, schools and health care providers still apply charges for services, albeit relatively small.

² Fiji's social security system dates back to the 1920s, when income support, known as the 'destitute allowance', was provided to elderly indentured labourers unable to support themselves.

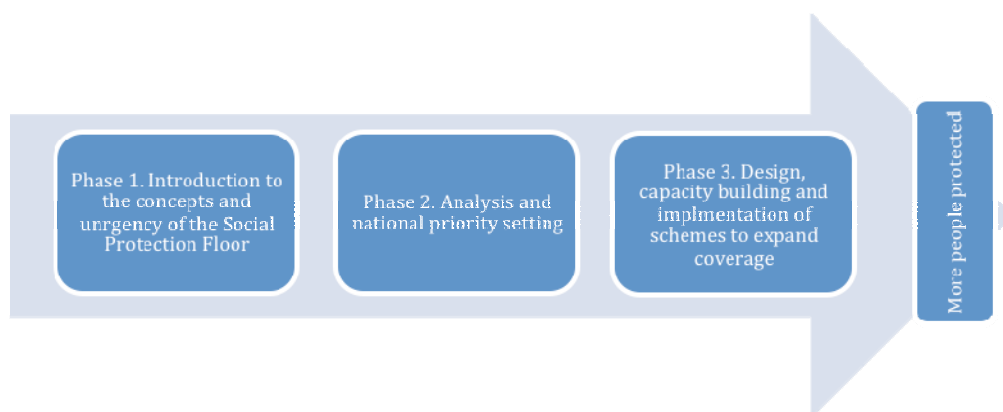
³ Article 27 (1) of the constitution states: The State must take reasonable measures within its available resources to achieve the progressive realisation of the right of every person to social security schemes, whether private or public, for their support in times of need, including the right to such support from public resources if they are unable to support themselves and their dependents.

⁴ There is currently no definition of the formal sector, but membership in the Fiji National Provident Fund (FNPF) is often considered the defining feature of a formal worker/employer. FNPF currently has around 390,000 members (including dependents) covered under its schemes.

given specifically to improving the coverage, level of protection and sustainability of the Fiji National Provident Schemes through actuarial assessments.

III. Project Strategy

Based on the context of the Pacific Island Countries, the broad strategy to extend the social protection floor in the sub-region can be considered to comprise of three phases, as show schematically below:



In **Vanuatu**, the project covered phase 1 and phase 2. The second phase of the project has initiated a national dialogue where the government, workers, employers, and civil society organisations are engaged in the analysis of the current social protection system, express their respective positions in the social protection issues at hand and agree on the necessary steps for reform. This stage implements a modified Assessment Based National Dialogue (ABND) exercise, focusing on dialogues to increase awareness of the Social Protection Floor, analysing major gaps in the system and agreeing on key priority. As a result of this exercise, a policy paper consisting specific recommendations to extend social protection in priority areas has been developed by jointly by the government, workers and employers through the Tripartite Labour Advisory Council (TLAC).

The **Solomon Islands**, the lack of (common) understanding of social protection and the government's responsibility in providing social protection to the population has been identified as a contributing factor to the limited progress. It was therefore agreed that mainstreaming social protection through awareness-raising activities should be the first step before moving towards developing a broad social protection strategy. A modified (simplified) Assessment Based National Dialogue (ABND) exercise was also deemed appropriate, with the main purpose of initiating discussions, understanding and analysis of social protection among stakeholders.

In **Fiji**, where social protection is relatively more established, the project provides specific technical assistance to improve the design, capacity and sustainability of existing social protection schemes through the Fiji National Provident Fund (FNPF), the biggest social security provider in the country. The FNPF is undergoing a reform in response to 2 major issues: (i) questions on the adequacy of the old age benefit fund that members receive upon retirement age; and (ii) the high pre-retirement withdrawals for high-cost medical expenses, which depletes the retirement fund of many members. Actuarial valuations are needed to assess the adequacy and sustainability of the fund and to explore the feasibility of establishing a health scheme for members.

IV. Project Activities

Based on the above, the following activities were conducted:

Assessment of needs and possible ILO assistance in the area of social protection in Solomon Islands and Vanuatu

The project started off with a need assessment through desk review and dialogues with stakeholders in Vanuatu and Solomon Islands. The assessment resulted in an agreed list of areas of needs and corresponding activities to be followed up by the project, developed through consultations with stakeholders. The agreed activities are elaborated below.

Modified Assessment Based National Dialogue (ABND) on Social Protection in Solomon Islands and Vanuatu

The initial design of the project included the Assessment Based National Dialogue (ABND) in Solomon Islands and Vanuatu as one of its immediate objectives, which consists of a set of activities resulting in comprehensive report of and recommendation for all four guarantees of the SPF as well as a costing exercise to project future costs of each recommendation using the Rapid Assessment Protocol (RAP) tool. Though a series of consultations, it was decided that a modified and simpler Assessment Based National Dialogue (ABND) exercise is more suitable. The activities focused on dialogues to increase awareness of the Social Protection Floor and agreeing on key (most urgent and most doable) priority areas. More detailed assessments such as costing exercises are left for follow-up stages in the future, as they are considered untimely.

This activity includes a review of existing documents on social protection floor in both countries, followed by stakeholders' dialogue to identify policy gaps and implementation issues in the system and formulate key recommendations in order to gradually move towards the social protection floor. Results of this activity is summarised in the [Vanuatu Assessment Matrix](#)⁵ and [Solomon Islands' SPF assessment matrix](#)⁶.

National Workshops on Social Protection in Solomon Islands and Vanuatu

Workshops on the Social Protection Floor Initiative were conducted in Solomon Islands and Vanuatu to improve stakeholders' awareness and common understanding of social protection.

The first part of the workshop focused on general discussions on social protection concepts, its importance as human rights and as prerequisite for sustainable economic growth, lessons learned from other countries and an overview of existing social protection in Solomon Islands. The second part of the workshop emphasised on participants' analysis on the existing social protection provisions and the envisaged social protection floor in the country. A combination of presentations, group discussions and video screenings was utilised.

Development of policy paper on Social Protection in Vanuatu

Through consultations and dialogues, the extension of the social security schemes for workers has been identified as the first step towards developing a social protection floor. The project promptly formed a working group consisting of the Department of Labour (DoL), Vanuatu National Workers Union (VNVU), Vanuatu Chamber of Commerce and Industry (VCCI) Vanuatu National Provident Fund (VNPF) and the Department of Planning to develop a detailed policy paper on income security for workers.

⁵ Available on <http://www.social-protection.org/> knowledge sharing platform, under workspace "Extension of Social Protection in Vanuatu"

⁶ Available on <http://www.social-protection.org/> knowledge sharing platform, under workspace "Extension of Social Protection in Solomon Islands"

The policy paper provides the government with policy options and concrete action plans in a number of priority areas. See [policy paper final document](#). It is of paramount importance to ensure that these recommendations are taken forward and the Vanuatu government and social partners obtain the necessary technical assistance in implementing them.

Actions Needed: Implementation of Policy Paper

Following this project, the ILO needs to make sure that sufficient assistance is provided to Vanuatu to ensure the implementation of the policy paper's recommendations. These include (but not limited to):

- Advocacy, including presentation of the policy paper to the parliament
- Feasibility studies of recommended schemes
- Capacity building for scheme implementers
- Continued support for TLAC activities

Legislative review of Solomon Islands' workers compensation act

The workers' compensation scheme in Solomon Islands, regulated by the [Workmen's Compensation Act 1952](#), is deemed outdated and in need of reform. The project responded with a review of the Act. The review consists of desk study, consultations, and formulation of recommendations for reform. Documents are available on <http://www.social-protection.org/> knowledge sharing platform, under workspace [Extension of Social Protection in Solomon Islands](#).

Scoping study for Actuarial Assessment of Fiji National Provident Fund (FNPF) mandatory scheme contribution rate and feasibility assessment of a medical insurance scheme

The FNPF is undergoing a reform in response to 2 major issues: (i) the adequacy of the old age benefit fund that members receive upon retirement age; and (ii) the high pre-retirement withdrawals for high-cost medical expenses, which depletes some member's retirement fund. Actuarial valuations are needed to assess the adequacy of the mandatory contribution rate and ensure sufficient benefits on retirement as well as to explore the feasibility of establishing a health insurance scheme for members.

Based on the request from Fiji National Provident Fund (FNPF), the project provided actuarial support for the Assessment of the adequacy of the mandatory contribution rate of the FNPF and Assessment of Fiji's Health Services and potential for a health insurance scheme.

As a first step in this work, a senior actuary commissioned by the ILO carries out exploratory mission in Suva, Fiji, in order to determine the scope of the project, the work required, the available/missing data and information in order to conduct the required assessments. Findings of this scoping mission will be the bases for more in-depth actuarial work in the old age benefit scheme and feasibility study of a health insurance scheme. This work also has a capacity building component: the senior actuary worked with FNPF's staff and provided on-the-job actuarial training.

General supervision of the scoping study is under the ILO Country Office for Pacific Island Countries, while technical backstopping and quality assurance is provided by Public Finance, Actuarial and Statistical Services Branch of the ILO (ILO SOC/PFACTS) in Geneva.

Actions Needed: Completion of Actuarial Assessments

Both the ILO and the FNPF commitment for the completion of the actuarial assessment. Following this project, the ILO Suva office, FNPF and ILO SOC/PFACTS will collaborate to:

- Finalise the scoping report (by end of April 2015).
- Develop a work plan for the actuarial assessments, based on the scoping report (by May 2015).
- Form an expert team to conduct the actuarial assessment (by July 2015)

Development of project proposals for the design and establishment of social protection schemes

The project, implemented after some years of ILO's inactivity in social protection in Pacific Island Countries⁷, was partly designed to re-establish ILO's social protection activity in the sub-region. As discussed in the project strategy, the goal of achieving the extension of social protection in the Pacific requires several stages that cannot be covered only within the 1-year project. As such, resource mobilisation for project continuation became one of the project's outputs.

After exploring available potential donors, proposals for project extension were developed and submitted to the ILO/Japan SSN fund and to the ILO RBSA. Unfortunately, both of the proposals were not approved due to limitation of available funds.

Discussions were held with the Technical Advisor of the ILO/Japan multi-bi programme (who visited the country office in September 2014) regarding the possibility of the ILO/Japan multi-bi funding for social protection in the Pacific. The ILO/Japan multi-bi fund is likely to be available in 2016, and a request for proposal is will likely be announced towards the end of 2015. The country office and regional office need to follow up this funding prospect in order to continue the work to achieve the desired outcome of introducing and extending the social protection floors in the pacific.

Actions Needed: Resource mobilisation

In order to achieve the desired outcome of introducing and extending social protection floors in Pacific Island Countries, there needs to be continuous work beyond this 1-year project. Unfortunately, funding has not been available for project extension in 2015. The ILO needs to explore continuation of social protection work in the Pacific, including by submitting a proposal to the ILO/Japan multi-bi programme which funds may be available in 2016. A request for proposal is will likely be announced towards the end of 2015.

V. Summary of Outputs Achieved

Output name	Output description	Measure of performance
Awareness-raising and Assessment Based National Dialogue on Social Protection in Solomon Islands and Vanuatu	Assessment of needs and possible ILO assistance in the area of social protection in Solomon Islands and Vanuatu	List of areas of needs and activities developed through consultations with stakeholders
	Stocktaking and Desk study of the social protection situation in Solomon Islands and Vanuatu	The ABND matrix in Solomon Islands are updated The ABND matrix in Vanuatu are updated
	Outreach and awareness raising of social protection floor in Vanuatu and Solomon Islands	National workshop on Social Protection Floor conducted in Vanuatu National workshop on Social Protection Floor conducted in Solomon Islands
Inputs for the improvement of social protection policies in Solomon Islands and Vanuatu	A policy paper on Social Protection in Vanuatu is delivered and validated	Draft policy paper on social protection produced through stakeholder consultation
		National workshop to raise awareness and validate the policy paper
		Policy paper finalised
	A legislative review of Solomon Islands' workers compensation act is delivered and validated	Prioritisation of policy options and specific recommendations for next actions are submitted to the Tripartite Labour Advisory Council gap analysis draft report produced Stakeholder workshop to raise awareness and gain inputs

⁷ The ILO's last social security project in the PICs was the project "Subregional Initiative on Social Security in Pacific Island Countries," completed in 2006, and a short stocktake was conducted by consultants in 2012.

		for the legislative review report
		Policy recommendations for Solomon Island's Workers' compensation scheme produced
Actuarial Support for the extension of social protection for workers in Fiji	Scoping study for Actuarial Assessment of Fiji National Provident Fund (FNPF) mandatory scheme contribution rate and feasibility assessment of a medical insurance scheme	Term of reference for the scoping study produced jointly with FNPF Report of scoping study produced, identifying availability of data and required work for the assessment of the adequacy of the FNPF's mandatory contribution rate and the assessment of the feasibility of a medical insurance scheme by FNPF
Resource mobilisation and proposal development	Concept notes and project proposals are developed for the design and establishment of social protection schemes in both countries	Concept notes are developed for both countries on relevant recommended social protection schemes Concept notes are shared and discussed with potential donors

VI. Challenges and lessons learned

Resource gap and lack of continuous work in social protection

There is an urgent need to develop more coherent and continuous social protection programme in the Pacific to ensure effectiveness. This project, as well as ILO's previous social protection projects in the Pacific, was designed as a short-term intervention without long-term resource allocation and planning. The office had no funding secured beyond the 1 year project and no backstopping from the regional office, as the Regional Social Protection Specialist position was vacant almost throughout the period of the project. Backstopping from a regional specialist would have been very important not only in terms of technical support in the implementation of the project but also to ensure sustainability and coherence of the work, making sure achievements are followed through and information are not missing.

The current mode of operation leads to repetition of work and waste of resources. For instance, despite the high quality analysis and comprehensive recommendations on social security policies in 5 Pacific Island Countries resulting from the project "Subregional Initiative on Social Security in Pacific Island Countries (completed in 2006), there was no follow up towards the implementation of the recommendations. ILO's social protection activity in the subregion stopped after the production of the reports. In 2012 ILO excols are commissioned to conduct a short stocktake of social protection situation in Vanuatu and Solomon Islands. The reports from this work were not finalised.

The current project was intended to resume ILO's social protection work, as a crucial initial step towards the development of social protection floors in the subregion. However, in order to achieve its goals, more follow up works need to be done, and they need to be done soon. Another long inactivity will render a large part of the effort in vain.

Disaster events in Solomon Islands and Vanuatu

The project faced significant constraints due to natural disasters in both Solomon Islands and Vanuatu. The effect of disaster was more significant in Solomon Islands due to the timing of the events. A flash flood occurred in Solomon Islands just before the starting date of the project (April 2014), and the project activities had to be postponed. Another delay was added as Solomon Islands had a national election later that year. The delays were inevitable as the two events posed security concerns and limited government capacity to respond to the project engagement.

In March 2015 Vanuatu was hit by Pam, a cyclone of category 5, which left the country in devastation. However, this disaster did not have large impact on the project implementation as it occurred nearing the end of the project period. While the majority of project activities have been completed, some follow-up activities has to be put on hold as the country's focus was on relief and reconstruction.

Pacific Island countries rank among the most vulnerable in the world to natural disasters⁸. This makes the population highly vulnerable to covariate risk, which traditional social protection alone cannot address. This emphasises the need to develop comprehensive and sustainable social protection policies.

VII. Follow-up work needed

Resource Mobilisation for ILO's continuous presence

As discussed in the challenges and lessons learned section, it is very important for the ILO to have continuous work in social protection in order to achieve its goals. The country office, together with the regional office and HQ, needs to work on securing funds and expertise to provide assistance to the target countries in longer-term basis.

The next steps to follow up this project would include taking the current target countries to complete the phases within the project strategy (see section III above). The most immediate actions needed are elaborated in the following subsections.

A concept note and log frame for a proposed follow-up project has been developed and are attached to this report (also available in common drive I:\STAFF(Share)\SOCIAL PROTECTION).

Completion of actuarial assessments in Fiji

The scoping study for actuarial assessment conducted under this project is only the first step towards a very important work to improve the coverage and protection of Fiji National Provident Fund (FNPF) schemes. Both the ILO and the FNPF commitment for the completion of the actuarial assessment. Following this project, the ILO Suva office, FNPF and ILO SOC/PFACTS are expected to:

- Finalise the scoping report (by end of April 2015).
- Develop a work plan for the actuarial assessments, based on the scoping report (by May 2015).
- Form an expert team to conduct the actuarial assessment (by July 2015)

Follow up on the recommendations and action plan of Vanuatu's social protection policy Paper

The project had initiated a national dialogue on social protection floor and developed the social protection policy paper in Vanuatu. However, these are only the first step towards achieving social protection floor in the country. Following this project, the ILO needs to make sure that sufficient assistance is provided to Vanuatu to ensure the implementation of the policy paper's recommendations. These include (but not limited to):

- Advocacy, including presentation of the policy paper to the parliament
- Feasibility studies of recommended schemes
- Capacity building for scheme implementers
- Continued support to the Tripartite Labour Advisory Council (TLAC) as a vehicle for tripartite collaboration for developing policies

Continued advocacy and awareness raising in Solomon Islands

Development of social protection in Solomon Islands is still very much in its infancy. Awareness raising and advocacy for social protection floor should remain a focus in the country. Through consultations within the project, it was pointed out by both workers and employers representatives that the majority of workers and many employers are still not aware of their rights and obligations in the existing schemes. The ILO can assist worker unions and employer associations in conducting awareness raising activities to their members (preferably involving the social security providers such as SINPF and private insurance companies that they are members of).

⁸ World Bank, 2012, <http://goo.gl/KcRD1t>