

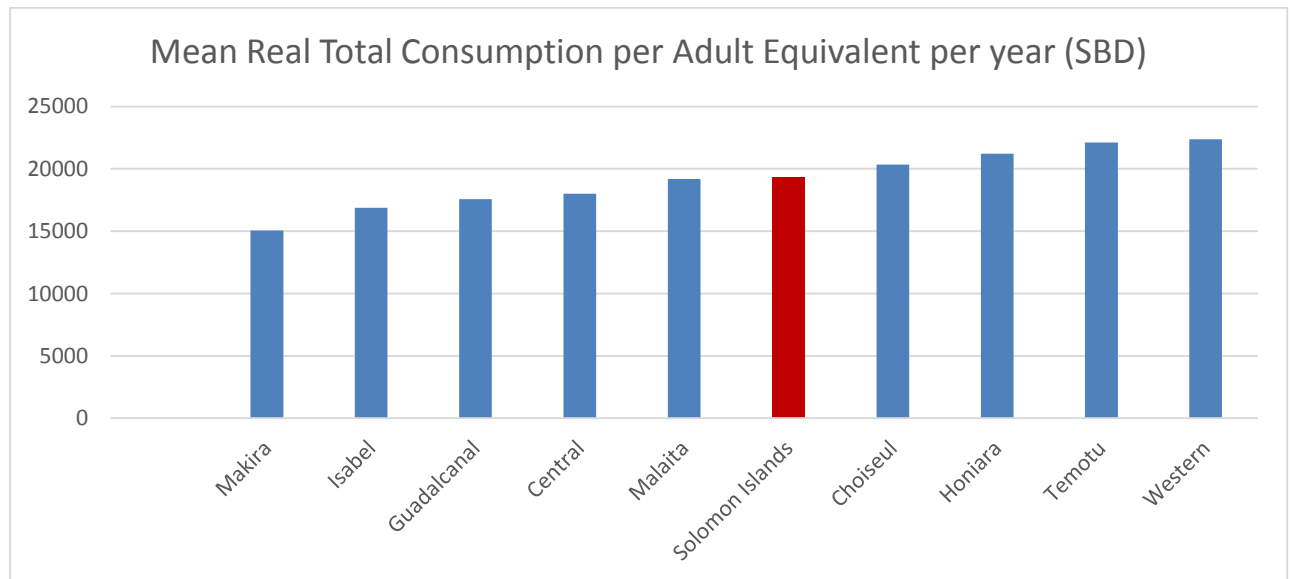
SOLOMON ISLANDS POVERTY PROFILE BASED ON THE 2012/13 HOUSEHOLD INCOME AND EXPENDITURE SURVEY

Summary of Findings

The 2012/13 poverty profile of the Solomon Islands presented in this report is based on the 2012/13 Household Income and Expenditure Survey (HIES) conducted by the Solomon Islands National Statistics Office (SINSO). Between October 2012 and November 2013, a nationally representative sample of 4500 households were surveyed by SINSO, with detailed information on living standards collected. In particular, the survey elicited information on all types of foods consumed and a wide variety of non-food goods purchased by a nationally representative sample of households.

Welfare indicators and poverty lines

The indicator used to measure living standards is total consumption expenditure, specified as the total monetary value of all food and non-food goods consumed by the household. This welfare indicator is expressed “per adult-equivalent” to take account of the age composition of households. Also because prices of many commodities vary across provinces, the value of consumption is adjusted to account for differences in inter-province prices. On the average, consumption levels, when adjusted for prices, are higher in Honiara, Temotu, and Western Province and lowest in Makira¹.

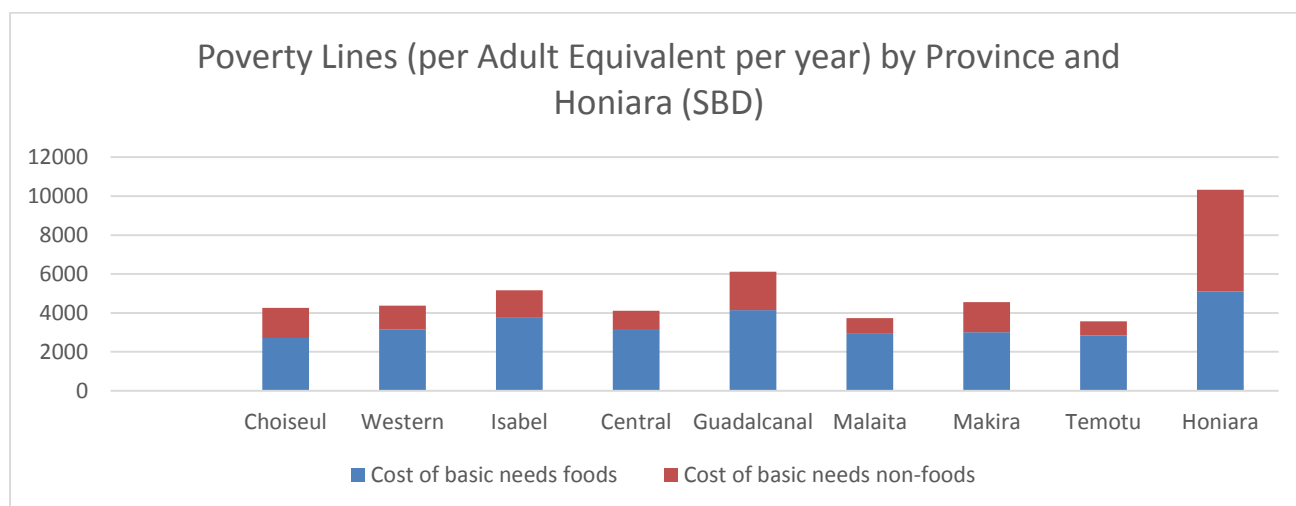


A Solomon Island-specific “poverty line” is specified as the minimum expenditures needed to obtain basic food and non-food goods taking into account prevailing consumption patterns in the country. The cost of basic needs is calculated separately for food and non-food goods. In the case of food, it is calculated as the minimum amount of money required to secure a daily energy intake of 2200 calories per day given prevailing dietary patterns of the poorer groups in Solomon Islands. This is called the “food poverty

¹ The very small size for the province of Rennell-Bellona limits an accurate estimation of poverty measures for the province and thus Rennell-Bellona is included as part of Central Province. Administratively, prior to 1993, Rennell-Bellona was part of Central province.

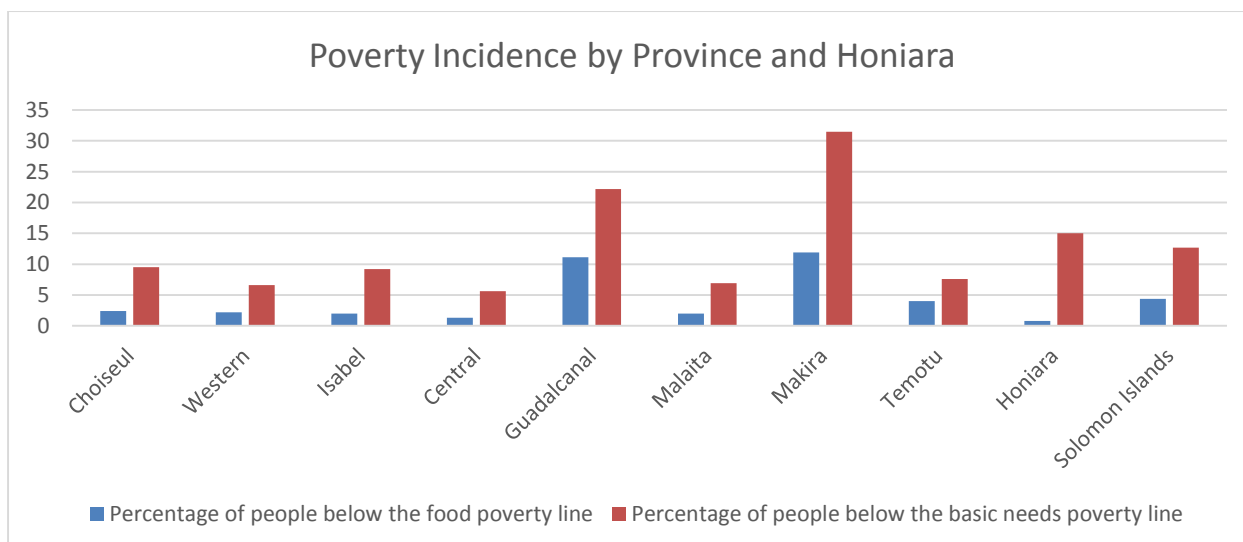
line”. Because prices of foods vary across the country, the food poverty line also varies by location. In order to obtain the full “basic needs” poverty line, the additional cost for purchasing basic non-food goods is added to the food poverty line. This cost of non-food basic needs is taken as the average non-food expenditure of those households whose spending on food is just equal to the food poverty line. This cost of basic non-food goods also varies by location. All households whose expenditures fall below the basic needs poverty line are deemed to be poor.

The poverty line is highest in Honiara and lowest in Temotu. The capital city, Honiara, has the highest basic needs poverty line: meeting basic needs costs twice as much money in Honiara than in most other provinces due to the higher cost of both food and non-food goods. This situation, typical in Melanesia, is due mainly to poor infrastructure and lack of market integration. This is exacerbated by very high urban housing prices because of poorly functioning land markets. Some of the high cost of living in Honiara appears to spill over into Guadalcanal, which has the second highest poverty line. The three provinces with the lowest poverty lines are Choiseul, Malaita, and Temotu, where the cost of meeting basic needs is less than one-half of that in Honiara.



Poverty incidence and geographic distribution of the poor

About 12.7 percent of the population in Solomon Islands lives below the poverty line and are classified as “poor”, but poverty incidence is significantly higher in the Makira and Guadalcanal provinces. Poverty prevalence varies considerably across provinces, being higher than the national average in Makira, Guadalcanal, and Honiara. In Makira, almost one-third of the population is poor and in Guadalcanal about one in five persons lives in poverty. Poverty rates in the other provinces (excluding Honiara) are in the 7-10 percent range, but Honiara’s poverty rate of 15 percent is also higher than the national average. The overall incidence of “food poverty”, however, is quite low in the Solomon Islands though there is substantial variation across provinces. In the country as a whole, only 4.4 percent of the population live under the food poverty line, though the rate is higher for Makira and Guadalcanal.



Depth and severity of poverty are also higher in Makira and Guadalcanal provinces.

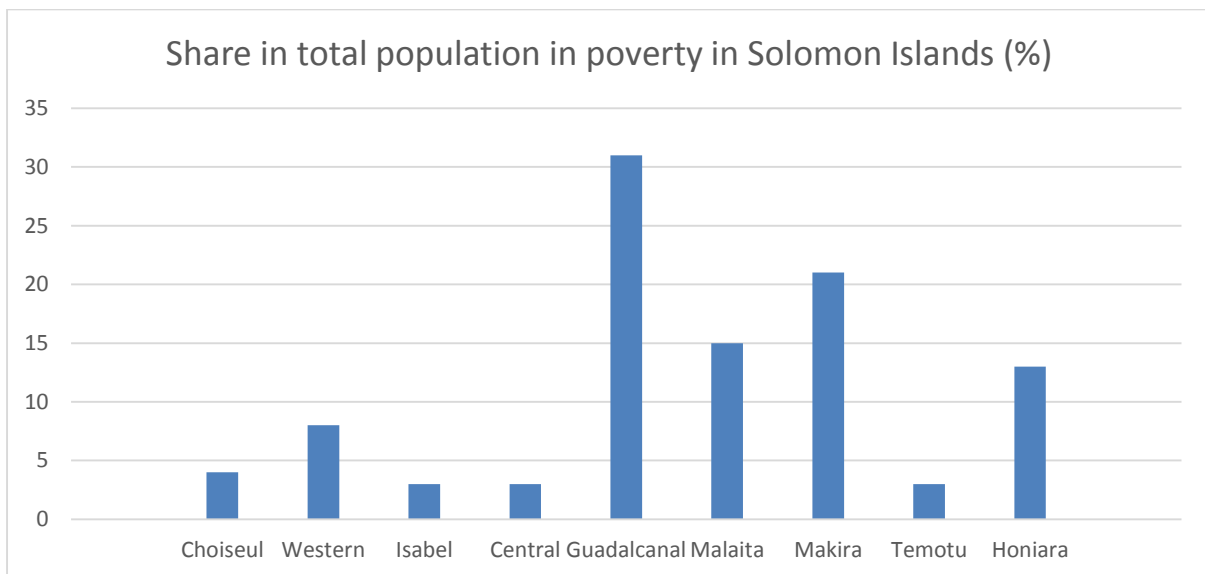
The poverty rate in Guadalcanal changes from 1.7 times the national average to 2.9 times the national average when more focus is placed on poverty severity. Many of the poor in Guadalcanal are extremely poor and live substantially below the basic needs poverty line. A more muted form of this pattern occurs in Makira where the relative risk of poverty changes from 2.5 times the national average to 3.1 times the national average when more focus is placed on more severe poverty.

Poverty rates are conditioned by both prices and incomes. The cost of living in Honiara is significantly higher than in the rest of the country. Hence, in spite of higher nominal incomes in Honiara, the risk of someone being in poverty is higher there than for the country as a whole. But the poverty risk in Makira is much higher than in Honiara despite much lower cost of living there, indicating that, in Makira, low income is the primary driver of poverty. In Guadalcanal, though nominal incomes are higher than in many other provinces, they are not sufficiently high to compensate for the higher price level there, likely influenced by the higher prices in the capital city.

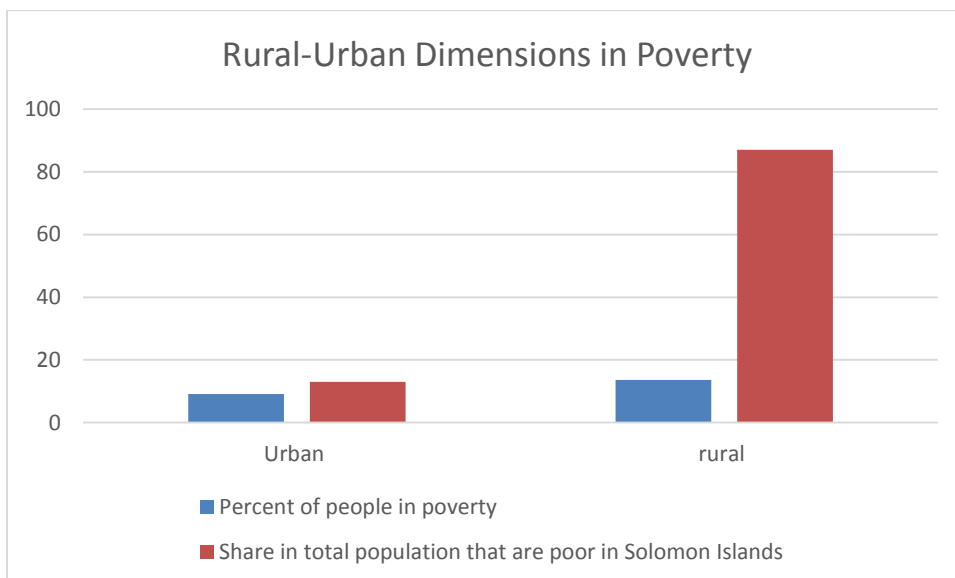
The higher rates of poverty observed in Makira and Guadalcanal are also due to significant weather-caused devastations just before and during the survey period. The 2012/13 HIES was conducted in the aftermath of the January 2012 torrential rains and flooding that destroyed homes and crops in much of Guadalcanal which was declared a disaster area. Also, in June 2012, the eastern part of Makira province experienced extensive flash floods and landslides due to unusually heavy rains; agriculture, the main source of livelihoods, sustained major damage as crops were uprooted and planting materials destroyed. Again, in December 2012, cyclone Freda impacted both Makira and Guadalcanal provinces causing extensive damage to food gardens and general economic activities. The combined effects of these weather-related events partly explain the higher rates of poverty in these two provinces.

When considering the absolute number of persons under poverty, Guadalcanal province, which has the combination of higher poverty risk as well as larger population size, accounts for the biggest share of persons living in poverty in the Solomon Islands. Almost three-quarters of the persons living in poverty in Solomon Islands live in the three provinces of Guadalcanal, Makira, and Malaita. Even though poverty incidence is higher than

the national average in Honiara, it accounts for less than 15 percent of the poor in the country given the smaller number of people living in city as compared to those living in the provinces.



Poverty in Solomon Islands is largely a rural phenomenon. Not only are rural households more likely to be poor compared to urban households, the bulk of the poor, about 87 percent, live in rural areas. Almost all of the more severely poor – those below the food poverty line – live in the rural areas.



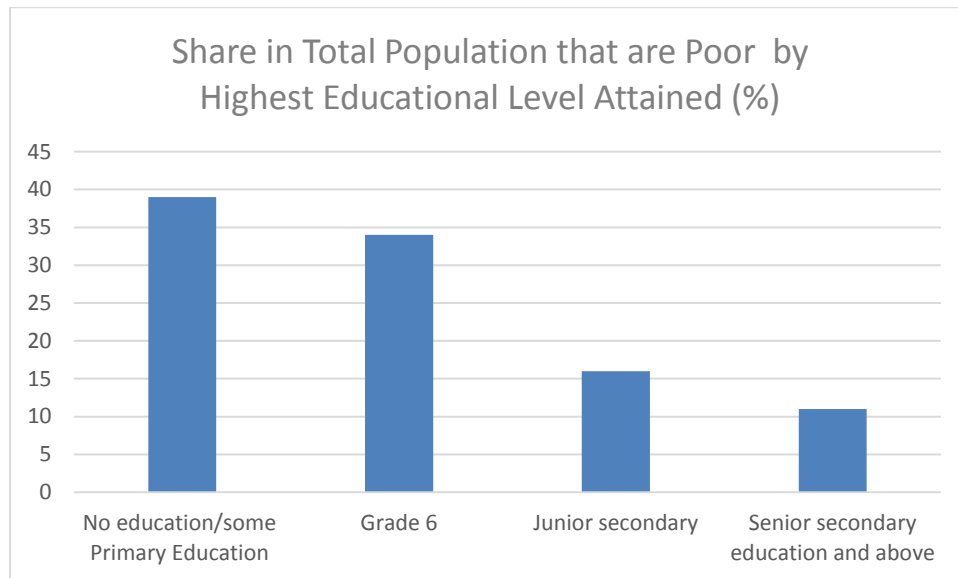
Poverty, age, and gender

While the poverty rate increases slightly with age of the household head, it does not vary as much by gender of the household head. Age and gender are easily identifiable characteristics of people that can be potentially used for targeting antipoverty interventions. In Solomon Islands, the poverty rate goes up with the age of the household head, and is highest for people in households where the age of the household head exceeds 50 years. On

the other hand, the poverty risk for female headed households is slightly less than for male headed households. Male headed households account for 92 percent of the total number of people that live in poverty.

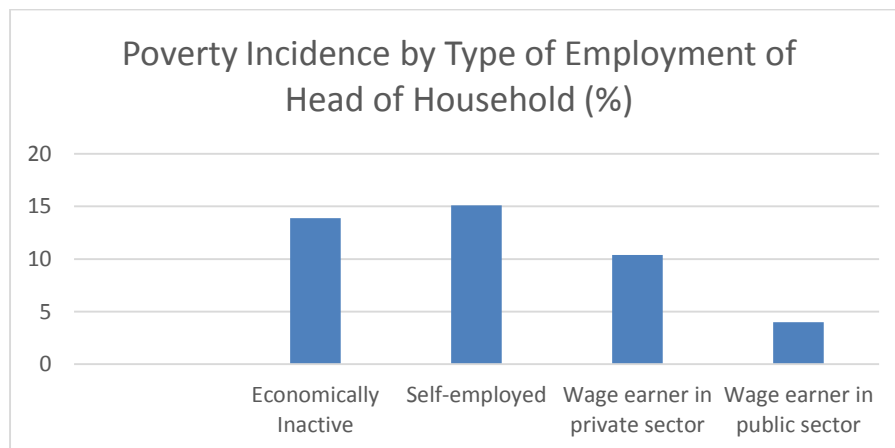
Poverty and education

Schooling has a big imprint on poverty in the Solomon Islands. About 40 percent of those that are poor in Solomon Islands live in households in which the head of the household does not have at least six years of primary schooling. The number of poor households declines clearly and steeply with higher education attainment of the household head.



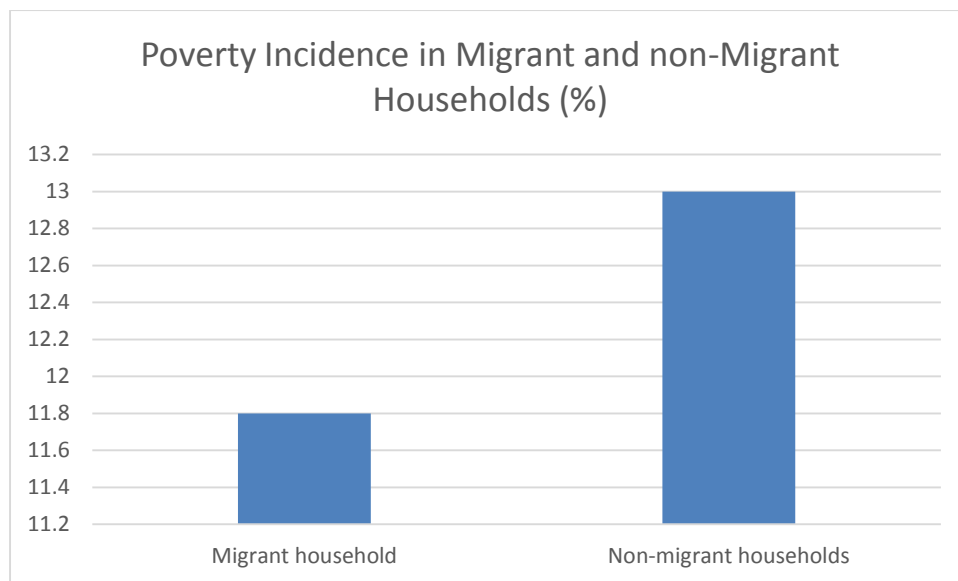
Poverty and economic activity

Poverty rates are significantly lower among wage workers compared to other working Solomon Islanders. While people living in wage-earning households account for 30 percent of the total population, they account for only 19 percent of the population in poverty. Poverty rates among wage workers in the public sector is especially low (4 percent). However, poverty prevalence is not that different between the inactive and the self-employed, a point to note in designing poverty targeted programs. In fact, about two-thirds of the poor live in households where the household head in self-employed.

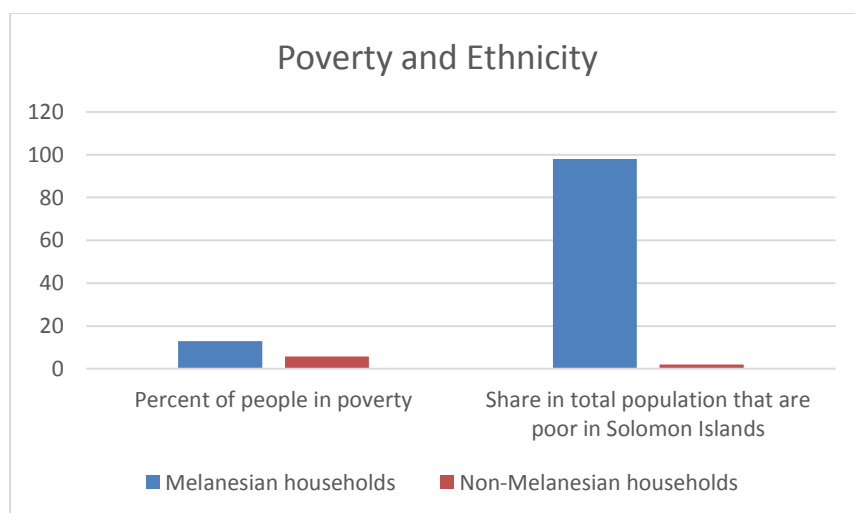


Poverty, migration, and ethnicity

Contrary to conventional view, migrant households are significantly less likely to be poor than non-migrant households, especially when poverty severity is taken into account. Migration² is an important fact of life in the Solomon Islands with one-fifth of the population living in households that have moved across provinces. Despite obvious challenges faced by migrating households in a country governed by customary land rights, migrant households face a lower risk of being poor than non-migrant households. The bulk of the poor – 81 percent – live in non-migrant households.



Much like the population structure, the vast majority of the poor in Solomon Islands are Melanesians. Poverty rates among households headed by Melanesians (13 percent) are significantly lower than those headed by non-Melanesians (5.7 percent), and the latter account for less than 3 percent of the total number of poor.



² Migration refers to the movement of people from their original place of birth to another province irrespective of purpose.

Poverty rates, 2005-2013

The national poverty rate of 12.7 percent estimated for 2012/13 is substantially lower than the SINSO/UNDP's poverty estimate of 23 percent using the 2005/06 HIES; however, a simple comparison of the two estimates at their face values must be avoided because there are significant differences in data collection methods as well as in the method used in quantifying poverty. Significant changes were made in both questionnaire design and survey implementation modality in the 2012/13 HIES. Significant changes were also made in the way the welfare indicator and poverty lines were constructed. These non-sampling differences between the 2005/06 and 2012/13 HIESs mean that direct comparisons cannot be made between poverty rates reported here and those reported in the 2008 SINSO/UNDP report.

Multiple evidence suggests that poverty dropped in the post-conflict period of 2005-2013, but some degree of caution needs to be exercised in drawing conclusions on the actual extent of the decline. When a common estimation method is applied to both 2005/06 and 2012/13 datasets, a drop of 8 percentage points in poverty incidence is observed between 2005/06 and 2012/13. It is indeed the case that, after four consecutive years of negative growth, the arrival of the Regional Assistance Mission to Solomon Islands (RAMSI) in mid-2003 improved law and order rapidly and laid the foundations for resumed economic activity and better economic opportunities for the poor. In fact, Solomon Islands' real gross domestic product is estimated to have increased by 72.3 percent over 2003-2014, with even the informal economy expanding by 31.7 percent. In 2010 alone, the economy grew by 9.7 percent. Also, the much more rapid expansion of the services sector, especially in the retail and trade sub-sector, likely buoyed employment opportunities for the poor in urban areas, especially in Honiara. However, because it is not possible to fully account for effects arising out of differences in data collection methods between the 2005/6 and 2012/13 surveys, it will be prudent to apply some degree of caution in making conclusions about the actual extent of the decline in poverty over 2005/6 and 2012/13. Given this, it may be best to treat the estimated 8 percentage points decline in poverty rate as being slightly indicative in magnitude, but very much likely in the right direction.