

## FIJI ISLANDS: UPDATE

### A. Background

1. In October 2008, the High Court of the Fiji Islands ruled that the President acted constitutionally in removing the democratically-elected Government of Prime Minister Laisenia Qarase and appointing Commander V. F. Bainimarama as interim Prime Minister in December 2006. This ruling, in response to a case brought by the Soqosoqo Duavata ni Lewenivanua (SDL) party of deposed Prime Minister Qarase, appeared to legitimize the interim Government. The SDL party appealed the decision.

2. In a decision released on 9 April 2009, the Court of Appeal overturned the High Court ruling. A day later, the President abrogated the 1997 Constitution and appointed himself head of state. He assumed all governing powers and dismissed the country's judges. The President reappointed Commander Bainimarama as Prime Minister, giving him a 5-year mandate and only requiring elections sometime before September 2014. All cabinet ministers were also reappointed. A new judiciary is to be installed. A new governor of the Reserve Bank (the former deputy governor) was appointed. The President also declared a state of emergency, which allows the Government to monitor and censor media reports and broadens the powers of the police. Censorship of the media was imposed and two foreign journalists were expelled from the country. Some critics of the Government and the situation in the Fiji Islands were detained or have been removed from their posts. No civil unrest has occurred in response to these moves.

### B. Reaction of the International Community

3. Before the most recent events, the attitudes of countries in the region had been hardening against the interim Government. Members of the Pacific Islands Forum had become increasingly frustrated with the unwillingness of the interim Government to honor an earlier pledge to hold elections by March 2009, and subsequently its unwillingness to commit to an election timetable. Some nonregional countries have made equally strong calls for a speedy return to democracy in the Fiji Islands.

4. Bilateral development partners remained divided in their approaches. Assistance from the People's Republic of China, which had pledged about \$167 million in the form of soft loans and grants for projects in the Fiji Islands in 2007, has increased significantly since the December 2006 coup. The bilateral programs of Australia and New Zealand have continued, but they have been significantly redirected away from the Government to civil society organizations. Japan has continued with its modest bilateral program.

5. The main multilateral financial institutions assisting the Fiji Islands—the Asian Development Bank (ADB), the European Investment Bank, the European Union, and the World Bank—had all suspended the approval of new assistance to the country. In rounded figures, this equates to programmed amounts of \$250 million for ADB, €25 million for the European Investment Bank, €60 million of sugar industry assistance from the European Union, and \$34 million for the World Bank, from 2007 to date. Of the multilateral partners, only ADB has significant ongoing operations in the Fiji Islands.<sup>1</sup> However, both the International Monetary

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<sup>1</sup> ADB. 1997. *Report and Recommendation of the President on a Proposed Loan and Technical Assistance Grant to Fiji for the Third Fiji Road Upgrading Project*. Manila; and ADB. 2003. *Report and Recommendation of the*

Fund (IMF) and ADB were processing emergency assistance loans in response to the January 2009 floods. The IMF loan was to be submitted to its Board for approval in April, but it has been held over pending a clearer understanding of the new context.

6. Before the most recent political developments, the Fiji Islands was facing a suspension from all Pacific Island Forum events; expulsion from the forum was a further option flagged by members. The country also faces possible expulsion from the Commonwealth. In addition, several governments were enforcing travel bans on members of Fiji's Government and military.

7. Governments, regional bodies and international organizations, who had called for a speedy return to democratic government, strongly condemned the abrogation of the 1997 Constitution and associated moves. No further sanctions have been announced, but a hardening of attitudes is a likely outcome and additional sanctions cannot be ruled out.

### **C. Likely Impact on the Economy and Poverty**

8. In its recently published Asian Development Outlook, ADB projected a contraction in the Fijian economy of 0.5%.<sup>2</sup> Subsequent data and events (not including the recent political developments) already point to an even larger contraction. The country is facing a possible balance of payments crisis. Exchange controls have just been introduced. Like other countries in the region, the Fiji Islands is starting to feel the impact of the global financial and economic crisis, mainly through lower remittances and smaller tourist numbers and revenues.

9. The recent political events are likely to create further challenges for the tourism industry, which is already being buffeted by adverse events. Thus, the economic contraction may be more severe than previously envisaged.

10. Quantitative measures of recent changes in the level of poverty are not available. However, it is widely acknowledged by the Government, NGOs and the development community that poverty is increasing in the Fiji Islands. The decline of the sugar industry has led to the development of large squatter settlements in and around the main urban centers as people migrate in search of work. The projected contraction of the economy is likely to accelerate the rise in poverty.

### **D. Conclusion**

11. The Fiji Islands and its people face a future of declining economic performance, and rising poverty and unemployment. The challenge for its development partners is how to address their mandate for socioeconomic development and poverty reduction in the current context. ADB, through the South Pacific Subregional Office, is monitoring the situation in close coordination with other stakeholders and will provide further updates as the situation unfolds. Meanwhile, ADB's operations in the Fiji Islands are guided by its Reengagement Approach.<sup>3</sup>

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*President on a Proposed Loan and Technical Assistance Grant to Fiji for the Suva-Nausori Water Supply and Sewerage Project.* Manila.

<sup>2</sup> ADB. 2009. *Asian Development Outlook (draft)*. Manila.

<sup>3</sup> ADB. 2007. *Fiji Islands: Reengagement Approach*. Manila.