



Asian Development Bank & Fiji Islands

FACT SHEET

Table 1. Fiji Islands: Development Indicators

Non-MDG	
Population in millions	0.84 (2008)
Annual population growth rate (%)	0.5 (2006–2008)
Adult literacy rate (%)	96 (1996)
Percent of population in urban areas	51.8 (2007)
MDG	
Percent of population living on less than \$1.25 a day	...
Percent of population living below the national poverty line	37.2 (2002)
Under-5 mortality rate per 1,000 live births	18 (2007)
Percent of population using an improved drinking water source	47 (2006)

... = data not available, MDG = Millennium Development Goal.

Sources: ADB, 2009. *Basic Statistics 2009*. Manila.

SPC, 2009. Pacific Regional information System.

World Bank, 2009. World Development Indicators Online.

The Fiji Islands has made progress toward some of the Millennium Development Goals (MDGs), and is close to achieving health, education, and gender-related targets. However, relative poverty has increased rather than decreased as a result of long-term declines in the sugar and garment industries; the effects of the December 2006 coup; and external shocks, including the global food and fuel price spikes. Looking forward, impacts of the current global economic crisis and severe flooding in some areas in January 2009 may increase poverty among vulnerable groups. Urban standards of living have declined with the influx of people from rural areas, and this, coupled with potential job losses in weakening economic conditions, could worsen urban and rural poverty over the medium term.

The country's weak economic performance over the last two decades reflects structural problems hampering investment and job growth. The Fiji Islands is heavily reliant on a few industries, with tourism, sugar, garment manufacturing, and gold the key revenue sectors. Tourism has shown strong growth, yet more could be done to capture and retain earnings within the domestic economy. The sugar industry has long been supported by preferential prices from the European Union (EU). These have been wound back to meet World Trade Organization rules in conjunction with a compensatory structural adjustment program tentatively funded by the EU, but as a consequence of the December 2006 coup, no disbursement of these funds has yet occurred. Similarly, changes in trade arrangements have affected the access of the garment industry to Australian and United States markets, resulting in a decline of about one third of the industry's 2001 high.

Despite a number of difficulties, gold production is showing recent growth. The development of new industries has been limited, with bottled water exports the exception, having more than doubled in value since 2003 to \$105 million in 2007.

Since 1987, development has been slowed by political instability, which undermined investor confidence, damaged the country's tourism image, prompted an exodus of skilled labor, and reduced international funding. Gross domestic product (GDP) fell by 6.4% in 1987, 1.7% in 2000, and 6.6% in 2007, coinciding with periods of political instability. In response to the December 2006 coup, several funding agencies (including the Asian Development Bank [ADB]) suspended approval of new projects involving government agencies, although many existing projects have continued. The EU linked disbursement of adjustment assistance to the sugar industry, worth more than \$50 million annually, to the accomplishment of actions agreed upon in a road map to general elections, previously scheduled for March 2009. However, with election planning not yet under way, this funding remains on hold.

Since its appointment in January 2007, the Interim Government has stated its intent to focus on increasing investment and raising productivity, thereby lifting economic growth and alleviating poverty. A key theme outlined in the 2009 Budget is a more vigorous implementation of reforms supporting these objectives: infrastructure upgrading and development; private sector development; enhancing productivity and competition; and reforms in the areas of trade, labor, public sector (including civil service), financial management, and public enterprise. Specific actions undertaken in support of these objectives include expenditure cuts that reduced public

spending in 2007 by 14.2% from the 2006 level. This contributed to reductions in spending on investment projects, community, social, and personal services, as well as public sector salary reductions (subsequently partially wound back due to union pressure). An expanded capital investment program planned for 2008 suffered from delayed implementation. Revenue policy has been focused on promoting private sector growth and improving compliance, which included a range of incentives and reductions in business and effective personal tax rates. The effectiveness of this strategy has implications for expenditure. Monetary and fiscal policies were tightened to stabilize the economy during 2007 and 2008. Reduced consumer and investment spending on imports, at least partially in response to higher import duties on certain items, has led to an overall improvement in the balance of payments. The recent devaluation of the Fiji dollar is also expected to improve the country's trade balance and address pressures on foreign exchange reserves. For 2007 and 2008, the average annual net fiscal deficit is estimated to be below 2% of GDP, while total debt-to-GDP ratio is estimated at 49%. As yet, there has been no measured improvement in investment, productivity, or economic growth.

The need for structural change is clear. However, it is highly unlikely that a comprehensive program of economic and public sector reforms can be implemented under current political and economic conditions. Furthermore, the fiscal situation in 2008 has led to a slowdown in implementation of planned investments aimed at improving the country's poor infrastructure, while the severe floods experienced in January 2009 may result in further redirection of capital investment funds to support required rehabilitation work.

Relationship with ADB

The Fiji Islands has received \$249.9 million in loans since joining ADB in 1970.

The most recent Country Strategy and Program Update (CSPU) 2006–2008 for the Fiji Islands was approved on 17 March 2006. The framework of the CSPU supports the Government's objectives to

Table 2. Fiji Islands: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	3,000	3,480	3,670	3,800	...
GDP growth (% change per year)	5.5	0.6	3.4	-6.6	1.2
CPI (% change per year)	2.8	2.4	2.5	4.8	7.7
Unemployment rate (%)	5.8	5.9	6.4	6.9	...
Fiscal balance (% of GDP)	-8.1	-10.3	-2.9	-1.8	-1.5
Export growth (% change per year)	-5.8	6.3	2.5	5.9	23.1
Import growth (% change per year)	18.3	13.1	12.8	9.7	26.2
Current account balance (% of GDP)	-68.7	-13.2	-22.6	-17.3	-21.0
External debt (% of GNI)	7.4	7.7	7.7	11.4	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.

ADB staff estimates.

World Bank. 2009. World Development Indicators Online.

Table 3. Fiji Islands: 2008 Loan, TA, and Grant Approvals (\$ million)

	Loans		TA	Grants	Total
	Sovereign	Nonsovereign			
	-	-	0.1	-	0.1

- = nil.

Cumulative Lending (as of 31 Dec 2008) : \$249.9 million
Cumulative Disbursements (as of 31 Dec 2008) : \$192.5 million

- (i) generate private sector-led growth through sound macroeconomic policies, infrastructure development, and alternative livelihoods;
- (ii) deliver affordable, basic social services through support for water and sanitation services, and improvements in local governance; and
- (iii) establish effective development institutions through TA.

The CSPU for 2006–2008 can be found at www.adb.org/Documents/CSPs/FIJ/2006/csp0300.asp.

Preparation of a new Country Partnership Strategy (CPS) 2007–2011 to support the country's Strategic Development Plan was initiated in 2006. In October 2006, a joint Country Programming Mission was successfully conducted with the Australian Agency for International Development (AusAID) and the Pacific Financial Technical Assistance Centre, and a draft CPS prepared. Preparation was suspended, however, after the coup of December 2006. Processing of new lending and nonlending operations is on hold, pending an ADB Management decision on reengagement. Consistent with ADB's response to the coup of 2000, ADB is implementing a two-stage reengagement strategy in the Fiji Islands, approved 5 April 2007. Under the first stage, ADB continued to support ongoing operations. The second stage will start when ADB Management determines that new operations should resume, either selectively or generally. As requested by the Interim Government, the Alternative Livelihoods Project was cancelled in 2007 in expectation that grant funding from the EU would support sugar industry restructuring, but as noted above, these funds have yet to be released.

Impact of Assistance

As a key development partner and supporter of public sector programs, ADB has helped the Fiji Islands grow its economy, attract private sector investment, and make progress toward the MDGs.

ADB has been engaged in the transport sector in the Fiji Islands for 20 years. Ongoing road rehabilitation and upgrading programs have

Table 4. Fiji Islands: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	3	48.20	19.29
Energy	3	36.90	14.77
Finance	3	18.60	7.44
Multisector	1	4.40	1.76
Transport and Communications	5	94.80	37.94
Water Supply, Sanitation, and Waste Management	1	47.00	18.81
Total	16	249.90	100.00

^a Total may not add up because of rounding.

Table 5. Fiji Islands: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	0.0	2
Energy	100.0	3
Finance	50.0	2
Multisector	0.0	1
Transport and Communications	100.0	4
Total	66.7	12
By Year of Approval		
1970s	100.0	4
1980s	33.3	6
1990s	100.0	1
2000s	100.0	1

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

helped disadvantaged groups throughout the country participate in the cash economy as projects reduced transport costs and journey times; increased access to employment opportunities and social services; helped improve the efficiency of markets; and boosted educational, health, and business services.

The Fiji Ports Development Project, completed in March 2007, resulted in more efficient and competitive ports, with savings on operational costs already being realized. Work was also implemented to review and update the tariff system.

ADB funding is improving water supply and sewerage services to residents of the Suva–Nausori region through the Suva–Nausori Water Supply and Sewerage Project. The project, which commenced in 2005, has already provided improved water supplies to 150,000 people—or about 45% of the Suva–Nausori population. The project will also provide approximately 12,000 people with access to the regional sewerage network and will upgrade the region's two major water treatment plants. Institutional reforms of the Government's Water and Sewerage Department will support the creation of the Fiji Water Authority, thus providing a higher level of service to residents in urban and peri-urban areas.

The Capital Markets Development Authority (CMDA) benefited from ADB's technical assistance, which supported the more efficient operation of the Fiji Islands' capital markets. The CMDA is now a much stronger institution with a clear sense of purpose and responsibility for spearheading capital market development and regulation.

In 2005, heads of government at the Pacific Islands Forum gave regionalism a boost by approving the Pacific Plan for Strengthening Regional Cooperation. ADB supports programs under the Plan, which emphasizes regional public goods and services. Collective management of increased aviation safety and security requirements is a prime example of this. Under an ADB loan and TA grant package totaling \$1.95 million approved in 2005, ADB is helping Fiji Islands, Cook Islands, Kiribati, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu establish the Pacific Aviation Safety Office to help the region meet international standards.

Table 6. Fiji Islands: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2008)		2
Contract Awards/Commitments	5.6	6.2
Disbursements	12.6	9.7
Loans at Risk (%)	100.0	50.0

Table 7. Fiji Islands: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
B.W. Holdings	Transport and Communications	5.58
J.S. Hill and Associates, Ltd.	Water Supply, Sanitation, and Waste Management	4.53
Western Builders, Ltd.	Water Supply, Sanitation, and Waste Management	3.59
Standard Concrete Industries, Ltd.	Transport and Communications	1.71
R.C. Manubhai and Company, Ltd.	Education	1.03
Seamech, Ltd.	Education	0.46
Suncourt Hardware	Education	0.43
Pacific Building Systems (Fairfax Pacific, Ltd.)	Education	0.29
Joint Ventures of Pacific Wire	Transport and Communications	0.16
Trade Supplies	Education	0.12

Future Directions

An agreement was reached with the elected Government on a draft CPS 2007–2011 during the Country Programming Mission in October 2006, which prioritized projects in economic and public sector reforms, transportation, poverty in rural areas and outer islands, improvement of water and sanitation, and the development of renewable energy. The proposed lending and nonlending pipeline will, however, require renegotiation under the future CPS once reengagement in new country operations is authorized.

Further assistance by ADB under a future CPS will need to take into account risks faced by the Fiji Islands economy: increased poverty; the decline of key sectors (sugar, textile, and clothing); vulnerability of the tourism industry to global economic conditions; government budgetary risks; and the potential for structural financial crisis.

Operational Challenges

ADB responded to the December 2006 coup with a strategy for reengagement to guide activities in the Fiji Islands. Under this strategy, no new activities were approved but ongoing activities have continued. There is some evidence that ADB's influence has declined as a result of its disengagement from new operations while other development partners have moved into some areas (particularly roads) traditionally supported by ADB. Given this, ADB's relevance may be eroding.

In recent years, and particularly because of the global economic crisis and economic shocks from rising food and fuel prices and flooding, there is a pressing need for a comprehensive set of economic and public sector reforms, which lay the foundation for the strong private sector-led growth needed to tackle poverty. However, due to the lack of a path for a return to democracy or a change in the stance of development partners, the required support of key development partners for such reforms is absent.

Development partners' understanding of the Fiji Islands medium- and long-term development goals has been restricted by the lack of a clear commitment by the Interim Government to implement the Sustainable Development Plan (SDP) 2007–2011, with their focus over the past 2 years being on implementation of the annual budget. The December 2008 endorsement by the President of the People's Charter, and its prioritized implementation coordinated by the Ministry of Planning, allows this planning gap to be filled to some degree.

Table 8. Fiji Islands: Top individual consultants involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Fiji Islands*	2	0.06

* Consultant may have one or more contracts within the period covered.

Table 9. Fiji Islands: Top consultants (individual consultants and consulting firms) involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Fiji Islands*	29	0.77
Live and Learn Environmental Education	1	0.39
South Pacific Applied Geoscience Commission	2	0.08
Fiji Red Cross Society	1	0.05

* Consultant may have one or more contracts within the period covered.

Partnership

ADB maintains a permanent dialogue with key development partners on country operations and has a strong track record of cooperative programming in the Fiji Islands and will continue to seek opportunities to support poverty reduction and development. ADB cooperates with both the private sector and civil society organizations in the implementation of national and regional operations involving the Fiji Islands. For example, ADB has provided a grant through ADB's Cooperation Fund for Fighting HIV/AIDS in Asia and Pacific (financed by the Government of Sweden) to the Fiji Red Cross on HIV/AIDS Prevention for Youth. The project is being implemented over the period 2007–2009.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial

organizations—to participate in financing of ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, cumulative direct value-added cofinancing for the Fiji Islands amounted to \$6.5 million for one investment project and \$100,000 for one TA project.

As of 31 December 2008, 10,330 consultant contracts were awarded ADB loan projects worth \$4.17 billion, of which eight contracts were awarded to consultants from the Fiji Islands worth \$1.06 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB technical assistance projects worth \$2.33 billion, of which 52 contracts were awarded to consultants from the Fiji Islands worth \$2.02 million.

A summary of procurement contracts awarded to companies and consultants from Fiji Islands for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/FijiIslands/procurement.asp.

About the Fiji Islands and ADB

The Fiji Islands is the 29th largest shareholder among regional members and the 37th largest shareholder overall.

ADB Membership

Joined	1970
Shares held	2,406 (0.07%)
Votes	15,638 (0.35%)

Ceppie K. Sumadilaga is the Executive Director and **CJ (Stan) Vandersyp** is the Alternate Executive Director representing the Fiji Islands on the ADB Board of Directors.

The South Pacific Subregional Office (SPSO) was opened in 2004 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. SPSO engages in policy dialogue and acts as a knowledge base on development issues in the Fiji Islands, Cook Islands, Kiribati, Samoa, Tonga, and Tuvalu.

R. Keith Leonard is the Regional Director of SPSO.

The Fiji Islands government agency handling ADB affairs is the Ministry of Finance and National Planning.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

Contacts

South Pacific Subregional Office

Level 5, Ra Marama Building
91 Gordon Street
Private Mail Bag, Suva, Fiji Islands
Tel +679 331 8101
Fax +679 331 8074
adbpspo@adb.org
www.adb.org/SPSO

ADB Headquarters

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
information@adb.org

Ministry for Finance and National Planning

P.O. Box 2212, Government Buildings
Suva, Republic of the Fiji Islands
Tel/Fax +679 332 2101/330 3325

Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/fijiislands

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2009/FIJ.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2008/