

Pacific Studies Series



Fiji 2012

REVITALIZING THE FIJI ECONOMY



Australian Government

AusAID

Pacific Studies Series

Fiji 2012

REVITALIZING THE FIJI ECONOMY



Australian Government

AusAID

© 2012 Asian Development Bank

All rights reserved. Published in 2012.
Printed in the Philippines.

ISBN 978-92-9092-982-6 (Print), 978-92-9092-983-3 (PDF)
Publication Stock No. RPS135457-2 -2

Cataloging-In-Publication Data.

Asian Development Bank.
Fiji 2012: Revitalizing the Fiji economy.
Mandaluyong City, Philippines: Asian Development Bank, 2012.

1. Economic growth. 2. Poverty reduction. 3. Fiji. I. Asian Development Bank.

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use.

By making any designation of or reference to a particular territory or geographic area, or by using the term "country" in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.


ADB encourages printing or copying information exclusively for personal and noncommercial use with proper acknowledgment of ADB. Users are restricted from reselling, redistributing, or creating derivative works for commercial purposes without the express, written consent of ADB.

Cover photo: ADB photo library.

Note: In this report, "\$" refers to US dollars unless otherwise stated.

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
www.adb.org

For orders, please contact:
Department of External Relations
Fax +63 2 636 2648
adbpub@adb.org

 Printed on recycled paper

Contents

Tables, Figures, and Map	v
Foreword	vi
Currency Equivalent	vii
Abbreviations	vii
Executive Summary	ix
Recent Economic Developments	1
Introduction	1
Political Landscape	1
Economic Growth	2
Investment and Savings	4
Structure of Production	5
External Trade and the Balance of Payments	6
Monetary and Exchange Rate Developments	10
Public Finance	12
Public Sector Management	14
Employment and the Labor Market	15
Conclusions	17
Poverty and Social Development	19
Poverty and Inequality	20
Provision of Basic Social Services	23
Education	24
Health	25
Housing	26
Social Protection	26
Conclusions	28
Unlocking the Sector Growth Potential	29
Primary Sectors	29
Manufacturing	33
Tourism	34
Conclusions	36
Growing the Private Sector	37
Overview of the Private Sector	37
Impediments to Private Sector Development	37
Infrastructure Costs and Services	41
Business Regulatory Environment	45
Conclusions	49

Government's Economic Reform Strategy	51
Managing Reform and Rebuilding Credibility	53
Conclusions	55
Conclusions and Policy Recommendations	57
Tackling Macroeconomic Imbalances	57
Growing the Private Sector	58
Nurturing Private Sector Growth in Key Sectors	60
Reducing Poverty and Fostering Social Development	62
Fostering Political Participation	63
References	81
Appendixes	
A.1 Fiji Key Economic Indicators, 2005–2012	64
A.2 Fiji Paid Employment by Sector (No.) Selected Years	65
A.3 Fiji Poverty Rate by Division and Rural-Urban Status, 2002–03 and 2008–09	65
A.4 Fiji Overall Poverty Change by Urban and Rural Area, 2008–09	66
A.5 Fiji GDP by Sector at Constant 2005 Prices	66
A.6 GDP Growth Rate of Selected Pacific Island Countries, 2000–2011	67
A.7 Inflation Rate of Selected Pacific Island Countries, 2000–2010	67
A.8 Fiji Agricultural Production of Selected Commodities, 1977–2010	68
A.9 Fiji Production of Manufactured Agricultural Commodities, 1970–2010	69
A.10 Fiji Sugar Industry Production and Prices, 1975–2010	70
A.11 Fiji Balance of Payments, 2007–2011	71
A.12 Fiji Production of Minerals and Manufactured Products, 1970–2010	72
A.13 Interest and Profitability Rates of Selected Pacific Island Countries, Average for 2000–2009	73
A.14 Fiji Finance Sector Indicators, 2007–2011	73
A.15 Fiji Government Finance Indicators, 2000–2010	74
A.16 Fiji Revenues and Expenditures by Functional Composition, 2007–2011	74
A.17 Fiji Central Government Budget by Sector, 2007–2012	75
A.18 Fiji Government Revenue by Source, 1992–2009	76
A.19 Fiji Government Spending on Social Services, 2000–2007	77
A.20 Fiji Education Sector Indicators, 2008	77
A.21 Fiji Education Sector Selected Enrollment Indicators, 1995, 2000, and 2009	78
A.22 Fiji Health Sector Statistics, 2004–2009	78
A.23 Fiji Ease of Doing Business, 2011	79
A.24 Fiji Visitor Arrivals by Country of Origin, 1994–2010	79
A.25 Fiji State-Owned Enterprise Performance Indicators, Fiscal Year 2009	80

Tables, Figures, and Map

Tables

1	Emigration of Fiji Citizens, 1987–2008	9
2	Progress Toward the Millennium Development Goals	21
3	Percent of Population Living in Poverty by Education Level	23
4	Poverty by Sector of Employment of Employed Household Head	23
5	Regional Comparison of Public and Private Health Expenditure	25
6	Top 10 Causes of Morbidity and Mortality in Fiji	27
7	Squatter Settlement by Ethnicity in Fiji, 2007	27
8	Tourist Arrivals and Length of Stay, 1994–2010	35
9	Selected Indicators of Infrastructure Services in the Pacific Islands	42
10	Ranking of Fiji in Doing Business by Business Category	45
11	Foreign Investment, Registration and Implementation in Fiji, 2005–2010	48
12	Goals and Strategic Priorities of the Roadmap for Economic Growth of Fiji	52

Figures

1	GDP Growth Performance, 1980–2013	3
2	Investment Levels in Fiji, 2000–2010	4
3	Gross Domestic Product by Sector, 2005 and 2009	5
4	Exports by Major Commodities	6
5	Imports by Major Category	7
6	Trade Balance and Current Account Deficit, 2000–2011	7
7	Official Development Assistance by Major Donor	8
8	Gross Foreign Reserves, 2000–2011	9
9	Nominal Exchange Rate, 1999–2011	10
10	Real Effective Exchange Rate Index, 1999–2011	10
11	Monetary Indicators	11
12	Current and Capital Expenditures, 2000–2013	13
13	Fiscal Deficit, 2000–2013	13
14	Fiji Debt Components, 2006–2011	14
15	Formal Employment by Industry, 2000, 2007, and 2008	16
16	Rate of Unemployment and Emigration, % of Labor Force, 2000–2008	17
17	Total and Urban Population	19
18	Incidence of Poverty, 2002/03 and 2008/09	21
19	Performance of the Fiji Sugar Industry, 1994–2010	31
20	Foreign Direct Investment 2007–2011	47

Map

Map of Fiji	xiii
-------------	------

Foreword

The publication of an economic update and outlook for Fiji under the Pacific Island Economic Report Series of the Asian Development Bank is intended to strengthen pro-poor policy development in Fiji.

This analysis draws on existing diagnostic materials, including earlier reports prepared by ADB, government, and other development partners. The report provides a substantial update of available information and refines past and existing analyses.

It is within this context that we provide this economic update and outlook study for Fiji which examines measures taken to accelerate Fiji's economy, and strengthen pro-poor policy development. We have taken the opportunity to identify areas where we believe further action may be needed or where there are new and emerging opportunities for Fiji's economy. Improvements in, for example, economic policy, a better private sector enabling environment, and concerted fiscal consolidation can help the country to sustainably boost growth, combat poverty and foster social development.

This report was prepared under ADB regional technical assistance project Strengthening Pacific Economic Policy Analysis and Policy Development, with generous support from the Government of Australia. It was completed under the direction of ADB's Pacific Subregional Office in Suva and implemented with the guidance and oversight of the Fiji Ministry of Finance and Ministry of Strategic Planning, National Development and Statistics.

Xianbin Yao
Director General
Pacific Department
Asian Development Bank

Currency Equivalent

(as of 26 November 2012)

Currency Unit		Fijian dollar (F\$)
F\$1.00	=	\$0.56239
\$1.00	=	F\$1.77809

Abbreviations

ADB	–	Asian Development Bank
ALTA	–	Agricultural Landlords and Tenants Act
AusAID	–	Australian Agency for International Development
EU	–	European Union
FAP	–	Family Assistance Program
FDI	–	foreign direct investment
FEA	–	Fiji Electricity Authority
FNPF	–	Fiji National Provident Fund
FPCL	–	Fiji Ports Corporation
FSC	–	Fiji Sugar Corporation
GDP	–	gross domestic product
HDI	–	Human Development Index
ILTA	–	iTaukei Land Trust Act
IMF	–	International Monetary Fund
MDG	–	Millennium Development Goal
NCSMED	–	National Centre for Small and Micro Enterprises Development
NGO	–	nongovernment organization
RBF	–	Reserve Bank of Fiji
SOE	–	state-owned enterprise
SPARTECA	–	South Pacific Regional Trade and Economic Co-operation Agreement
TLTB	–	iTaukei Land Trust Board
TVET	–	technical and vocational education
UCV	–	unimproved capital value
UNDP	–	United Nations Development Program
US	–	United States
VAT	–	value-added tax
WTO	–	World Trade Organization



Executive Summary

Fiji's economy grew at a moderate pace throughout the 1970s, but has been on a downward growth trajectory since then. In recent years, economic activity has come to a near standstill. Since 2000, two of Fiji's leading industries—sugar and textiles—have registered substantial declines in production and export volumes as trade preferences and tax holidays were phased out. From 2006–2010, the economy contracted at an average annual rate of –0.34%.

Fiji's growth has been extremely volatile as a result of a series of external and internal shocks. These include a series of natural disasters (cyclones in 1985, 1992, 1993, 2009, and 2010); two global oil shocks (in 1979 and in 1981–1982); effects of coups (1987, 2000, and 2006); the Asian financial crisis (1997); spikes in food and fuel prices (2008); the global economic crisis (2009 and 2010); and, most recently, severe flooding in the western and northern divisions of the country (January 2012 and late March 2012) followed by tropical cyclone Evan (December 2012).

Political instability has added to economic uncertainties. In December 2006, a military coup was led by Commodore Voreqe Bainimarama, who became interim Prime Minister in January 2007. In response to the coup, Fiji was suspended from the Pacific Islands Forum and the Commonwealth; and travel restrictions were imposed by the governments of Australia and New Zealand. The Asian Development Bank (ADB), the European Union (EU), the World Bank, and other international financial institutions (IFIs) also suspended new investment operations in Fiji. In April 2009, following a High Court ruling that the coup was illegal, the government abrogated the Constitution, disbanded the judicial system, announced that general elections would be held by September 2014, and declared a period of emergency rule.

Given the uncertain economic and political environment, total investment is far below the target of 25% of gross domestic product (GDP), which the government estimates is required to achieve an annual growth rate of 4%–5%. This target investment rate was last achieved in 1981, and since 2003, investment has been on a steadily declining trend. Private investment was only 3.5% of GDP in 2010; and reportedly 2% to 3% of GDP in 2011, the lowest since Fiji gained its independence in 1970.

Macroeconomic imbalances are accumulating. Inflation has been high in recent years and unemployment and underemployment are also on the rise. Faced with a difficult domestic labor market, emigration is increasing, draining the economy of much-needed skills and experience. Import growth is rapidly outstripping export growth, contributing to a widening trade gap. And, following a period of fiscal consolidation in the mid-2000s, an expansionary fiscal stance was adopted, which led to public debt increasing to more than 50% of GDP by 2011.

Macroeconomic policies have contributed to Fiji's poor economic performance. External competitiveness was allowed to erode between 2000 and 2008, before a one-off devaluation in 2009 brought the real exchange rate back into line with economic fundamentals. Subsequently, the real effective

exchange rate has been allowed to appreciate; and this has occurred rapidly. Credit growth was strong from 2000 to 2006, but has been sluggish since then, contributing to a substantial build up of excess liquidity in the banking system. Fiscal policy has been hampered by a large public sector wage bill, low levels of government capital spending, a revenue base eroded by discretionary tax exemptions, and a large public debt overhang.

Sector development strategies have emphasized subsidies, tax breaks, and preferential market access, rather than providing a level playing field for industries that can be globally competitive. The collapse of the textiles industry and the decline of the sugar industry show what can happen once trade preferences and tax holidays come to an end. Fiji's farmers have become accustomed to input subsidies and government market interventions, which have dampened incentives to innovate and allocate resources efficiently. Other sectors, such as fisheries and forestry, have suffered from insufficient attention to natural resource management while tourism has been hampered by a high-cost licensing regime, policies that favor the domestic airline, and inconsistent tax policies.

Fiji's private sector operates far below its potential due to constraints in factor markets, the extensive role played by inefficient state-owned enterprises, poor quality infrastructure, overregulation, and gaps in the commercial legal framework. Dialogue between the private sector and government is infrequent, which creates an environment of mistrust and uncertainty. Following the events of 2006, foreign direct investment (FDI) approvals and projects implemented declined significantly. Using foreign investment as a good proxy for the quality of the private sector investment regime, the recent trend in FDI thus reflects weaknesses in the investment climate. While major mining projects are at various stages of preparation, these still need to address contentious issues on community compensation and access to affordable supplies of reliable power.

The downturn in the economy has contributed to growing poverty in rural areas. Fiji's poverty strategy is aimed at achieving the Millennium Development Goals (MDGs), but progress has been unsatisfactory. Poverty incidence was estimated at 35.2% of the population in 2008–2009, significantly higher than Fiji's MDG target of 14.7% by 2015. Moreover, nearly half of the population could be considered to be poor or near-poor, having incomes close to the poverty line. In addition to the need to boost incomes, other poverty reduction challenges include high dropout rates in primary and secondary schools, low participation rates in post-secondary education, a rise in noncommunicable diseases, gaps in access to clean drinking water and modern sanitation facilities, large and rapidly growing numbers of families residing in urban squatter settlements, and low coverage of social safety net programs.

The government is well aware of the need for Fiji to break away from the downward spiral of low economic growth, political instability, and mounting poverty. The Strategic Framework for Change and the Roadmap for Democracy and Sustainable Development, 2009–2014, contain the steps proposed by the government in order to achieve its vision of a sustainable democracy, good governance, socioeconomic development, and national unity. Progress has been made in implementing certain elements of the roadmap, but while many new decrees have been issued, actual implementation has lagged

behind. The reasons for this include skills shortages and other constraints within the government and insufficient consultation with the private sector and the public-at-large.

Government estimates suggest that Fiji returned to a growth rate of 2.5% in 2012 and forecast 2.7% in 2013 but this presumes that business confidence will return and investment levels will pick up. The reality is likely to be far more challenging, with risk averse investors waiting to see progress registered in instituting a new constitution and holding free and fair elections, and an aggressive implementation of the government's ambitious economic reform program.

A stable and competitive macroeconomic setting is necessary to underpin private sector-led growth and development. For this, public debt levels will need to be reduced, government recurrent spending restrained, spending on economic infrastructure boosted, and revenues augmented by phasing out tax concessions. Phased lifting of foreign exchange controls should also be considered to help ensure that the appreciation of the real exchange rate is held in check. Considerable effort should also be given to securing the support of IFIs for the government-led, multiyear macroeconomic and structural reform program.

Appropriate sector policies are crucial to boosting economic growth. But this does not mean that the government should favor one industry over another. In agriculture, the key challenge is to foster private sector-led technological innovation. In the sugar sector, after the Fiji Sugar Corporation is financially restructured, privatization should be considered and alternatives to sugarcane production identified for displaced farmers. In fisheries, efforts should be made to improve the planning and management of coastal and artisanal fisheries and stricter controls should be applied to address stock-depletion in offshore fisheries. In forestry, strict limits on logging in the rainforest should be applied; and private development of mahogany and other tree plantations for export should be promoted in a sustainable manner. Tourism development, including further diversification of tourism products, will require an accommodating business environment including a streamlining of investment licensing and requirements, and adoption of an open skies policy to encourage new airlines to enter the market.

A multifaceted effort will be required to improve the enabling environment for private sector development. Toward this end, it is important to make factor markets work more efficiently, for example, by increasing access to customary land for productive purposes, building technical and vocational skills, and improving access to well-regulated microfinance institutions.

State-owned enterprises (SOEs) have long been a drag on economic activity and have hampered development. Efforts should be made to accelerate their commercialization and divestiture and the contracting-out of services previously reserved for the SOEs. There is also a need to strengthen the Ministry of Finance and the Ministry of Public Enterprises if they are to actively lead SOE reforms.

Better infrastructure will be needed if Fiji is to compete globally. Government could improve infrastructure services by continuing to separate regulation of services from their provision, ensuring that tariffs provide sufficient incentives for new infrastructure investments while providing for

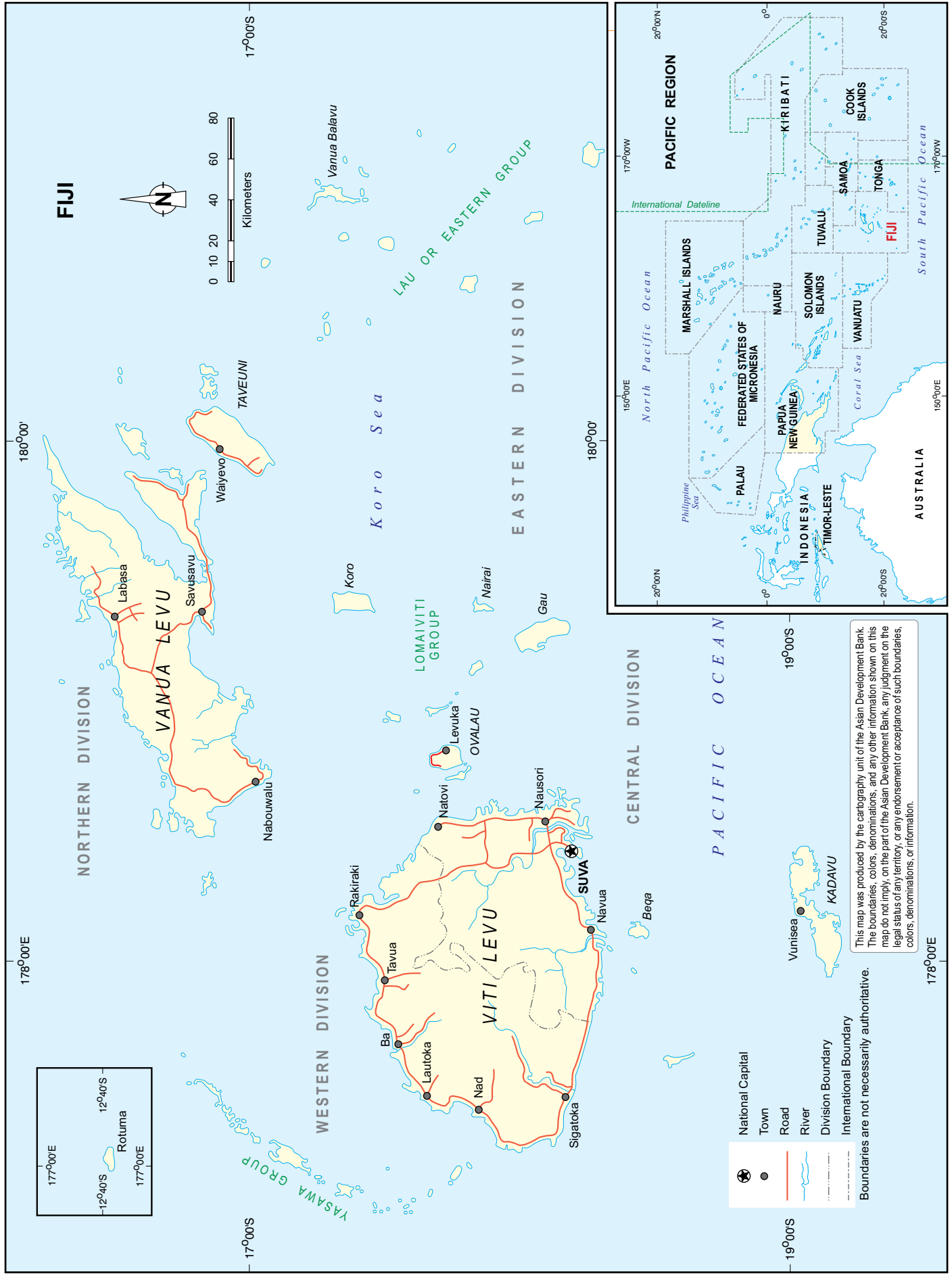
lifeline service levels, addressing the large backlog of insufficient repair and maintenance in the road transport sector, overcoming the high costs and extra fees at the ports, and allowing private broadband telecommunication providers to have access to Fiji's fixed line systems.

Concerted efforts have been made to improve the attractiveness of Fiji's business environment including introducing an electronic business registry, however, further efforts are required to streamline enterprise regulation, simplify labor market regulations, automate and narrow the scope of business licensing, and further improve procedures for obtaining access to land for development. Fiji's extensive system of price controls should be dismantled and competition regulated directly rather than by interfering with the price-setting process. Consideration should be accorded to lowering minimum foreign investment requirements and leveling the playing field for private investors by phasing out discretionary tax holidays and exemptions.

Over the long term, higher rates of economic growth will be needed to generate the resources required to fund better social services. In the near term, there is scope for improving social service delivery. In the education sector, priority should be accorded to assessing the reasons for high basic education drop outs. Steps should be taken to improve basic education quality and boost completion rates. In the health care sector, the ongoing effort to consolidate and rebuild the Ministry of Health and to provide clean drinking water to all, merits support. In housing, the top priority should be to bolster cooperation between the government and civil society organizations to improve access to basic services in squatter settlements.

Better social protection could be provided if coverage and benefits under the Family Assistance Program are expanded and if there is a social pension program. Funding and affordability of social safety net programs will, in the medium term, need to be addressed.

There will be no meaningful economic progress in Fiji without substantial political reform. The government has identified the key actions required for a return to democracy in its Roadmap for Democracy and Sustainable Development, including the development of a new constitution, a new electoral law, and the holding of free and fair elections. Equally important is the need to improve public dialogue and consultation to help inform and build consensus on these major political reforms.





Recent Economic Developments

Introduction

Fiji is located in the South Pacific, about two-thirds of the way from Hawaii to New Zealand. It is an archipelago with a territory of 18,274 square kilometers spread over 332 islands, of which, approximately 110 are inhabited. Its population comprises about 837,000 persons, most of whom reside on the two largest islands—Viti Levu and Vanua Levu.

Fiji is a middle-income country, with a per capita income in 2011 of \$3,773. In contrast to other Pacific island states, external aid, with inflows averaging less than 2% of annual gross domestic product (GDP), plays a relatively modest role in Fiji. The economy is largely dependent on tourism and sugar; the exports of garments, fish, gold, and mineral water are significant; and remittances of overseas Fijians also play an important role.

Fiji's economic performance has been far below its potential. Despite a relatively high level of social development, the rate of economic growth has been low during the last 10 years. Several factors, both domestic and global in nature, have led to this performance: the natural disasters that hit the country, the effects of the global financial crisis; the collapse of the garment industry; and, extremely low levels of public and private sector investments. Political uncertainty has been a constraint as well in the country's pursuit of higher growth. As a result, per capita income has been declining since 2005, and a third of the population now falls below the poverty line.

Political Landscape

In the 1970s and early 1980s, Fiji was acclaimed as a model of Pacific island development. Steady progress was registered in social development and the public sector demonstrated high standards of accountability, transparency, efficiency, and effectiveness in service delivery. Political stability and a growing reputation for good governance inspired ample foreign direct investment (FDI) and generous inflows of external assistance.

Since 1987, however, political stability has been elusive. Democratic rule was interrupted by two military coups in 1987 caused by concern over a government that was perceived as being dominated by the ethnic Indo-Fijian community. The two coups and the 1990 Constitution strengthened indigenous Fijian control of the political system. This led to heavy emigration, and enabled the indigenous Fijians to gain the majority rule in the government. In 1997, a new Constitution was enacted. Free and peaceful elections were held in 1999 that resulted in a government headed by an Indo-Fijian. But this was followed by a civilian-led coup in May 2000. Parliamentary elections were held in August 2001, which provided Fiji with a democratically elected government led by Prime Minister Laisenia Qarase. For 5 years, there was relative political stability in Fiji. Prime Minister Qarase was re-elected in May 2006, but he

was ousted in a military coup in December 2006 led by Commodore Voreqe Bainimarama, who initially appointed himself as acting President and became interim Prime Minister in January 2007. In reaction to the 2006 coup, Fiji was suspended from the Pacific Islands Forum and the Commonwealth; and Australia and New Zealand imposed travel restrictions on Fiji. The European Union (EU) suspended all new aid until the government took steps toward new elections; and the Asian Development Bank (ADB), the World Bank, and other international financial institutions also suspended the preparation of new investment operations in Fiji.

In April 2009, following a High Court ruling that the coup was illegal, the government abrogated the Constitution, disbanded the judicial system, announced that general elections would be held by September 2014, and declared a period of emergency rule.

It is tempting to see race as the key to Fiji's political instability. The large Indian community has remained culturally distinct from the ethnic i-Taukei community. As a result, most institutions are either predominantly i-Taukei or predominantly Indian, creating a divide across Fijian society that is prone to widen in times of political and economic stress.

But the reality is more complex. At the community and individual levels, Indo-Fijians and i-Taukei coexist harmoniously. There are historic tensions within the Indian community based on income levels that echo the religious, regional, and caste differences in their country of origin. Potentially more divisive are the tensions within the indigenous Fijian community. These come not just from historical rivalry of clans and confederacies, but also from the stresses of a communal society that is adjusting to the pressures of a modern economy and of an emerging educated and globally aware generation which is seeking more individual autonomy and challenging traditional elites.

The 2012 budget includes provisions for drafting a new constitution and for undertaking electoral reform. Progress is being made toward the holding of new elections. The government has launched the process for the formulation of Fiji's constitution leading up to the general elections by 2014. The process, which will be participatory, will include a civic education process; and consultations prior to the formulation of the constitution which will be completed by February 2013. The new constitution will be premised on the fundamental values and principles of a common and equal citizenry; a secular state; the removal of systemic corruption; an independent judiciary; elimination of discrimination; good and transparent governance; social justice; one person, one vote, one value; and elimination of ethnic voting, proportional representation, and a voting age of 18.

In January 2012, the government lifted its Public Emergency Regulations, which banned public meetings and restricted the freedom of the media. However, these regulations were subsequently replaced by the amended Public Order Decree, with much stronger restrictions. The Media Industry Development Authority, which was established in 2009, oversees all of Fiji's media.

Economic Growth

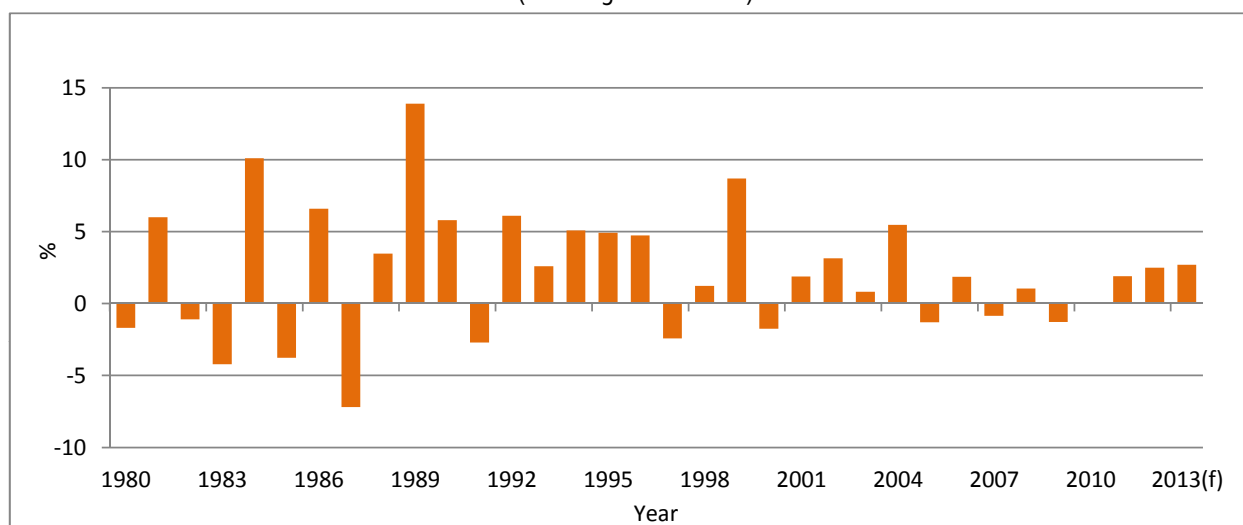
From 1971 to 1981, the economy experienced moderate rates of economic growth, with real GDP increasing by an average of 3.8% per annum on account of high levels of public investment and increasing exports of sugar

and copra. Until 1986, economic policy was marked by a strong emphasis on import substitution, food self-sufficiency, and economic diversification with the state playing a dominant role in economic activity.¹ In the late 1980s, prior to joining the World Trade Organization (WTO), Fiji embarked on an important policy shift toward a more market-oriented, outward-looking development strategy. In this context, Fiji gradually liberalized its trade and reduced import restrictions in favor of export promotion; these measures increased the volumes of exports and imports. The more open trading approach led to increased opportunities in the economy, creating thousands of jobs in industries like tourism and textiles.

Over the period 2001–2005, the Fiji economy experienced a downward growth path marked by extreme volatility in yearly growth performance. Annual GDP growth fell to 2.4%, on average; while during the period 2006–2011, the economy contracted at an average rate of –0.34%. As a result, the size of Fiji's economy in 2010 was similar to that a decade earlier. With the population growing by 1.4% annually, real GDP per capita fell from F\$5,100 to F\$4,800 between 2006 and 2010. In 2011, real GDP increased by 2.1%, but this reflects primarily a bounce-back in agricultural output from the natural disasters in 2009 and 2010. Real GDP growth is estimated at 2.5% for 2012.

The pronounced volatility in year-on-year GDP growth is shown in Figure 1, clearly showing the negative impact of natural disasters (cyclones in 1985, 1992, 1993, 2009, and 2011); sudden change in international commodity prices (oil shocks, 1981–1982 and 2008); effects of coups (1987, 1989, 2000, and 2006); the Asian financial crisis (1997); the global economic crisis (2009 and 2010); and severe flooding in the west and north of the country (2009).

Figure 1: GDP Growth Performance, 1980–2013
(% change in real GDP)



f = forecast

Note: Real GDP figures up to 2005 are in real 1995 terms, while figures subsequent are in real 2005 terms.

Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

1 M. Reddy et al. 2004. *Understanding Reform in Fiji*. Study Commissioned by the Global Development Network (Washington, DC) and the Foundation for Development Cooperation (Brisbane). Suva.

While Fiji's economy has stagnated over the past few years, its neighbors, including the resource exporting countries of Papua New Guinea, Solomon Islands, and Vanuatu, all registered real growth of more than 5% per annum, while the Pacific islands region as a whole expanded annually by 4.2%.² Since Fiji's neighbors were similarly exposed to global economic and climatic shocks, other factors may explain Fiji's pronounced period of sluggish economic growth.

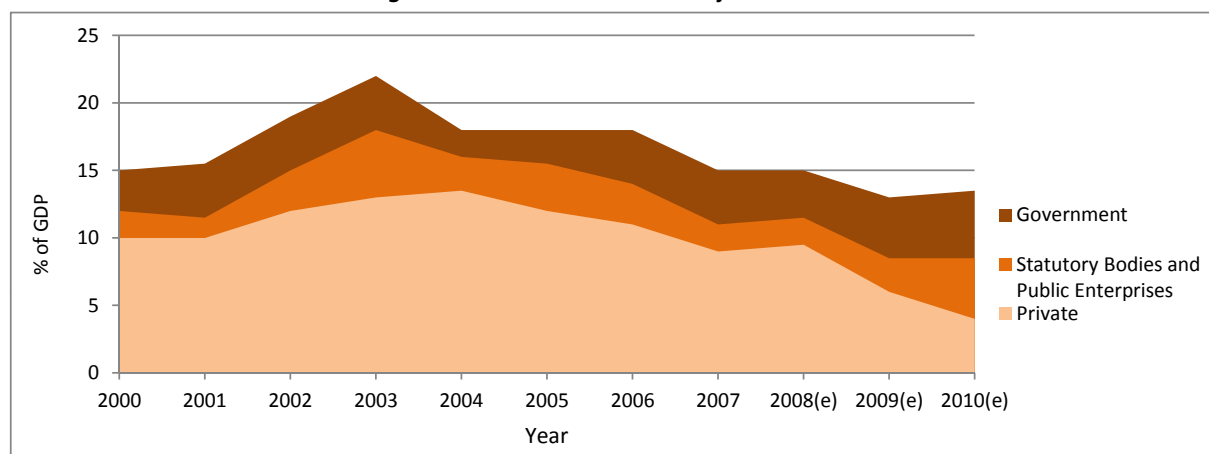
Investment and Savings

Low levels of investment explain much of the poor growth performance. Since 1990, the government has set a target of investment-to-GDP ratio of 25%, which it estimates will be required to achieve an annual growth rate of 5%. An investment rate of 25% was last achieved in 1981; and since 2003, investment has been steadily declining (from 18% of GDP in 2000–2005 to 13.1% in 2005–2010), and far below the level required to achieve the government's GDP growth targets (Figure 2).

A pronounced decline in private investment explains most of the fall in Fiji's total investment levels. On the other hand, public and state-owned enterprises investments have remained relatively stable at 10%–12% of GDP since 2000. The ratio of private investment to GDP fell from an average of 11.3% in 2000–2005 to 7.5% of GDP in 2006–2010. It was 3.5% of GDP in 2010 and in the range of 2%–3% of GDP in 2011—the lowest levels recorded since Fiji's independence in 1970. While external shocks have undoubtedly contributed to poor performance, recent surveys of Fijian businesses have identified political and policy instability as the main constraints to private sector development.³

Total savings as a share of GDP have been relatively low and similarly on a declining trend. Gross domestic savings peaked at 17% of GDP in 2002 and turned negative in 2007. Between 2008 and 2010, gross domestic savings averaged –9% of GDP. Negative domestic savings can be explained

Figure 2: Investment Levels in Fiji, 2000–2010



Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

² ADB. 2011. *Asian Development Outlook 2011*. Manila.

³ World Bank. *Fiji Enterprise Survey 2009*; Reserve Bank of Fiji. Future Investment and Growth in Fiji, presentation to the Fiji Institute of Accountants, June 2011; and ADB. 2012. *Fiji Private Sector Assessment* (draft). Sydney.

by a number of factors, including falling per capita incomes, rising economic uncertainty, increased emigration, and a tendency to use savings to compensate for the effects of economic shocks. The low level of domestic savings is a particular concern since it implies that Fiji must rely on foreign savings to finance domestic investment. Volatility of FDI, an important source of foreign savings, has also contributed to falling private investment levels.

Structure of Production

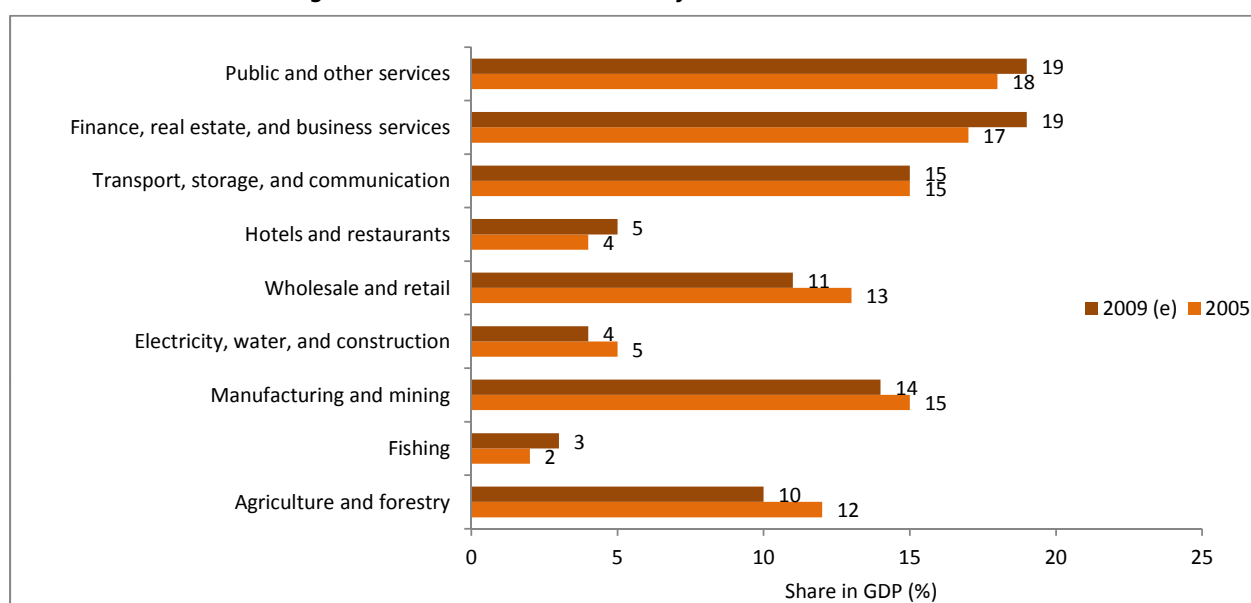
Fiji's economy is relatively well diversified. The services sector currently accounts for more than half of GDP, with the balance provided by primary production (13%), manufacturing and mining (14%), and utilities (4%). Structural change is occurring, both within and between sectors, as urban-based services and manufacturing activity become relatively more important, and as the agriculture and forestry sectors declines (Figure 3).

The services sector has steadily outperformed the other sectors. Between 1970 and 2009 total services output increased from 32% of GDP to 69%. Rapid growth in the services sector was the result of a steady expansion in tourism-related services, finance, communications, wholesale and retail trade, and public services.

The share of the agriculture, forestry, and fisheries sector in GDP has declined steadily over the past decade. Within the agriculture sector, large shifts have occurred—the share of sugar to agricultural GDP began to fall after 1999 while non-sugar output has climbed.

The share of the manufacturing, mining, and utilities sector in GDP has been stable since 1990, at nearly 20%. The 1980s saw the development of a more diversified manufacturing sector with the rapid growth of textiles

Figure 3: Gross Domestic Product by Sector, 2005 and 2009 (%)



e = estimate, GDP = gross domestic product.

Source: Reserve Bank of Fiji, 2011. *Chartbook Statistical Annex*. Suva.

manufacturing, in addition to sugarcane processing. Much of the growth in textiles manufacturing was driven by the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) trade preferences and the tax free factory policy. Since 2000, both sugarcane processing and textiles manufacturing have entered into a period of decline, as trade preferences and tax concessions were phased out. Growth in the manufacture of bottled water products has helped to compensate for the decline in the two leading industries.

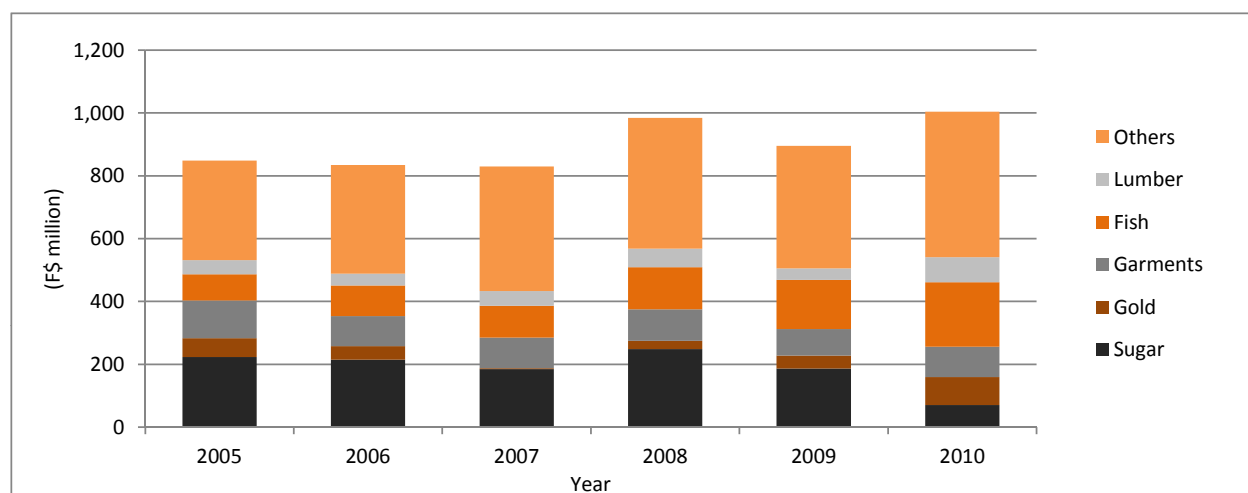
External Trade and the Balance of Payments

Trade plays an important role in Fiji's economy and a high degree of trade dependence is common in small island states. Fiji's combined merchandise imports and exports were equivalent to 76% of GDP from 2005 to 2010 highlighting the extent to which Fiji relies on world markets to meet the country's consumption and investment requirements. The main export products are sugar, gold, garments, mineral water, fish, timber, coconut oil, fruit and vegetables, and footwear (Figure 4). Major import items include foodstuffs, mineral fuel, manufactured goods, machinery, and transport equipment (Figure 5). Basic necessities, including fuel and food, dominate Fiji's imports.

Fiji's trade deficit is large and has widened over time (Figure 6). Total exports of goods and services increased by an average of 3% per annum while imports increased by an average of 5% per annum between 1970 and 2007. Exports have increased from \$599 million in 2007 to an estimated \$904 million in 2011, while merchandise imports have increased from \$1.56 billion to \$1.76 billion during the same period. In 2008, the trade deficit peaked at \$1.17 billion, equivalent to 32.8% of GDP.

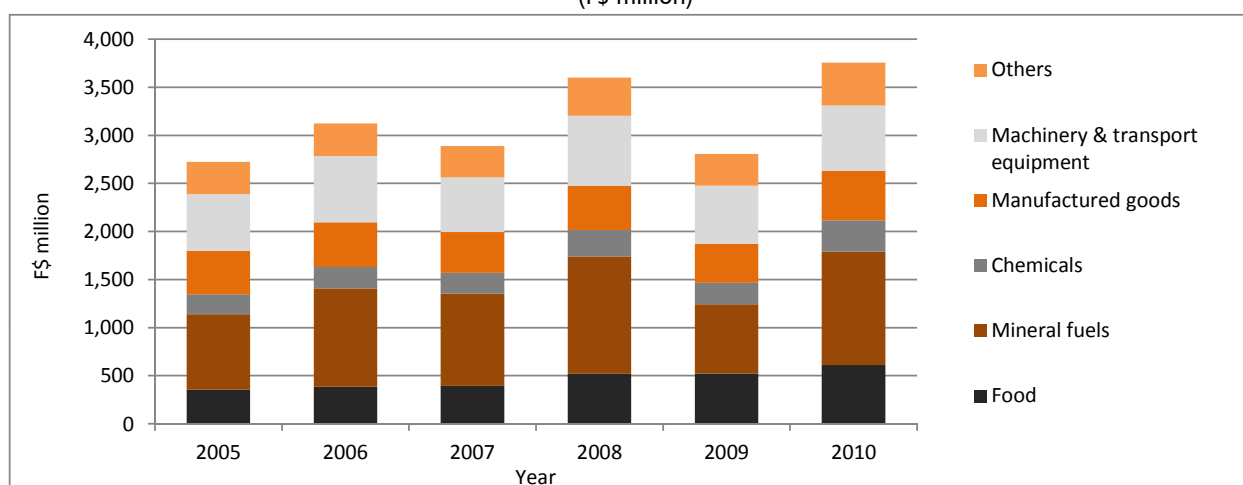
Large trade deficits have been offset by surpluses on the services account, due to positive net earnings from tourism and remittances. Inflows of revenues

Figure 4: Exports by Major Commodities
(F\$ million)



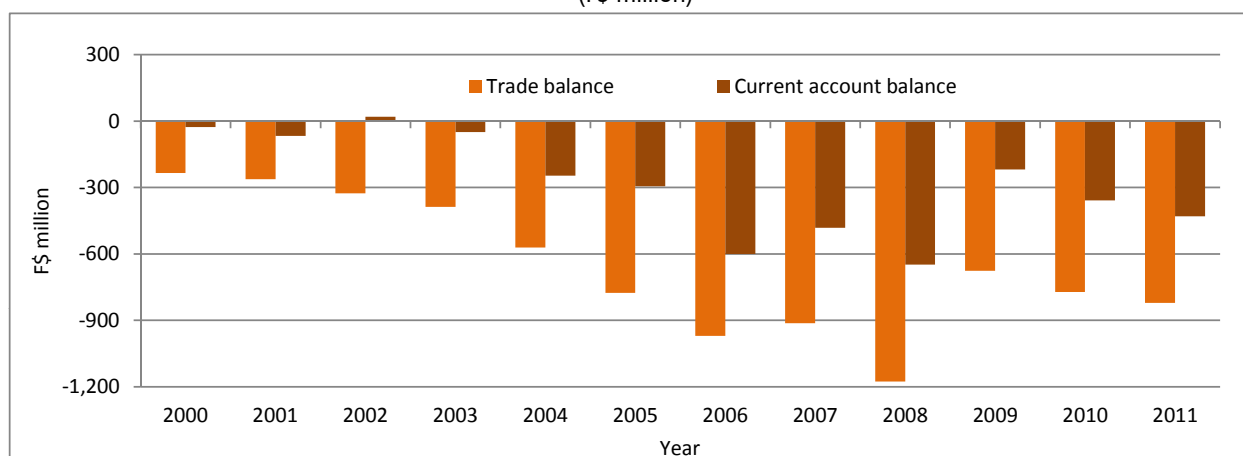
Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

Figure 5: Imports by Major Category
(F\$ million)



Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

Figure 6: Trade Balance and Current Account Deficit, 2000–2011
(F\$ million)



Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

from services exports averaged \$390 million per annum from 2007 to 2010, allowing Fiji to reduce its current account deficit from a peak of 18.0% of GDP in 2008 to a more moderate level of 7.6% of GDP in 2009 and 11.3% of GDP in 2010.

Remittance inflows and tourism credits have been the most important service inflows. The tourism industry has been the largest source of nonfactor service inflows, with tourism credits used to finance investment and meet working capital requirements. Tourism earnings have ranged from 8% of GDP to 10% of GDP from 2004 to 2010. The annual inflow of earnings attributed to tourism totalled \$417 million in 2008, rising to \$536 million in 2009, but declining to \$511 million in 2010.

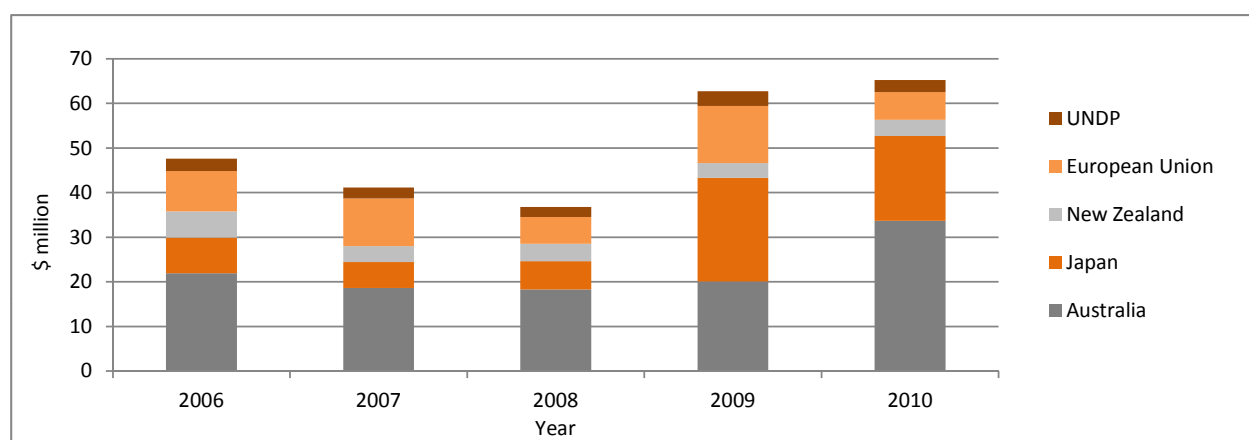
In contrast to the other Pacific island states, external assistance plays a relatively small role in Fiji's economy. Between 2008 and 2010, Fiji received an

amount equivalent to 2% of GDP, from the Development Assistance Committee of the Organisation for Economic Co-operation and Development countries. In 2008, for example, Fiji received a total of \$40 million in net official development assistance, of which \$28.6 million was in the form of bilateral grants and \$11.8 million was multilateral assistance. The main traditional bilateral donors are Australia, Japan, and New Zealand, with France and the United States (US) also providing aid in some years (Figure 7). Multilateral aid flows are from ADB, the EU, the United Nations Development Programme (UNDP), and the World Bank. Nontraditional donors, such as the People's Republic of China, India, and Malaysia, have been providing approximately \$30 million per annum in external credits since 2008.

The ratio of aid to GDP ranged from 2.4% of GDP to almost 5% of GDP in the 1990s, but it has fallen to about 2% of GDP in 2008–2010. In 2006, the European Union suspended new aid programs while the World Bank and ADB halted new lending.⁴ New sources of foreign borrowing have been tapped to offset the decline in financing from Fiji's traditional donors, with official loans for infrastructure development provided by a number of new development partners that included the People's Republic of China and Malaysia.

Remittances of overseas Fijians have also become increasingly important in meeting Fiji's external financing requirements. Emigration from Fiji has been an important population trend since the 1970s, with approximately 5,000 citizens emigrating abroad every year (Table 1). Although the majority of those who emigrate have traditionally been unskilled and semi-skilled workers, there has been a sharp upturn in the number of professionals emigrating since 2005. Factors driving emigration include more economic opportunities for skilled manpower overseas, political instability at home, and the expiry of land leases.

Figure 7: Official Development Assistance by Major Donor
(\$ million)



UNDP = United Nations Development Programme.

Source: Organisation for Economic Co-operation and Development (OECD)-Development Assistance Committee. 2010. *Geographical Distribution of Financial Flows to Developing Countries*. Paris.

⁴ An exception was made in 2009 when ADB approved an emergency assistance loan of \$17.56 million for flood reconstruction purposes.

Table 1: Emigration of Fiji Citizens, 1987–2008
(No. of persons)

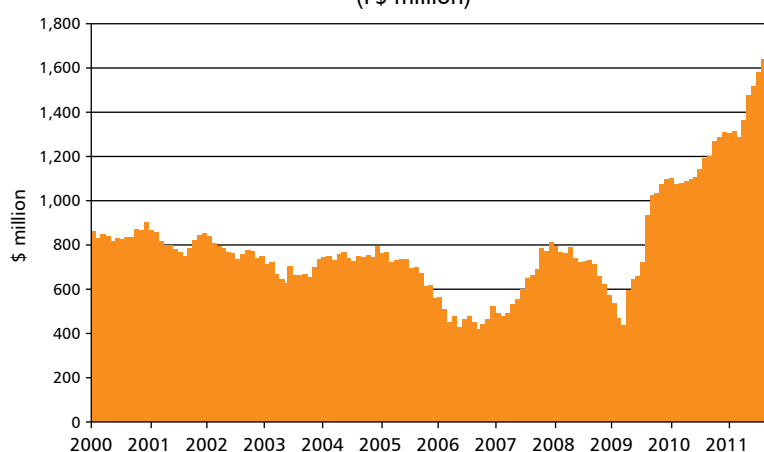
Period	iTaukei	Indo-Fijians	Others	Total	Annual Average	Professionals	
						Total	Annual Average
1987–1999	3,926	57,159	3,124	64,209	4,939	6,869	528
2000–2004	2,373	23,585	1,126	27,084	5,413	3,826	765
2005–2008	2,405	16,699	882	19,986	4,996	4,859	1,215

Source: Fiji Bureau of Statistics. 2010. *Key Statistics*. Suva.

Remittance inflows grew rapidly between 2000 and 2006 and were equivalent to an average of 5% of GDP.⁵ In 2007, remittances declined from an estimated \$115 million to \$72 million in 2008. Inflows rebounded in 2009, to \$150 million, as well as in 2010 to an estimated \$200 million. Except for the dip in 2008, worker remittances have averaged 3%–4% of GDP over the past decade.⁶

Fiji has relied on FDI, primarily in the tourism sector, to close the current account deficit. After the 2006 coup, a slowdown in FDI inflows contributed to a decline in official reserves from an average of F\$800 million in 2000–2005 to as low as nearly F\$500 million in 2006, or only 1.8 months of import cover. The government raised \$250 million in March 2011 from a 5-year international bond issue, brokered by the ANZ bank (\$150 million of which was used to settle a global bond raised by the former government in September 2006). The issue increased total debt to the equivalent of 52% of GDP, excluding government contingent liabilities which are estimated at about one-third of GDP. Reserves were F\$1.6 billion at the end of 2011, the equivalent of 4.4 months of import cover (Figure 8).

Figure 8: Gross Foreign Reserves, 2000–2011
(F\$ million)



Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

⁵ Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

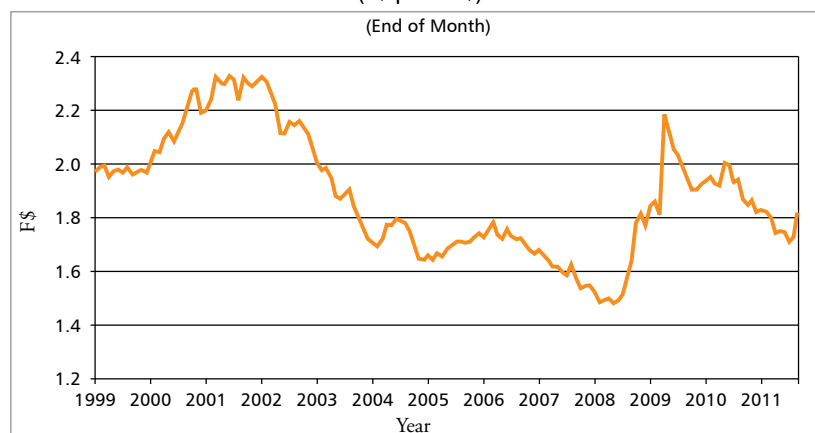
⁶ IMF. 2012. Republic of Fiji. 2011 Article IV Consultation. *IMF Country Report* No. 12/44. Washington, DC.

Monetary and Exchange Rate Developments

Monetary policy in Fiji has focused on maintaining low rates of inflation (2%–3%), sufficient foreign exchange reserves, and a stable exchange rate. The authorities have faced a trade-off in using the exchange rate to contain inflationary pressures and, at the same time, maintain external competitiveness.

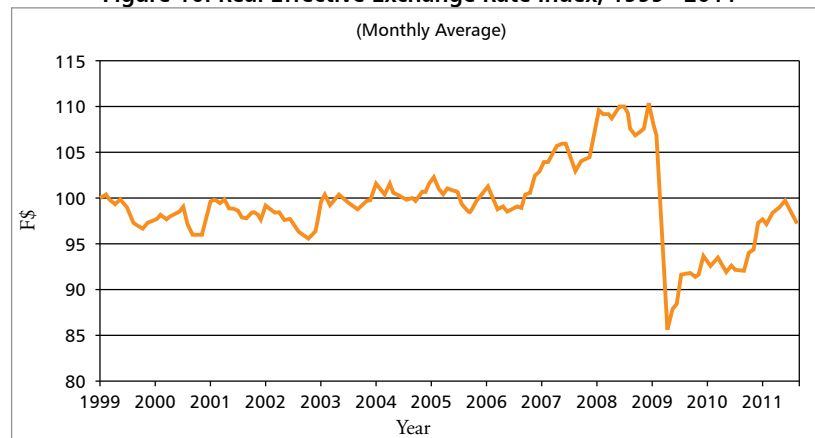
Fiji has a managed currency peg arrangement. The nominal effective exchange rate movement for 2011 is highlighted in Figure 9. Because inflation was higher in Fiji than in its trading partners, the real effective exchange rate appreciated by 10% between 2000 and 2008 (Figure 10). In response to the global economic crisis and loss of output due to floods, the Fiji dollar was devalued by 20% in April 2009, resulting in a 16% devaluation of the real exchange rate. This had a short-term positive impact on Fiji's main commodity exports and helped the economy weather the recessionary effects of the global economic crisis. Devaluation also contributed to a substantial pickup in tourism, as travel to Fiji became more competitive, particularly from Australia. The real effective exchange rate was then subsequently allowed to appreciate in 2010 and 2011.

Figure 9: Nominal Exchange Rate, 1999–2011
(F\$ per US\$)



Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

Figure 10: Real Effective Exchange Rate Index, 1999–2011



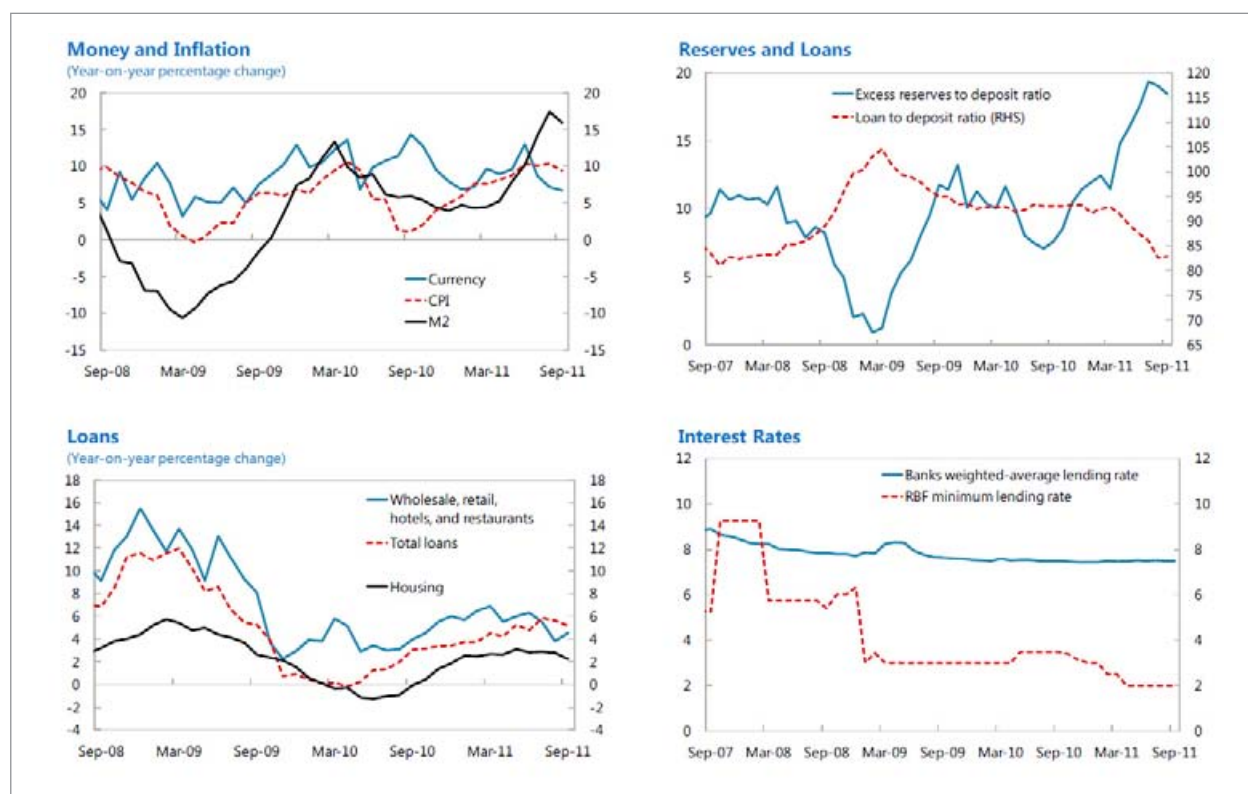
Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

Monetary policy has been used to stimulate economic activity, with a doubling in Fiji's money supply (M2) between 2001 and 2007. Monetary growth slowed in 2008 and 2009, but it picked up sharply in 2011 as a result of the government's foreign bond issue and the resulting influx of foreign exchange into the banking system.

Between 2000 and 2007, domestic credit expanded rapidly, increasing from F\$1.3 billion to F\$3 billion. Most of the growth in commercial bank lending in those years was contributed by the real estate sectors, manufacturing, and tourism and trade sectors. Lending to agriculture was relatively small with commercial bank lending to agriculture being a little over F\$30 million in 2007. After growing by 30% in 2006, domestic credit growth slowed substantially from 2007 onwards. Despite monetary policy easing by the Reserve Bank of Fiji (RBF), domestic credit growth has continued to slow: rising by just 10% between 2007 and 2011 to reach F\$3.3 billion by November 2011.

From 2007 to 2011, the banking system was characterized by a steady buildup of excess liquidity, a decline in the loan-to-deposit ratio, a sharp buildup of excess reserves, and a modest decline in domestic interest rates and spreads (Figure 11). Excess liquidity in the banking system was attributed to what the commercial banks perceive to be a dearth of bankable projects and to lower credit demand as risk perceptions increased after the 2006 coup and the global economic crisis. Tightening credit conditions have also contributed to sluggish domestic investment.

Figure 11: Monetary Indicators



Source: Reserve Bank of Fiji.

(Please ask Lai or Rommel, this was extracted from: IMF. 2012. Republic of Fiji. 2011 Article IV Consultation. *IMF Country Report* No. 12/44. Washington, DC.)

Efforts have been made to boost access to financial services. The government is aiming to bring financial services to some 150,000 excluded persons through microfinance and financial literacy services. Mobile banking has been encouraged, and has spread rapidly through the two main mobile phone service providers. The RBF has introduced a small and medium-sized enterprises loan guarantee scheme, established sector lending ratios, encouraged each commercial bank to establish microfinance operations, and expanded its import substitution and export finance scheme to spur lending.

In the 1990s, annual inflation was contained at less than 3%, except in 1998 due to the effects of the Asian financial crisis. From 2000 to 2006, inflation was lower than 5%; it subsequently rose to 6.6% in 2008 and to 6.8% in 2009, settling down at 5.0% in 2010. High price inflation can be attributed partly to soaring global food and fuel prices in 2008 and 2009; while the 2009 currency devaluation also contributed to higher inflation in 2009 and early 2010. Inflation for 2011 is estimated to have increased to just under 9%, again as a result of higher global food and fuel prices and the adjustments in electricity tariffs and value-added tax (VAT) rates. More moderate inflation is expected in 2012 and over the medium term, given expectations of a weaker global economic outlook.⁷

Public Finance

Total revenues, including grants, the bulk of which comes from tax revenues, have remained steady at approximately 25%–26% of GDP for the past decade. Over time, indirect taxes have come to play a more important role in the tax base, as the share of revenues from VAT and customs duties has increased, while the share of revenues from corporate taxes has declined. A substantial portion of Fiji's direct tax base has been eroded by tax incentives and discretionary tax allowances. Major efforts have, however, been made to increase the efficiency of the Fiji Revenue and Customs Authority,⁸ which has resulted in some improvements in tax collections.

Public expenditures have likewise been relatively stable, with expenditure levels ranging from 28% to 30% of GDP between 1999 and 2010. The social sector accounts for the largest share of the budget followed by general administration, infrastructure, and the economic sector. Defense has averaged 10% of public spending, or approximately 3% of GDP; and has remained relatively stable despite the military's involvement in the political system. Repayment of government's debt has increased over time, from an average of 8% of public outlays between 1999 and 2006 to 12% of estimated public spending in 2012.

Government spending has been dominated by current expenditures at around 20%–25% of GDP for much of the past decade; while capital investment has averaged 3%–4% of GDP, a level insufficient to finance replacement investment much less expand access and improve the quality of infrastructure and public services (Figure 12). Starting in 2008, the government increased spending on economic infrastructure. As a result, government capital investment increased from 3.5% of GDP in 2007 to an average of 5.2% of GDP from 2008 to 2011. Historically, capital spending has suffered from low implementation

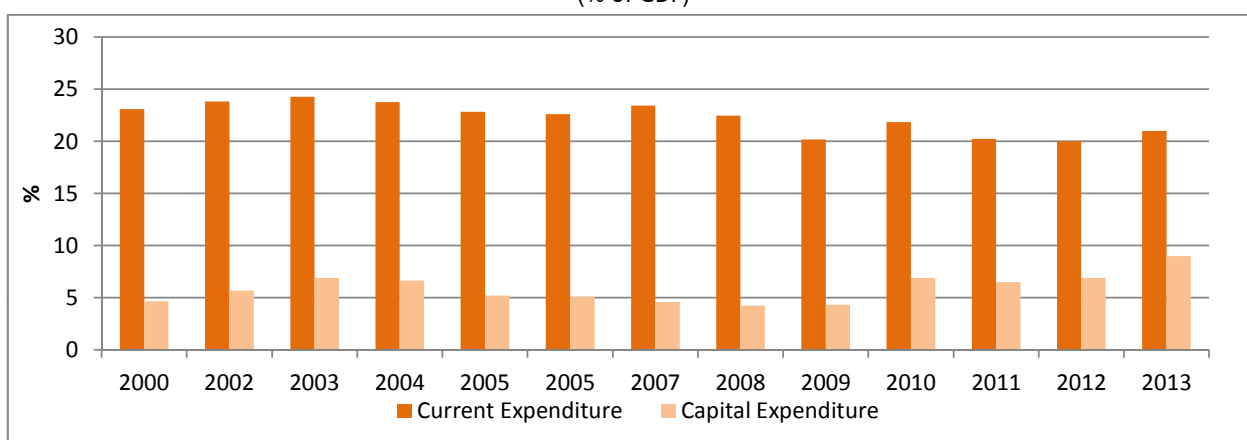
⁷ Footnote 2, p.4.

⁸ www.frca.org.fj/docs/firca/firca-about_the_authority.htm

rates compared to budgeted estimates. This has gradually improved over the years, hitting a 90% implementation rate in 2010.

Fiji recorded fiscal deficits of the order of 6% of GDP from 2001 to 2003, which led to accumulation of considerable public debt. From 2004 to 2008, the fiscal policy stance was tightened, with deficits held at under 3% of GDP (and a small surplus in 2008). Fiscal policy eased in 2009 in an effort to combat the recessionary effects of the global economic crisis, and was tightened again in 2010 and 2011. Fiji's net budget deficit was estimated at 1.6% of GDP in 2012. Better-than-expected revenue performance, led by strong growth in revenues from VAT, hotel turnover, and water resource taxes, helped achieve the lower-than-projected deficit. Underspending on both the operating and capital budgets was also a factor in keeping the budget deficit under target (Figure 13).

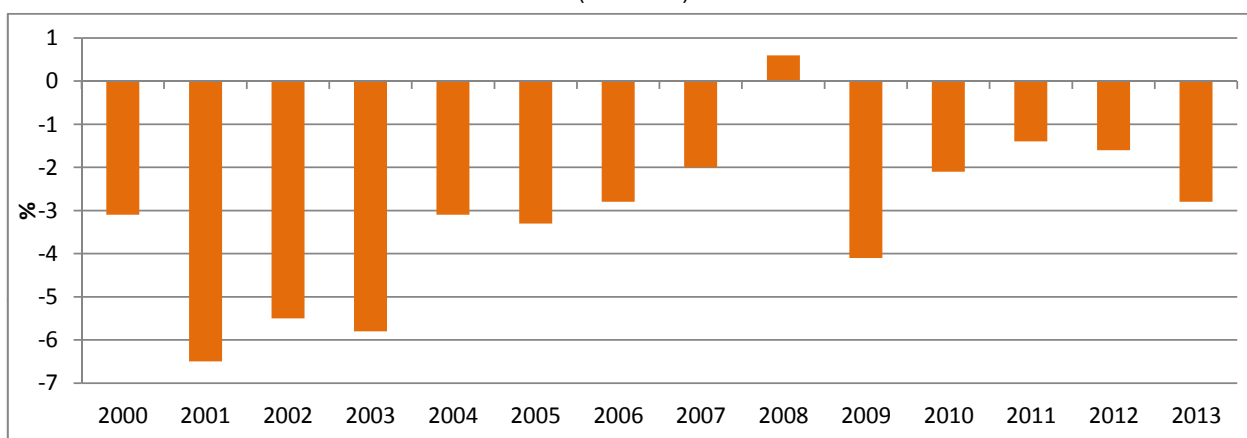
Figure 12: Current and Capital Expenditures, 2000–2013
(% of GDP)



GDP = gross domestic product.

Source: Reserve Bank of Fiji, 2011. *Chartbook Statistical Annex*. Suva.

Figure 13: Fiscal Deficit, 2000–2013
(% of GDP)



GDP = gross domestic product.

Source: Reserve Bank of Fiji, 2011. *Chartbook Statistical Annex*. Suva.

As a result of 2 decades of fiscal deficits, Fiji has a large public debt overhang, partly because the government has recently met its financing requirements by issuing high-cost domestic bonds and through overseas commercial borrowing. In 2011, for example, the government issued a \$250 million global bond at a face value of 9%. Two-thirds of the domestic bonds issued were purchased by the Fiji National Provident Fund (FNPF), the public pension fund (Figure 14).

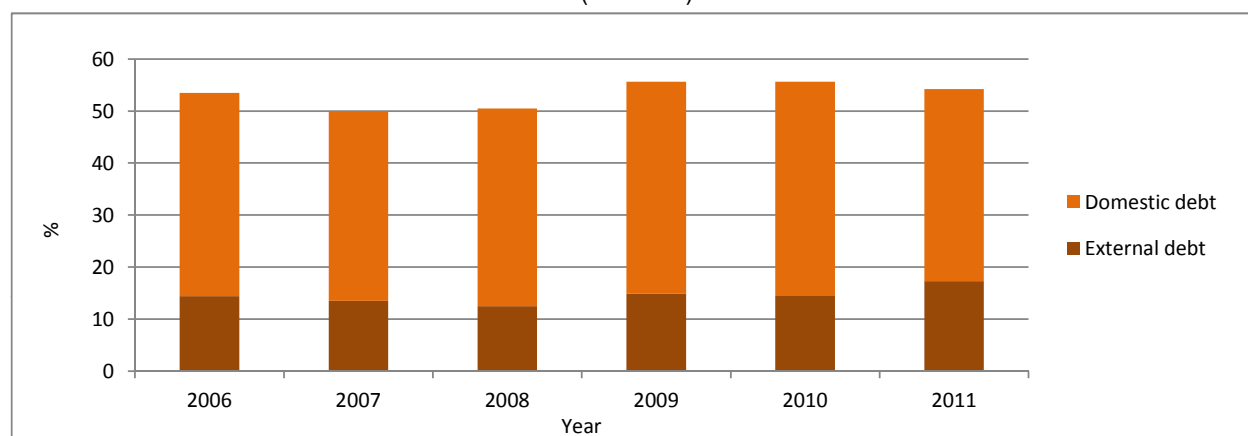
Fiji's public debt is relatively high at 52.1% of GDP in 2011, even higher (i.e., 80% of GDP) if the contingent liabilities of the state owned enterprises were included. Most of the public debt is domestic, with Fiji's external public debt at just 9.8% of GDP. The government has a medium-term debt-to-GDP target of 45%; and, starting in 2012, it will refinance part of the domestic debt to take advantage of lower domestic interest rates.

The management of fiscal policy in Fiji is generally considered to be sound. Since 2000, progress has been made in introducing a new financial management system, establishing an internal audit function, reorganizing the revenue authority, reducing corporate taxes, simplifying tax regulations, boosting VAT thresholds, and relaxing domestic investment requirements of the FNPF. There are, however, continued weaknesses in consolidating the accounts of Fiji Development Bank and state enterprises; meeting budget targets; implementing public investment; complying with public procurement requirements; and, meeting the quality and timeliness of revenue reports.⁹

Public Sector Management

Fiji's public expenditure as a share of GDP is not high by regional standards. Total wages and salaries as a percent of total spending are around 31% (3-year average for 2010–2012). The total wages of civil servants in Fiji are, on average, 3.5 times per capita GDP, high in comparison to other low middle-income countries.

Figure 14: Fiji Debt Components, 2006–2011
(% of GDP)



Source: Reserve Bank of Fiji. 2011. Chartbook Statistical Annex. Suva.

9 IMF. 2010. *Republic of Fiji: 2009 Article IV Consultation Staff Report*. Washington, DC.

The government has taken a number of steps to reform the civil service. The age for compulsory retirement of civil servants was lowered from 60 years to 55 years in mid-2009, which led to the retirement of some 2,200 officials or 7% of all civil servants. A wage and hiring freeze has also been in place since 2006. A number of government functions are to be corporatized, which will also reduce the government workforce by around 3%. Further steps are to be taken to restructure and reorganize government ministries and departments, to be followed by reform aimed at reengineering government business processes.¹⁰ Included in this process is a review of institutions designed to advance the interests of indigenous Fijians.¹¹ The government has also made the reform of these organizations a key plank in its commitment to eliminate ethnic bias in public policy making.

While early retirement, wage restraint, and the hiring freeze have the advantages of simplicity and early effect, they have the disadvantage of removing some of the most experienced public servants. This weakens civil service performance and contributes to public sector capacity constraints. Early retirement programs also boost public pension payout requirements and are at odds with the steady increase in life expectancy in Fiji. In recognition of the need to improve civil service incentives, wages were increased between 3% and 12% in the 2012 budget; and selective exemptions have been made to the hiring freeze to address capacity constraints in key government agencies.¹² There is, however, a need to attract and retain more senior talents, so as to improve the civil service ability to meet increasingly complex regulatory and policy oversight requirements.

Employment and the Labor Market

Slow rates of economic growth have resulted in a labor force that is characterized by a high share of informal sector jobs, unemployment, and underemployment. Fiji's labor market has substantial flexibility despite some regulation by the wages boards and the presence of trade unions in various sectors of the economy. Agriculture is, by far, the largest source of self-employment and informal sector jobs.

The total labor force has increased at an average of 2.5% per annum, from 153,868 in 1970 to 330,000 persons in 2008. Only 40% of this total is employed within the formal sector as regular wage earners; and of those in the formal sector, only 36% are in continuous paid employment. Of those in formal employment, a quarter are in the public service and three-quarters in the private sector. The majority of the workforce, or some 51% of the total, are classified as working proprietors and staff, unpaid and seasonal farm workers, and subsistence farmers. A further 9% are considered officially unemployed and another 20% are estimated to be underemployed.¹³ The labor force is expanding yearly by an estimated 17,000 persons, in comparison to creation of less than 10,000 formal sector jobs annually.

¹⁰ Footnote 9, p.14.

¹¹ These institutions include the Great Council of Chiefs (*Bose Levu Vakaturga*); Fijian Affairs Board; Native Land Trust Board; Ministry of Indigenous Affairs; Ministry of Provincial Development; provincial councils; and business development initiatives such as Yasana Holdings, Vanua Development Corporation, the Fijian Trust Fund, and Fijian Holdings.

¹² Ministry of Finance. 2011. *The 2012 National Budget Address*. Suva.

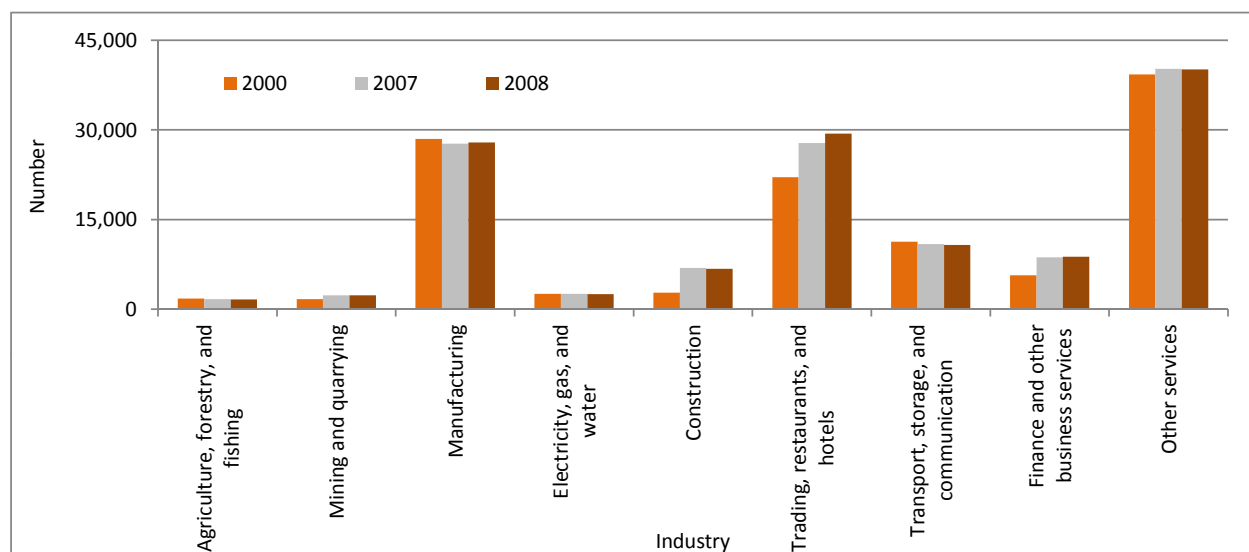
¹³ Note that some 120,000 adults between the ages of 20 and 59 are not considered as part of the active labor force. (Fiji Islands Bureau of Statistics. 2010. *Key Statistics*. Suva.)

The government has mounted a national youth employment service scheme to provide school leavers with labor market information and in-service work experience. A new volunteer labor corps has also been established. Progress in implementing active labor market policies has, however, been hampered by budgetary and institutional constraints in government, and by the slow growth in private sector job creation.

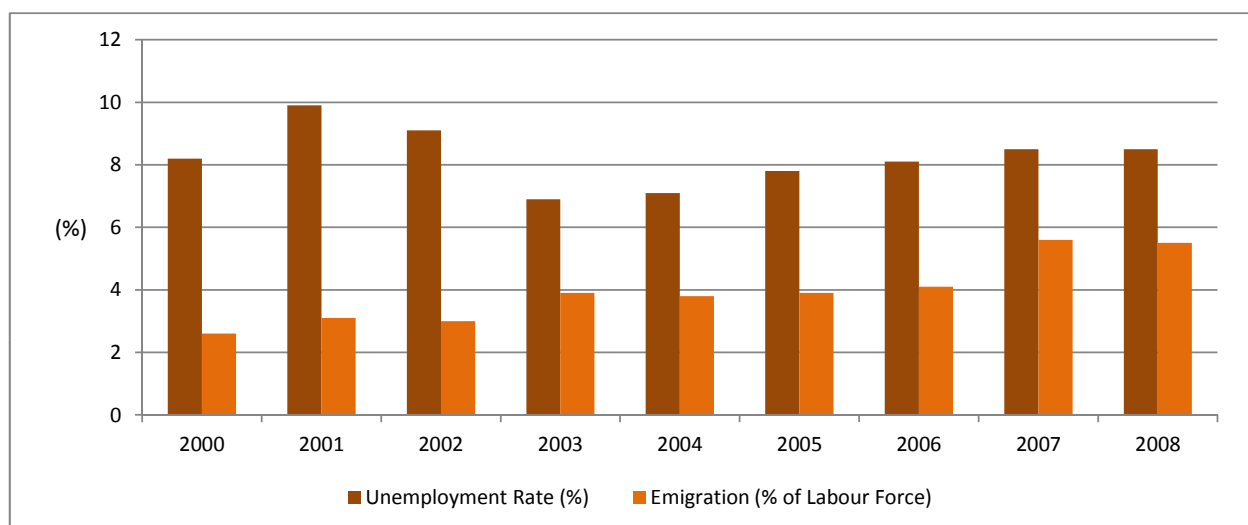
In terms of paid employment, some 40,000 jobs are in community, social, and personal services; 29,400 in wholesale and retail trade, restaurants and hotels; 27,900 in manufacturing; 10,750 in transport, storage and communications; and 8,800 in finance, insurance, and real estate. Over time, formal paid employment has become more concentrated in the services sector: tourism, wholesale and retail establishments, finance, and government, all registering a growing share of paid employment (Figure 15).

Employment prospects for Fijian workers have often been better abroad than in Fiji, particularly in the face of high and growing levels of unemployment in the country (Figure 16). Between 1987 and 1999, over 64,000 Fiji citizens left the country permanently, over 11% of them were classified as professionals. A further 47,070 emigrated between 2000 and 2008, of whom 18% were professionals, technicians, senior managers, legislators, and administrative workers. In addition to permanent emigration, Fiji is also experiencing a growing trend toward temporary migration, mostly from the indigenous Fijians who are long-standing participants in the United Nations peacekeeping forces, security personnel in the Middle East, nurses, and sports people. It is estimated that since 2000, Fiji has lost approximately one-third of its professional, managerial, technical, and clerical workers through emigration, resulting in severe skills shortages and productivity declines throughout the economy (Figure 16).

Figure 15: Formal Employment by Industry, 2000, 2007, and 2008



Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

Figure 16. Rate of Unemployment and Emigration, % of Labor Force, 2000–2008

Source: Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

Conclusions

Fiji's economy has recorded low rates of economic growth, with the economy contracting from 2006 to 2009. Political instability and policy uncertainty have added to investor risks, and private investment levels have fallen to record lows. Economic, political, and climatic shocks have hit the economy, and two of Fiji's leading industries—sugar and textiles—have experienced significant declines. Since 2006, economic growth has lagged behind the rate of population increase, resulting in falling average per capita income levels. Inflation has been contained within single digits, but has also been on a rising trend in recent years. The economy is generating few jobs, the majority of the labor force still works in the informal sector, and unemployment and underemployment are on the rise. Faced with a difficult domestic labor market, emigration is high and rising, draining the economy of much-needed skills and experience. Import growth is outstripping growth in exports, contributing to a widening trade gap, although service receipts from tourism, remittances, and, to a much smaller extent, official aid, are helping to close the trade gap.

Economic prospects are clouded by weak global markets and continuing domestic political uncertainty. Breaking out of this downward spiral of political instability, economic stagnation and low rates of employment creation will be a difficult challenge. The government estimates that the economy grew by 2.5% in 2012 and forecasts it will grow by 2.7% in 2013 led by growth in mining, manufacturing and tourism, with the latter rebounding strongly following the floods in 2012.



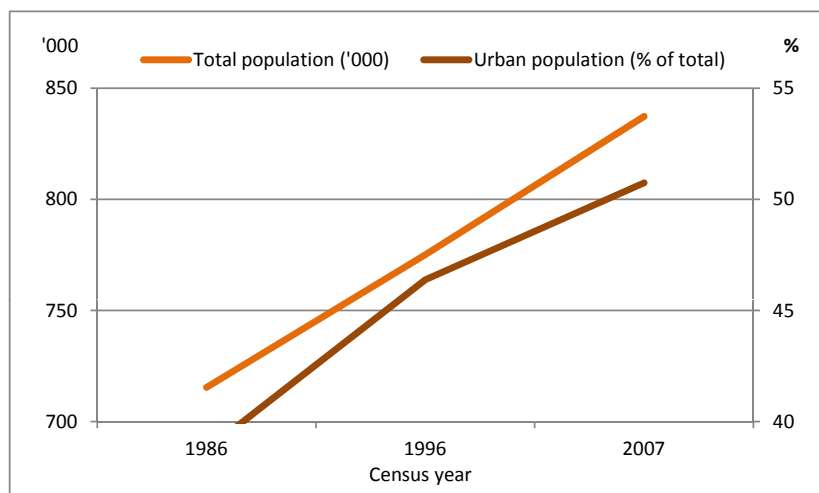
Poverty and Social Development

Since its independence in 1970, Fiji has registered steady improvements in several dimensions of social development, including life expectancy at birth, food security, and access to safe drinking water and sanitation. The prevalence of extreme or food poverty is low, at about 7.5% of the population. Hunger has been substantially reduced—the incidence of underweight children less than 5 years of age in Fiji was 15% in 1980, 10.5% in 1993, and just 7% in 2004.

Fiji's population is estimated at 837,000 (2007 census). The urban population has been increasing rapidly, while the rate of population growth has slowed from 1.4% in 2000–2005 to 0.4% in 2005–2009 as a result of emigration (Figure 17). Rural-urban drift is putting pressure on social amenities (housing, water and sanitation, electricity, schools), health, and the availability of jobs. The growth of the urban population (census years) is shown in Figure 17.

Although the country has strong social indicators, Fiji's human development ranking dropped from 66th place in 1998 (out of 174 countries) to 100th (out of 187 countries) in 2011. Fiji recorded the highest value and ranking in Human Development Index (HDI) among the Pacific island countries in the 1990s, but fell behind Tonga and Samoa in the HDI rankings by the mid-2000s.

Figure 17: Total and Urban Population



Source: World Bank. 2009. *World Development Indicators*. Washington, DC.

Fiji's national poverty reduction strategy is aimed at achieving the Millennium Development Goals (MDGs). Progress against each of the main MDG goals and targets is shown in Table 2. The data suggest that Fiji is on-track to achieve its poverty reduction targets in access to primary education and gender balance in education; but it is off-track to meet its targets in reducing the incidence of extreme poverty, lowering child and maternal mortality, providing access to safe drinking water and sanitation, and improving women's political participation. Slow progress in achieving the MDGs is related primarily to low rates of economic growth, particularly in the rural areas.¹⁴

Poverty and Inequality

Poverty incidence increased from the early 1990s to the early part of the current decade, and declined modestly thereafter. In 1991, the poverty headcount was estimated at 25% of the population. By 2002–03, the poverty incidence had increased to 39.8% of the population falling to 35.2% in 2008–09. While urban poverty declined significantly between 2002–03 and 2008–09, rural poverty incidence remained unchanged. Reported urban poverty level fell from 34.5% to 26.2% between 2002–03 and 2008–09 while the rural poverty incidence remained at 44% (Figure 18)

A large concentration of households have incomes clustered around the poverty line.

Income inequality, as measured by the Gini coefficient, increased from 0.38 in 2003 to 0.41 in 2009. There was evidence, however, that growth in the rural areas was more equitable between 2003 and 2009. In the rural areas, the poorest 30% of the rural population had higher growth in expenditures than the richest 30%, while the opposite was the case in the urban areas.¹⁵

There is a large regional disparity in poverty levels. The Northern Division is the poorest, followed by the Western, Eastern, and Central divisions. Between 2003 and 2009, the poverty incidence was reduced by 4–6 percentage points in all regions of the country, except in the Eastern Division, where poverty incidence was little changed. Most of the decline in poverty came from the modest growth of nonagriculture sectors in urban areas. It also appears that rural-urban migration contributed to the decline in overall poverty.

Development indicators are also generally the highest for the capital city of Suva and surrounding provinces, as well as the more remote outer islands that have benefited from relatively high levels of financial support over an extended period.¹⁶ Indicators in general are lower on Vanua Levu compared to the main island of Viti Levu, and are also usually lower in inland areas compared with coastal areas.

Poverty in Fiji is correlated with multiple factors, including old age, the number of children, and the education and employment status of the household head, raising important issues for social policy. Family size is a key determinant of poverty status. In rural areas, households with 6 or more members are likely to have a poverty incidence of 50% while smaller households, with 3 members or less, have a 20% poverty incidence. Those households which have elderly

¹⁴ Ministry of National Planning. 2010. *Millennium Development Goals. 2nd Report, 1990–2009. Report for the Fiji Islands*. Suva.

¹⁵ World Bank. 2011. *Poverty Trends, Profiles and Small Area Estimation (Poverty Maps) in Republic of Fiji (2003–2009)*. Washington, DC.

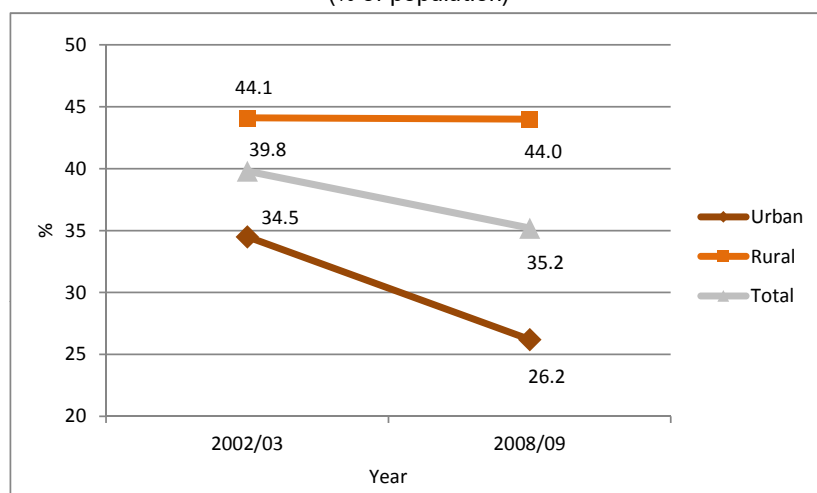
¹⁶ Fiji Bureau of Statistics. 2000. *Fiji Social Atlas. 1996 Census of Population and Housing*. Suva.

Table 2: Progress Toward the Millennium Development Goals

Millennium Development Goals	1990	2000	Latest	2015 (Target)
1 Reduce incidence of extreme poverty and hunger by half				
a. proportion of population below \$1 per day (%)	25.5	n/a	40.0 (2008)	12.8
b. poverty gap ratio	0.32	n/a	11.2 (2007)	
c. share of poorest quintile in national consumption (%)	5.1 (1996)	n/a	8.5 (2007)	
2 Achieve universal primary education				
a. net enrolment ratio in primary education	92.0	94.7	95.8 (2008)	100.0
b. proportion of pupils starting grade 1 who reach grade 5	91.4	88.4	98.2 (2008)	100.0
c. literacy rate of 15-24 years old	97.8	99.0	99.5 (2008)	100.0
3 Promote gender equality and empower women				
a1. ratio of girls to boys in primary education	0.94	0.98	0.92 (2008)	1.0
a2. ratio of girls to boys in secondary education	1.05	1.07	1.10 (2008)	1.0
b. ratio of literate women to men 15-24 years old	n/a	1.00	n/a	1.0
c. share of women in wage employment in the nonagricultural sector	29.9	31.80	35.9 (2003)	
d. proportion of seats held by women in national parliament	0.0	4.20	12.0 (2008)	
4 Reduce child mortality				
a. under-five mortality rate (per 1,000 live births)	22.0	22.0	24.0 (2008)	14.7
b. infant mortality rate (per 1,000 live births)	16.8	16.2	13.1 (2008)	
5 Improve maternal health				
a. maternal mortality ratio (per 1,000 births)	41.1(1988)	57.6	31.7 (2008)	26.5
6 Combating HIV/AIDS, malaria and other disease				
a. HIV prevalence among 15-24 years old pregnant women	0.0	<0.1	<0.1(2008)	Halt and Reverse
7 Ensure environmental sustainability				
a. with access to improved water source (% of population)	n/a	35.0	47.0 (2006)	17.5
b. with access to improved sanitation (% of population)	15.0 (1997)	40.0	71.0 (2006)	7.5
8 Develop a global partnership for development				
a. ODA received as proportion of the GNI (%)	3.8	1.78	1.8 (2008)	
b. debt service as a percentage of exports of goods and services	12.0	2.1	1.9 (2008)	

n/a = not available, GNI = gross national income, ODA = official development assistance.

Source: Ministry of National Planning. 2010. *Millennium Development Goals. 2nd Report, 1990–2009. Report for the Fiji Islands*. Suva.

Figure 18: Incidence of Poverty, 2002/03 and 2008/09
(% of population)

Source: World Bank. 2011. *Assessment of the Social Protection System in Fiji and Recommendations for Policy Changes*. Washington, DC.

people and children are also among the poorest, with a poverty headcount of 52%; while those households with no children or elderly had a poverty headcount of 22%. The high levels of poverty among families with elderly members could be attributed to the lack of social pensions for the elderly and the low coverage of formal old-age pension programs.

There is also a strong correlation between the level of education and the risk of poverty. The poverty rates in Fiji are substantially higher for households where the household head has lower-than-secondary education—at around 50% versus 10% for those households where the household head has a post-secondary education (Table 3). Other factors contributing to poverty include the low coverage and limited benefits paid under Fiji's existing social safety net programs, loss-of-earning risks arising from illness and disability, single motherhood, and low growth in formal sector employment.

The vast majority of the poor could be characterized as “working poor” since official unemployment levels are low overall, and are particularly so in rural areas. Poverty rates are highest among households headed by non-employed females (42%–49%) and self-employed workers (40%–42%). Low wages paid to urban unskilled workers also contribute to the large number of working poor.¹⁷

The incidence of poverty is lower among households whose heads were working in the services sector compared with those in other groups, while those working in the agriculture sector appear to be the poorest (49%–52%). In 2009, over half of the poor lived in households where the household head was employed in agriculture. Between 2003 and 2009, a large decline in poverty status occurred among households whose heads were employed in the tourism and construction sectors (Table 4).

Although the urban poverty incidence decreased between 2003 and 2009, there has been a rise in urban economic insecurity as reflected in the steady growth of the numbers applying for family assistance and a rapid increase in those residing in urban squatter settlements. In 2005, 22,534 people sought family assistance, and by 2009, the number had increased by 20% to 26,926 persons. In 1999, the urban squatter population was estimated at around 45,000, which increased sharply to an estimated 100,000, or more than 12% of Fiji's total population, in 2007.

Changes in social institutions are also contributing to poverty and hardship.¹⁸ A decline in the functioning of traditional self-help institutions in the villages has weakened the social assistance that local communities can provide. An increase in the number of single-parent families has also added to the poverty burden. The economy is predominantly monetized and therefore cash income is required to meet basic needs, even for those rural households engaged in semi-subsistence lifestyles. Fewer economic opportunities in

¹⁷ A study by Ecumenical Centre for Research, Education and Advocacy reported that 60% of those in full-time employment (about 210,000 persons) earn wages of F\$168 per week, putting them below the poverty line (Barr. *Fiji Times*. 12 December 2009. p.1).

¹⁸ The 2003 Participatory Assessment of Hardship found that 45% of rural and urban communities saw an improvement in their lives in the past 5 years and cited community level improvements, such as construction of a community hall, footpath, community water supply; and having access to rural electrification, as elements that improved their standard of living and sense of well-being. Meanwhile, those communities that experienced hardship cited as reasons the price increases in basic commodities, such as flour, rice, and fuel; increased unemployment, particularly in urban settlements; and high dropout rates for both rural and urban children.

Table 3: Percent of Population Living in Poverty by Education Level

Education Level	2002/03 (% of population)	2008/09 (% of population)	Change (percentage point)
None	51.0	47.0	(4.0)
Primary	50.6	51.8	(1.2)
Secondary	40.8	37.4	(3.3)
Post-Secondary	11.8	10.3	(1.5)
Total	39.8	35.2	(4.5)

() = negative.

Source: Permanent Secretary for Social Welfare, Women and Poverty Reduction. 2011.
Fiji Economic Update. Suva.

Table 4: Poverty by Sector of Employment of Employed Household Head

Sector	Poverty Headcount Rate			Distribution of the Poor			Distribution of Population		
	2002/03 (%)	2008/09 (%)	Change (percentage point)	2002/03 (%)	2008/09 (%)	Change (percentage point)	2002/03 (%)	2008/09 (%)	Change (percentage point)
Agriculture	51.7	48.8	(2.9)	42.6	52.8	10.2	30.4	36.5	6.1
Manufacturing	32.5	31.1	(1.4)	8.8	8.1	(0.8)	10.0	8.7	(1.3)
Construction	47.2	33.9	(13.3)	6.5	6.3	(0.3)	5.1	6.2	1.1
Commerce	34.2	27.4	(6.8)	14.7	8.1	(6.6)	15.9	10.0	(5.9)
Tourism	44.5	25.2	(19.3)	4.2	3.7	(0.5)	3.5	5.0	1.5
Transportation	27.4	21.1	(6.3)	7.1	5.2	(1.9)	9.6	8.3	(1.3)
Finance	32.2	23.8	(8.4)	2.1	2.6	0.5	2.4	3.6	1.2
Other services	21.9	20.6	(1.3)	13.8	13.3	(0.6)	23.2	21.7	(1.5)
Total	39.8	35.2	(4.5)	100.0	100.0	0.0	100.0	100.0	0.0

() = negative.

Note: The services sector includes activities classified as finance, real estate, renting, business activities, public services, and other personal and community services.

Source: World Bank. 2011. *Poverty Trends, Profiles and Small Area Estimation (Poverty Maps) in Republic of Fiji (2003–2009)*. Washington, DC.

the rural sugar industry and in the urban textiles industry has also reduced opportunities to start or sustain small businesses.

Provision of Basic Social Services

Public spending on social services accounts for around a quarter of the government's budget and has been on a rising trend. Public spending on education was around 18% of the total budget and was 7%–8% on health. Spending on housing increased threefold, from 1.1% of public spending in 1999 to 3.2% in 2010. Although the government has a well-developed set of social safety net programs, public spending on these is relatively small, at just 0.5% of total public outlays between 2005 and 2010. Spending on targeted poverty reduction programs has been modest, but has gained an increasing share of government spending. From F\$43 million in 2000, the funding for these programs had increased to F\$60 million in 2008.

Education

Fiji has an extensive network of both public and privately owned education facilities: 724 primary schools, 175 secondary schools, 66 technical/vocational

schools, 4 teacher-training institutes, 17 special education institutions, and 3 universities (Fiji National University, University of Fiji, and University of the South Pacific).

Although Fiji has had widespread access to public education for many decades, compulsory education was introduced only in 1997. Basic education is now compulsory for the first 8 years of school (i.e., from ages 6 to 15). Close to 95% of the population are considered to be literate and nearly 98% have completed primary school and have had some secondary education. Among the adult population, the average years of schooling is 8.3.

The education sector faces a number of challenges. In basic education, the population shift from rural to urban areas has put pressure on urban schools while schools have been forced to close in rural areas. A small number of parents cannot afford school costs, particularly in rural areas; and the location of schools in far-flung islands and in remote areas of large islands has created accessibility issues. Some schools are unreachable by roads and shipping services to outlying islands are unreliable. While some 98% of schools are operated and managed by nongovernment organizations (NGOs), including church groups, cultural groups, and communities, almost all teachers are paid by the government.

The education system is characterized by high enrollment at the primary and secondary levels, but the number drops off sharply at the tertiary level. The quality of primary education is an ongoing challenge, and problems of quality and affordability contribute to high primary and secondary dropout rates. Approximately 75% of students who started primary school completed their primary education. The government has invested in teacher training, school materials, and curricula to improve primary education quality; and it has also taken steps to encourage children to remain in school by providing free bus fares and textbooks.

Secondary school enrollment rates are likewise relatively high, at 82% of the eligible cohort in 2007; but enrollments decline rapidly in tertiary and vocational training. Students repeating classes is a significant problem, particularly among the low-income i-taukei community. The government has invested heavily in secondary and post-secondary education over the past decade, with the pupil-to-teacher ratio declining from 18 in 2000 to 16 in 2008. For many of the youth, there appears to be a disconnect between the training provided in secondary school and what the job market demands. Career guidance in secondary schools is also reported to be weak.

The largest tertiary education facilities in Fiji are the Fiji National University, with 18,000 students; and the University of the South Pacific, with 12,400 students, in 2008. Meanwhile, there are some 65 vocational training centers attached to secondary schools, of which 48 are franchises of the University of Fiji. There is inequity in access to post-secondary training, with low-income students often excluded because of high tuition fees. Coordination and quality control in technical and vocational education have been challenges, with responsibilities spread across different agencies in government; and coordination arrangements have been particularly weak in certain sectors, such as agriculture. Linkages between labor market demands and the output of the post-secondary training institutes have also been reported to be weak.¹⁹

¹⁹ W. Narsey et al. 2008. *Situation Analysis: Fiji Education*. Report prepared for the Australian Agency for International Development (AusAID). Suva.

Health

Health care services in Fiji are provided through a combination of public and private providers. Private health spending accounts for about 30% of provision in Fiji. Public spending on health has been rising, although at a slower rate than the growth in education spending.

Health care spending is relatively low in Fiji while health outcomes are reasonably good. Total public and private expenditures on health care services were estimated at 3.7% of gross domestic product (GDP) in 2006, one of the lowest among the Pacific island nations (Table 5).

Life expectancy at birth in Fiji in 2010 is estimated at 71 years (74 years for women and 69 for men).²⁰ Life expectancy improved rapidly in Fiji between 1960 and 1980, rising from 56 years to 64 years. However, gains in life expectancy have subsequently slowed because of an aging population and a rise in noncommunicable diseases,

Child mortality at 24 per 1,000 live births and infant mortality at 13 per 1,000 live births are relatively low. These have been on a steadily declining trend, although progress in reducing the rates further is hampered by a range of health issues; and poor water supply, sanitation, and living and environmental conditions. Likewise, maternal mortality is on a declining trend, from 41 per 100,000 live births in 1988 to 32 per 100,000 live births in 2008. The proportion of births attended by a skilled birth attendant, at 99%, is extremely high. This, together with a reasonably high antenatal care coverage rate, has contributed to a relatively low and declining maternal mortality rate.

Table 5: Regional Comparison of Public and Private Health Expenditure

Countries	Total Expenditure on Health (% of gross domestic product)		General Government Expenditure on Health (% of total expenditure on health)		Private Expenditure on Health (% of total expenditure on health)	
	2000	2006	2000	2006	2000	2006
Fiji	4.7	3.7	69.0	69.8	31.0	30.2
Cook Islands	3.8	4.3	90.6	91.5	9.4	8.5
Samoa	5.6	5.0	70.9	83.0	29.1	17.0
Tonga	5.5	4.9	72.4	74.6	27.6	25.4

Note: This is based on a World Health Organization (WHO) survey on public and private spending on health care, which was last undertaken in 2006.

Source: WHO database. 2008.

The main health problems faced in Fiji are noncommunicable diseases, such as diabetes, heart disease, renal failure, and chronic respiratory diseases (Table 6). A combination of changing lifestyles and diet, obesity, declining physical activity, and an increase in tobacco and alcohol consumption are contributing to a rise in noncommunicable diseases. In addition to fostering a change in lifestyles, a key challenge for the government is a shortage of medical professionals and the loss of medical professionals to emigration.

The incidence of HIV/AIDS is also relatively low, at less than 0.1% in the general population in 2008. As a result of an active family planning program, the contraceptive use rate has almost doubled from 27% in 1974 to 46% in 2007.

²⁰ Fiji Bureau of Statistics. 2010. *Fiji Facts and Figures*. Suva.

Access to clean drinking water and improved sanitation are key determinants of health status. The proportion of the population with access to an improved water source has increased from 35% in 2002 to 47% in 2006, and the government is mounting an ambitious program to provide clean drinking water to all by 2015. Access to improved sanitation facilities has also increased from 40% of the population in 2002 to 71% in 2006. While access to potable water supplies is rapidly improving, access in the rural areas lags far behind that in urban centers. Access to improved sanitation in urban areas, at 85%, is also significantly higher than the 55% access in rural areas.

The Ministry of Health is undergoing a process of consolidation and rebuilding. Its performance has been adversely affected by staff cutbacks, decentralization, and staff turnover. Policy capabilities in the ministry need strengthening and greater staff continuity is required. Several regions of the country are without essential health personnel, and the emigration of skilled health care providers has aggravated this problem.

Housing

The number of people living in urban squatter settlements is increasing at a rapid pace. This is due to a combination of rural-urban migration, a lack of affordable urban housing, the creation and extension of new towns, and the natural increase in the size of the urban population. The 2007 population census shows that there were 15,376 households (77,507 persons) living in squatter settlements (Table 7). More recent estimates have put the number of persons residing in squatter settlements to be as high as 100,000.

Squatter settlements suffer from insufficient infrastructure and basic services. Many of these settlements are located in the low-lying areas that are prone to flooding. Essential services, such as waste collection, are often operated on an adhoc basis, contributing to health problems and environmental degradation. Civil society organizations play a major role in providing services in squatter settlement areas, but the rapid growth in settlements has outstripped their capacity to meet demands for basic municipal services.

Social Protection

Social protection services are provided both privately and publicly in Fiji. Community-based support programs in rural areas play an important role. However, the importance of traditional community-based social protection mechanisms has been eroded over time as a result of growing urbanization and rising cash income requirements.

The government operates a range of social protection and insurance programs. The main social assistance programs are the Family Assistance Program (FAP) and the Care and Protection allowance. In 2010, the government introduced the Food Voucher Program and the Free Bus Fare Program. These four programs currently represent the core of the social assistance system in Fiji. In addition, the government operates the Fiji National Provident Fund (FNPF) which provides old-age pensions to government and formal sector employees.

In 2010, government spending on social assistance programs was equivalent to 0.6% of GDP. The FAP is the largest of the social assistance

Table 6: Top 10 Causes of Morbidity and Mortality in Fiji

Morbidity		Mortality	
1	Injury	1	Diabetes mellitus
2	Influenza and pneumonia	2	Other forms of heart disease
3	Intestinal infectious diseases	3	Ischaemic heart disease
4	Infection of skin and subcutaneous tissues	4	Hypertension
5	Ischaemic heart disease	5	Septicaemia
6	Other conditions originating in the prenatal period	6	Cerebrovascular disease
7	Chronic lower respiratory disease	7	Other conditions originating in prenatal period
8	Other forms of heart disease	8	Chronic lower respiratory disease
9	Hypertension	9	Renal failure
10	Diabetes mellitus	10	Influenza and pneumonia

Source: Fiji Bureau of Statistics. 2010. *Fiji Facts and Figures*. Suva

Table 7: Squatter Settlement by Ethnicity in Fiji, 2007

	Population (Persons)				Population (Households)			
	Total	iTaukei	Indo-Fijian	Others	Total	iTaukei	Indo-Fijian	Others
Central Division	54,204	34,513	16,243	3,448	10,397	5,909	3,814	674
Eastern Division	545	369	6	170	94	64	3	27
Western Division	20,175	9,257	10,192	726	4,281	1,715	2,385	181
Northern Division	2,583	699	1,766	118	604	137	438	29
Total	77,507	44,838	28,207	4,462	15,376	7,825	6,640	911

Source: Fiji Bureau of Statistics. 2011. *Fiji Facts and Figures*. Suva.

programs and targets such vulnerable categories of people as the elderly, disabled, and chronically ill. The World Bank estimates that some 70% of FAP recipients would be classified as poor, implying a fairly well-targeted program. FAP benefit amounts are low, however, and far below what would be required to pull eligible households above the poverty line. As the FAP is limited to individual recipients (one per household) and not to households, its contribution to poverty alleviation is lessened.

The FNPF provides old-age pensions to an estimated 15% of the population. Fiji does not have a social pension program, which is a concern because the population is rapidly ageing and families with elderly members are more likely to be poor. Given a lack of private pension providers, people outside the formal sector face serious challenges in having income security in old age.²¹

21 World Bank. 2011. *Fiji: Assessment of the Social Protection System and Recommendations for Policy Changes*. Washington, DC; and ADB. 2011. *Asian Development Outlook 2011*: Manila.

Conclusions

Fiji has made significant progress in social development, although slow economic growth and employment generation are making progress difficult to sustain. Poverty incidence was estimated in 2008-09 at 35.2% of the population, far off Fiji's MDG target of 14.7% poverty incidence by 2015. Moreover, nearly half of the population could be considered poor or near-poor. Income poverty has come down in urban areas, but non-income poverty is a major concern for those living in squatter settlements.

Other poverty reduction challenges include high dropout rates in basic and secondary education, low participation rates in post-secondary education, a lifestyle-induced rise in noncommunicable diseases, a significant segment of the population lacking access to clean drinking water and modern sanitation facilities, growing number of families residing in urban squatter settlements, and low levels of spending on and poor coverage of social safety net programs. Social sector spending levels are high, as a share of total government spending, which demonstrates government's serious commitment to improving social development.

Without higher rates of economic growth, it will be extremely difficult for Fiji to meet its poverty reduction and social development objectives. While there is some scope for efficiency improvement in service delivery, more rapid rates of economic growth will be needed to provide the resources required to finance wider access to, and quality improvements in, basic social services and to provide the employment opportunities required to lift people out of poverty.

Unlocking the Sector Growth Potential

Fiji has been operating far below its economic potential for many years. Preferential trade agreements, selective subsidies, and protectionist policies have helped to protect selected industries, but at the cost of dampening incentives to innovate and improve the productivity and competitiveness of the whole economy.

Primary Sectors

Re-Engaging in Agriculture, Forestry, and Fisheries

The contribution of the agriculture, fisheries, and forestry sector to gross domestic product (GDP) peaked at 22% in 1996, before declining to 11% in 2010 as the role of sugar diminished and as the economy became more industrialized and service-oriented. Nearly half of the population reside in rural areas and derive part of their livelihood from agriculture. An estimated 40% of all farmers are engaged in subsistence farming, and commercial farming is dominated by sugar, a commodity whose preferential access to markets will end in 2015.

In addition to a large subsistence sector, a number of other factors constrain agricultural productivity: these include (i) the predominance of small farms operating on less than one hectare of land, (ii) low levels of mechanization, (iii) high input costs, and (iv) weak rural infrastructure (discussed in more detail on page 41).

The government has had long-standing policies in place to subsidize agro-inputs and planting materials, but these have tended to create a culture of rural entitlement rather than foster higher productivity. Subsidies for coconut and cocoa planting; the importation of livestock for breeding; and purchase of fertilizers, weedicide, pesticide, and barbed wire were in place prior to independence in 1970.²² These subsidies have, however, tended to promote inefficiency and crowd-out other forms of spending that could be more effective in boosting productivity, and have weakened incentives for technological innovation. A number of studies show that input subsidies in Fiji have not contributed to efficient use of rural resources or boosted productivity.

Research and technology diffusion are essential to build competitiveness in Fijian farming. More emphasis on research and extension is needed to empower farmers with the technologies and skills required to diversify into higher-value crops and to boost productivity. Unfortunately, spending on agricultural research has declined over time, and some of Fiji's more senior agricultural scientists have left the country because of political instability.

The Agricultural Marketing Authority was re-established in 2004 to provide assistance to growers. Its budget from 2004 to 2010 totaled nearly F\$9.0 million, which was nearly four times the allocation for agricultural research

22 R. Duncan and Y. W. Sing. 2009. The Failure of Agricultural Policymaking in Fiji. *Pacific Economic Bulletin*. 24 (2). pp. 2–26. July.

during these years. The rationale for the Agricultural Marketing Authority was seen in terms of helping cut costs through a single-buyer while mitigating the vulnerability of small farmers to the influence of private traders in small markets. Experience suggests, however, that there is substantial competition among private agricultural traders, with nearly 300 licensed agricultural exporters many of whom are active at any time. The continued relevance of a government-run agricultural marketing authority has been in question.

For the past 20 years, agricultural policies have swung from being market-oriented to protectionist and back to market-oriented. In 1989, in preparation for joining the World Trade Organization (WTO), the government took major steps toward fostering a market-oriented sector by gradually reducing tariffs, removing licensing controls, and withdrawing the monopoly status of the National Trading Corporation (the precursor to the Agricultural Marketing Authority). This contributed to higher rates of private investment and an upturn in agricultural growth in the first part of the 1990s.

The Commodity Development Framework of 1997–2000 was intended to provide grants to producers of nontraditional commodities with export development potential. After the scheme failed to generate higher exports, the Farm Assistance Scheme was established in 2001. This was designed as a transfer program to support the livelihoods of *i-taukei* by providing them with direct inputs, such as taro seedlings, chainsaws, and outboard motors. It is estimated that approximately F\$25 million was spent on providing free agro-inputs. However, the implementation of the scheme was hampered by leakages and mismanagement; and there is no evidence showing any contribution of the scheme to improved livelihoods of Fijian farmers.

The government has now targeted agriculture as an important sector to revive the economy.²³ It is encouraging demand-driven services that will facilitate private sector development and accelerate diversification into areas of comparative advantage, such as high-value niche exports and traditional crops; promoting food security; and enhancing linkages between tourism and agriculture.

Sugar Industry

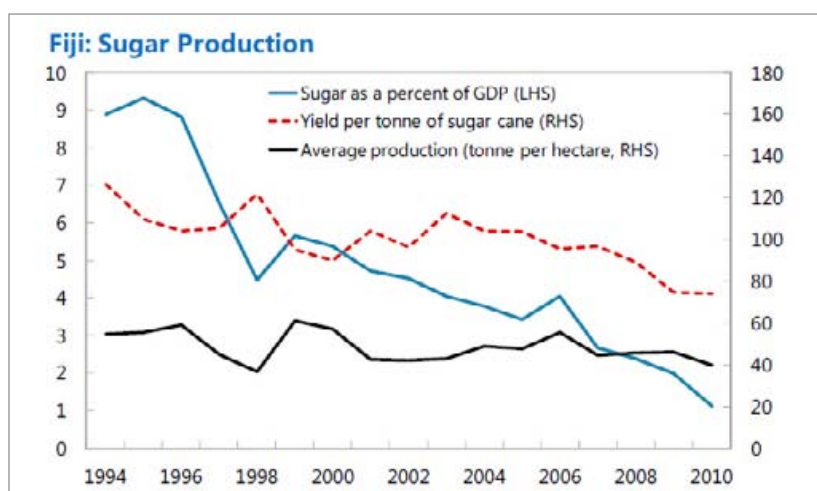
The sugar industry plays a major role in the Fijian economy. It provides employment for nearly a quarter of the work force. However, in many respects, it is an industry in decline; it has suffered from land tenure and mill management problems; and it failed to adjust to the phaseout of preferential market access to the European Union (EU). Sugar exports have declined by about half, from 28% of Fiji's total exports in 2002 to just 12% of total exports in 2010. Sugar production has fallen from 300,000–350,000 tons per annum in the early part of the decade to an average of 180,000 tons in 2008–2010. Sugar yields have stagnated while milling yields have been on a declining trend since the mid-1990s (Figure 19).

Artificially high sugar prices from the EU negated the need to modernize the sugar industry. Since 1970 when Fiji gained its independence, the price of its sugar exports to the EU was three to four times that of world prices.²⁴

²³ Fiji Government Press Release. *State targets tourism and agriculture for economic recovery*. September 2009. www.fiji.gov.fj/publish/page_10190.shtml

²⁴ Until 1976, Fiji benefited from subsidized access to the United Kingdom market; and in 1976, its preferential access to the United Kingdom market began.

Figure 19: Performance of the Fiji Sugar Industry, 1994–2010



GDP = gross domestic product, LHS = left-hand side, RHS = right-hand side.
Source: Fiji Bureau of Statistics. 2011 Statistical Yearbook. Suva.

In 2009, Fiji's preferential access to the EU market expired, triggering a sharp decline in output, exports, and farm incomes. Under the Cotonou Agreement, the EU had committed to provide Fiji with financial support to ease the transition to a market-oriented sugar pricing regime. Following the 2006 coup, the EU advised that such assistance would not be forthcoming until progress had been made in restoring human rights and democratic processes.

The weaknesses of the organization, structure, and management of the sugar industry have also contributed to the industry's decline. The Fiji Sugar Corporation (FSC) suffers from insufficient economies of scale, i.e., FSC's share of the proceeds of the sales of growers as provided for in their contractual agreements is too small to cover operating costs. There is also an incentive system that encourages growers to burn their sugarcane in order to have it ready for access by the four FSC mills at harvest time.²⁵ As a result, the quality of the sugar sold to the mills is poor, and the volumes milled are insufficient to allow the FSC to generate sufficient profits.

In 2010, the government launched a program aimed at restoring the FSC to profitability, by assuming nearly all of FSC's debts and taking over full ownership and control of the corporation. To turn around the sugar sector, a government task force had defined a comprehensive strategy involving measures to boost farm productivity and mill efficiency and to reform pricing. The costs of the restructuring program were estimated to be nearly F\$285 million. With technical assistance provided by a leading European firm, some progress has been achieved in reforming the mill and FSC management by 2011. The next phase of sector restructuring is aimed at improving farm-level productivity.

Fisheries

Fisheries is the second largest commercial, natural resource sector in Fiji. It provides close to 4% of total employment and accounts for approximately

25 J. Davies. 1998. The causes and consequences of cane burning in Fiji's sugar belt. *Journal of Pacific Studies*. 22. pp. 1–25.

10% of total merchandise exports. Because of overfishing and poor stock management, however, the total catch level has declined by 22% between 2005 and 2010.

The sector is regulated by the Fisheries Act of 1942 and the Marine Species Act of 1977, both of which are outdated. A fisheries sector review, prepared by ADB in 2005, found that the single most important step that the government could take to promote the growth of the sector is to introduce management plans to support healthy fish stocks. This would help to increase catch rates and lower production costs.

For offshore fisheries, the key issues are the number of long-term licenses that have been issued and the terms and conditions of these licenses. An increase in the number of licenses from 90 to 110 in the mid-2000's resulted in overfishing and depletion of certain offshore fish stocks. In the long run, there is a need to limit the issuance of licenses and to see to it that the terms of the licenses are strictly adhered to. These measures would ensure that fish catch remains within sustainable limits, investors are more secure in their investments, and coastal areas do not suffer from deep-sea overfishing. In addition, the current 1-year license period provides very limited security for investors. There have also been some efforts to reserve licenses for the indigenous population, but with few positive effects. A longer license period and a transparent system of allocating long-line licenses are being considered to foster a more competitive and sustainable offshore fisheries industry.

Forestry

The forestry sector accounted for close to 2% of GDP in 2010. From a small base, Fiji's forestry sector has been growing rapidly, at 4%–5% per annum between 2005 and 2010. Growth was contributed equally from harvesting of indigenous species and pine logs, and the harvesting of mahogany and teak. Forest products are Fiji's fifth largest export earner, peaking at F\$59 million in 2008, after sugar, fish, mineral water, and textiles.

Close to 55% of Fiji's total land area, or about 1 million hectares (ha), is forested; and out of this area, 177,000 ha are classified as plantation forest. Despite an aggressive planting program, Fiji is losing forest cover. Over the past 15 years, some 70,000 ha of forest cover have been lost due to agricultural clearance, plantation establishment, and unsustainable logging in large areas of the remaining tropical rainforests. Deforestation has had adverse effects on species and habitat conservation, as a result of ecosystem degradation, erosion, sedimentation, and predator and weed invasion. The government is promoting sustainable forestry management through licensing efforts, outreach, and replanting programs. The Forestry Department has set a national target for sustainable harvesting of natural forests at 110,000 cubic meters per annum, or about 20% less than current production levels.

Prospects are bright for Fiji's forestry plantations. Most of Fiji's wood products are sold to Australia and New Zealand, while wood chips are sold exclusively to Japan. The United States (US) market absorbs approximately 40% of all veneer products. Future production is expected to steadily increase, having many new mahogany plantations and as a result of the branding of "Fijian Mahogany," which is expected to stimulate the development of mahogany processing plants in Fiji. With the entrance of Future Forest Fiji in

2005 (the first commercial Teak plantation in Fiji, planting *Tectona Grandis* and several other high value timbers) into commercial teak planting and the resumption of wood chips exports from Lautoka and Bua to the US, the sector is poised to record a fairly rapid growth.

Mining

Gold and silver are the two main minerals mined in Fiji, followed by quarried lime and aggregates. The contribution of minerals to GDP has stagnated at around 1%; and the production of gold, the largest mineral, has fallen from an average of 11,000 ounces per month in 2001–2005 to 5,400 ounces per month in 2012. The current operating gold mine is located at Vatukoula owned by Vatukoula Gold Mine.

Mining development could potentially have a substantial impact on Fiji's economy. Several new mining projects, including bauxite mining in Nawailevu in Bua are at various stages of development. Investment to date in the Namosi copper mine project is around \$80 million, and planned capital investment in this project is currently estimated at approximately \$1 billion with production due to commence in 2014, at the earliest. Other smaller gold mining projects, in Mount Kasi, Wainivesi, and Tuvatu, are at various stages of preparation in 2012. In addition to global market conditions, the viability of new mining projects will ultimately depend on several factors that include security of tenure, political stability, access to affordable sources of energy, local attitudes toward mining, and the licensing and taxation regime in place. Mining development, while promising for exports, is unlikely to have a large impact on domestic employment or value added. It is primarily the impact on government revenues that can contribute to wider economic gains.

The Mineral Resources Department regulates mining under the 1978 Mining Act and its supporting regulations. The law has been extensively reviewed and will be amended to streamline the approval processes, improve investor security, and ensure that environmental and tax treatment of mining is in line with best international practice. Enacting a world-class mining law, together with an appropriate set of implementing regulations, will help to improve investor incentives and security.

Manufacturing

The main manufacturing sectors in Fiji are beverages and tobacco, clothing and textiles, and food processing. Manufacturing's contribution to GDP remained at 13%–15% between 2001 and 2011. Sugar and fish processing are the two largest industries. Employment in the textiles industry has seen a marked decline from 18,000 in 2003 to the current figure of 5,000–6,000 workers due to reduction in preferential market access.

The manufacturing sector contracted due to the poor performance of the clothing and textiles industry and a decline in sugar manufacturing. Between 2000 and 2006, the contribution of the clothing and textiles industry to GDP fell from 5.8% to 1.3%.²⁶ The decline in the textiles industry was partly offset by the growth in the output of the export-oriented, bottled water industry which doubled from 2000 to 2005. After a modest decline in production in 2009, bottled water exports bounced back to reach F\$100 million in 2010.

26 World Trade Organization (WTO) Secretariat. 2009. Fiji. *WTO Trade Policy Review*. Suva.

A combination of tax holidays, duty exemptions, and preferential trade agreements were used to foster growth in the Fiji textiles industry. The Regional Trade and Economic Co-operation Agreement (SPARTECA), which was signed in 1980, provided Fijian producers with duty-free entry into Australia and New Zealand for ready-made garments and footwear. In 1991, Australia introduced an import credit scheme which allowed Australian fabric to be imported by Fiji at very competitive prices provided it was reexported to Australia. This arrangement promoted the setting up of a 'Cut, Make and Trim' industry in Fiji. In 1987, Fiji introduced the 'Tax Free Factory/Tax Free Zone' scheme which gave companies tax holidays, duty exemptions on capital and material imports, work permits for expatriate specialists, and the freedom to repatriate profits and capital without withholding tax. This combination of factors led to the rapid growth in garment investment and output in the 1990s.

In 2000, the first wave of tax holidays expired which led to the closure of 14 garment factories. Exports of garments to Australia fell by 50% in the following eight months.²⁷ In 2005, the textile industry in Fiji entered a second period of decline following the end of the quota system under the Agreement on Textiles and Clothing and the full integration of textiles into the WTO tariff structure. In 2005, income from garments plummeted by 47%. In the same year, Fiji's preferential access to the US garment market expired; and within eight months, the main factory producing for the US market closed operations.²⁸ With competitive pressures from low-cost Asian producers, trade preferences in Australia began to erode; and more factories shifted production from Fiji to lower-cost Asian countries. Garments now account for only 9% of Fiji's exports. A combination of decreasing margins on access under SPARTECA, the end of the US quota system, increased competition from other countries, a costly business environment, weak infrastructure, and low productivity has made the Fiji textiles industry uncompetitive in the global market.

Tourism

Fiji's single largest industry is tourism. The sector contributes about a fifth of total economic output and is the country's largest source of foreign exchange earnings. About 45% of Fiji's visitors come from Australia, with large numbers also coming from New Zealand, the US, the United Kingdom, and other Pacific islands.

Visitor arrivals increased steadily from 315,000 in 1994, to a peak of almost 700,000 in 2010, before falling back to 675,000 in 2011. Over time, the length of visitor stay has increased from 8.5 days in the mid-1990s to almost 10 days in recent years (Table 8).

Hotels, restaurants, and other tourism-service projects have individually benefited from a range of corporate tax, customs, and other fiscal incentives. Historically, these tax holidays have had a heavy opportunity cost in terms of revenues foregone, and limited influence in attracting new investment. Tax incentives for tour operators are continued in the 2012 budget, although the departure tax for tourists has been increased; a 5% hotel turnover tax has been extended to all tourism-related services; and more tourism services have been

²⁷ D. Storey. 2003. *The Fiji Garment Industry*. Oxfam, London.

²⁸ Footnote 27.

Table 8: Tourist Arrivals and Length of Stay, 1994–2010

Year	Visitor Arrivals ('000)	Average Length of Stay (days)
1994	315	8.5
1995	316	8.5
1996	337	8.3
1997	357	8.1
1998	369	8.5
1999	405	8.4
2000	294	8.5
2001	342	8.6
2002	395	8.5
2003	424	8.6
2004	461	8.6
2005	535	9.6
2006	546	9.7
2007	535	9.4
2008	579	9.6
2009	537	9.8
2010	694	9.6
2011	675	9.6

Source: Fiji Bureau of Statistics. 2011. Suva.

subjected to value-added taxes. Margins in the tourism industry are reportedly small because of heavy price discounting, a lack of clarity in fiscal incentives, and the emergence of new taxes which only added to the uncertainty faced by tour operators.

In terms of the regulatory regime, securing approvals for new tourism projects can be extremely time consuming. There are an estimated 68 licenses required for hotel operators, issued by too many government departments. As a result, new project proposals can take several years to be approved.²⁹

An additional impediment to tourism development has been the government's reluctance to adopt an open skies policy for civil aviation. Instead, efforts have been made to protect the market for the country's national airline, Air Pacific. It is worth noting that other countries in the region, such as Vanuatu and Solomon Islands, have adopted an open skies policy and have seen new entrants into the market (e.g., Pacific Blue) and strong growth in visitor arrivals.

The tourism industry in Fiji caters mainly to the package sun-and-surf visitor market. There are opportunities to further differentiate the tourism product, so as to attract more high-value tourists. There is also the potential to boost value added in the tourism sector by encouraging the further development of boutique resorts, ecotourism and other specialized resorts, and tourism services; and by strengthening the linkages between domestic producers of food and handicrafts with the major tourism centers. This, in turn, will require improvements in skills and access to finance and value-chain development.

²⁹ ADB. 2006. *Private Sector Assessment for Fiji Islands: "Promise Unfulfilled."* Suva.

Conclusions

Fiji's growth potential has been hampered by a tendency for successive governments to attempt to pick winners, seek preferential market access, and provide subsidies, rather than to facilitate an improved environment which would benefit all industries. The textiles and the sugar industries are prime examples of the difficulties that protected industries can experience once trade preferences and subsidies are removed. Agricultural producers have become accustomed to input subsidies and government market interventions, which have dampened incentives to innovate and compete. Other sectors, such as fisheries, have suffered from insufficient attention to natural resource management, while tourism has been held back by a high-cost licensing regime, policies which favor the domestic airlines, and inconsistent tax policies.

Fiji has substantial economic growth potential. In agriculture, the key challenge is to emphasize technological innovation through demand-driven support services. While FSC restructuring was perhaps inevitable, privatization might be considered; and more competitive alternatives to the production of sugarcane, such as forestry products and high-value fruits and vegetables, could be encouraged for farmers unable to enter the restructured sugar industry. In fisheries, more effort is needed to improve the planning and management of coastal and artisanal fisheries, and to overcome stock depletion in offshore fisheries. In forestry, exploitation of the natural forest must be reduced to sustainable levels, while investment in mahogany, teak, and other high-value forestry products for export should be vigorously encouraged. For mining, the promulgation of a new mining law could help accelerate a number of promising investments in the sector. Tourism holds considerable potential, but its development will hinge on an accommodating business environment including a streamlined procedure for investment licensing and requirements, and adoption of an open skies policy to encourage the entry of new airlines into the market.

Growing the Private Sector

Overview of the Private Sector

The formal private sector in Fiji consists of 17,787 taxpaying companies, the vast majority of which are small and medium-sized enterprises. The informal sector, which accounts for some 40% of the total labor force, provides employment for close to 130,000 persons, the majority of whom are involved in agriculture, trade, and other services.³⁰

Private investment has fallen to a level (2%–3%) that is one of the lowest since independence in 1970. Low levels of private sector investment reflect a combination of factors—political uncertainty, global economic uncertainties, and an unfavorable business environment that hampers competitiveness and holds Fiji back from reaching its economic potential. Since 2006, the government has been implementing a number of important reforms aimed at fostering private sector development. But the challenges in this area are immense and will require improvements on several fronts if the government is to make the country a more attractive, low-cost place to do business.

Impediments to Private Sector Development

Factor Markets

In Fiji, access to land for economic activity is problematic; labor costs are high due to skills shortages; and finance for investment, in general, and micro-enterprises, in particular, is in scarce supply.

Access to Land

Land is an input to economic activity and used as collateral by businesses in order to access financing. Stable, clearly-defined, and well-protected property rights in land are essential to economic growth and development. In Fiji, a large volume of land lies idle and cannot be used as bankable collateral because of the way land ownership is organized and the land market operates.

The majority of land in Fiji (88%) is “native land” which is registered in the Register of Native Lands. Ownership of native land is vested in the mataqali (tribal group) rather than the individual. Individual membership in the mataqali is recorded in the Vola ni Kawa Bula (register of iTaukei landowners). Native lands cannot be sold and any dealings or works to be done on or with respect to native land requires the approval of the majority of the members of the mataqali over 21 years of age. Only 4% of the land is held by the state and 8% is freehold.

The leasing of native land is undertaken in accordance with the requirements set out in the iTaukei Land Trust Act CAP 134 (ILTA) (formerly the Native Land Trust Act) and the Agricultural Landlords and Tenants Act CAP 270 (ALTA). ILTA sets out the framework for managing native land,

30 N. Lal and S. Raj. 2006. *The Informal Economy in Small Island Developing States Case Study: Fiji Islands*. Fiji Bureau of Statistics. Suva.

while ALTA regulates the leasing of areas designated as agriculture land. The iTaukei Land Trust Board (TLTB), formerly called the Native Land Trust Board, has been the key institution involved in the leasing of native land. Agricultural leases can be issued for a period of 30 years, while leases for other purposes may be issued for a period up to 99 years. Some 30,000 parcels of land have been leased under ALTA.

Obtaining an “agreement to lease” from TLTB generally takes four to five months following submission of a complete application. Since 2006, the TLTB has started to make selected areas of native land available for lease through a tender process. Under this program, TLTB identifies land with high development potential and invites investors to submit an offer for the land. Tenders are then awarded to the highest offer as long as the minimum rental values are met.

Over half of the total rent collected is available for distribution to customary landowners. TLTB has authority under the ILTA to deduct an amount up to 25% of the rental income as an administration fee, although this amount has been set at 15% since early 2000. TLTB also retains 5% of the income in a collective Trust Fund. Of the balance, ILTA requires that 30% be distributed among the chiefs. The low share of rents paid to customary owners has been a source of concern and does not provide a sufficient incentive to landowners to renew leases.

TLTB sets land rents—typically 2.5% to 3% of the land’s unimproved capital value (UCV) and no more than 6% by law. Obtaining a TLTB lease is a fairly cumbersome process, and much native land sits idle. Over the years, there has also been considerable tension between TLTB and the tenants over rental arrears, and the distribution of rents.

The government has attempted two major reforms of the land market. First, the composition of the TLTB Board was changed through the introduction of the Native Land Trust (Amendment) Decree 2010. The decree shifts power from the Great Council of Chiefs to the government, with the Minister for iTaukei Affairs empowered to appoint 7 of the 10 board members and authorized to set aside land as native reserve.

In 2010, the government established the Land Use Unit within the Ministry of Lands. This unit is responsible for operating the Land Bank where owners of native land can voluntarily register their land for the government to administer. The Land Bank offers the landowners more beneficial terms than TLTB, including higher rental rate (up to 10% of UCV) and holding under trust 15% of the rent previously distributed to the tribal chiefs as is the case with TLTB, and longer lease periods (up to 99 years for any type of land compared to a maximum of 30 years for TLTB’s agricultural land). As of the end of 2011, a total of seven tracts of land area had been registered with the unit, and some 20,000 acres have been volunteered for registration. To date, one lease has been issued for a small mining venture.

Labor and Skills Shortages

Employment creation has been insufficient to meet the needs of the labor force and skills gaps abound. Around 17,000 people enter the labor force in Fiji every year, but just over half of them find jobs in the formal sector. Open unemployment has been on a rising trend, increasing from 7% of the total

labor force between 1984 and 2004 to a peak of 9.4% in 2009; while in the informal sector, there is considerable underemployment. As much as a third of the labor force could be classified as either unemployed or underemployed at any point in time.

Fiji suffers from a shortage of skilled workers; in recent years, it has had to import expatriate workers from Australia, the People's Republic of China, and New Zealand to work in the building and construction industry, the finance sector, tourism, and mining. The shortage of qualified skilled laborers is in part because of the difficulties in obtaining formal post-secondary school qualifications and the emigration of those with skills.

Recognizing the growing imbalance between labor force supply and demand, the government has recently supported technical and vocational education (TVET) by absorbing the Fiji Institute of Technology into the Fiji National University. The government further supported industry consultations with the Training and Productivity Authority of Fiji. Measures are being put in place to improve private sector participation in vocational training; develop better labor market information systems; reorient TVET to provide skills needed in the informal sector; and improve TVET policy, quality standards, and financing.³¹

Large firms are required to provide training for the unemployed, boosting their labor costs. The government introduced the National Employment Centre Decree in 2009 to provide a framework for providing employment services to the unemployed. The centre is administered by the Ministry of Labor and it provides skills training and job facilitation services for local and overseas employment markets. Under the decree, firms with more than 50 employees are required to offer work attachments to the unemployed who are registered with the centre, at a ratio of 1 attachment for every 20 employees. The decree further provides that the salary for work attachment is to be shared equally by the government and the firm; however, the firms have been obliged to cover the entire cost due to budget constraints.

Access to Finance

Fiji has one of the most developed financial markets in the Pacific islands region. Formal financial institutions include six commercial banks,³² three credit institutions, a stock exchange, and seven insurance companies. In addition, there are microfinance institutions operating under the National Centre for Small and Micro Enterprise Development (NCSMED), savings and loan cooperatives, credit unions, nongovernment organizations, and money lenders. There is also a national provident fund (Fiji National Provident Fund), a government-operated development bank (Fiji Development Bank), and several venture capital firms. Fiji's commercial banking sector is dominated by two banks, ANZ and Westpac, which account for some 65% of total bank assets and liabilities. A new bank has been licensed to operate in 2012. The sector overall is sound and profitable, and prudent financial management has allowed the banking sector to come through the global financial crisis without registering significant distress.

31 ADB. 2008. *Skilling the Pacific: Technical and Vocational Education and Training in the Pacific. Pacific Studies Series*. Manila.

32 Includes the Asset Management Bank of Fiji which acts as an asset recovery agency and is not involved in lending.

There are, however, major gaps in access to financial markets. Moreover, long-term savings in Fiji tend to finance government investment rather than private sector investment.³³ The government estimates that there are as many as 150,000 persons, largely in the rural areas, who have very limited access to the financial markets. The government has exerted efforts to reach these groups by encouraging the establishment of microfinance institutions created under the NCSMED and by assisting low-income borrowers to improve their basic business skills and practices. However, a large number of the microfinance institutions suffer from poor lending practices and weak prudential controls.

The Reserve Bank of Fiji (RBF) has also attempted to foster financial inclusion by requiring the commercial banks to establish microfinance units; and in 2010, it established the Financial Inclusion Task Force. Some progress has been made in expanding short messaging service banking and mobile phone banking. RBF has also reached agreements with the Department of Social Welfare and the iTaukei Land Trust Board to have bank accounts opened for all those using their services.

However, the commercial banks, despite having recently established their microfinance windows, display little evidence of being genuinely interested in downscaling into microcredit. A recent ADB review of Fiji's microfinance sector concluded that establishment of a new independent microfinance bank is the best option for enhancing financial inclusion. It also noted the potential for credit unions and cooperatives to play an expanded role in microfinance provision but it concluded that this will require the introduction of new monitoring and supervisory structures.³⁴

Fiji's capital market is dominated by the Fiji National Provident Fund (FNPF), a public pension fund. Ensuring that the FNPF is managed on a sound basis is essential to the supply of long-term funding for capital investment. The fund's holdings are equivalent to approximately 60% of GDP with Fiji government bonds and bills accounting for nearly two-thirds of its portfolio.

Upon retirement from FNPF, members have the choice between a lump-sum and lifetime annuity. The FNPF has suffered from a substantial actuarial imbalance because the annuity payout rates were set too high, at 15% to 25% of earned income. Because of this, FNPF has been filling the annuity gap using the Pension Buffer Fund, which relies on current members' contributions but is being rapidly depleted. A new age-based, pension rate was implemented in March 2012, which is aimed at putting the FNPF on an actuarially sound footing. The FNPF's investment portfolio might also benefit more from greater diversification and more profitable investments. In 2007, RBF approved the fund's investment in offshore assets, which should allow FNPF to funnel and diversify excess funds into high-yielding assets. Previously, funds not invested in government bonds were mainly funneled into low-yielding real estate projects.³⁵

33 ADB. 2006. *Fiji Islands 2007-2011, Tackling the Poverty Challenge by Laying the Foundations for Growth*. Manila.

34 See ADB. 2010. *Microfinance in Fiji: Challenges and Opportunities*. Manila, for a more thorough discussion of the issues.

35 IMF. 2011. *Republic of Fiji: 2010 Article IV Consultation Staff Report*. Washington, DC.

Role of the State and State-Owned Enterprises

The presence of the state in the economy is pronounced—it is involved in 29 enterprises, of which two are in liquidation, with assets of F\$1.5 billion or 22% of GDP.³⁶ The state-owned enterprises (SOEs) portfolio represents close to one-fifth of the total assets of the economy. The average return on assets of SOEs between 2002 and 2009 was 0.4%, and the average return on equity was –0.8%.³⁷ From 2002–2009, the SOE sector generated profits of F\$33 million, which was less than the amount of funds (F\$42 million) that the government had to inject into loss-making SOEs. Returns on private investment in 2008 were nearly seven times higher than the returns on investment of the SOEs. This suggests that, collectively, the SOEs absorb scarce government funding and use capital inefficiently. Where SOEs enjoy monopoly rights, the absence of competition often results in substandard service delivery and high costs. In all sectors, SOEs tend to have preferential access to finance from the government and commercial banks.

The government recognizes the urgent need for reform of SOEs and has launched a program of SOE divestment, corporatization, and outsourcing of SOE functions to the private sector. A number of SOE reforms have been implemented, including the corporatization of the Water and Sewage Department into the Water Authority of Fiji, the restructuring of the Fiji Sugar Corporation, the creation of a Fiji Roads Authority, and the establishment of an Outsourcing Committee. Implementation of the reform agenda, however, has been hampered by institutional and budgetary constraints. For example, the Department of Public Enterprises, which is to lead the reform, has a staff of 16 persons only. Although the staff numbers have increased in recent years, it has been difficult to find skilled and experienced staff to work on SOE reform or to serve as SOE board members. There has also been resistance to SOE reform in some segments of the government bureaucracy. There is a recognized need to improve SOE legislation, since Fiji's Public Enterprise Act has relatively weak provisions dealing with governance, transparency, and accountability. The overarching objectives of the current reform to enhance the effectiveness and efficiency of SOEs include improved legislation, a more prioritized SOE reform roadmap, and stronger capacities within ministries providing SOE oversight.³⁸

Infrastructure Costs and Services

Physical infrastructure in Fiji is better than in many Pacific island countries resulting in more competitive trade costs (Table 9). However, insufficient infrastructure maintenance, low levels of replacement investment, and the large role played by state enterprises in the sector contribute to high operating costs and to insufficient access to essential infrastructure by the poor.

Approximately 90% of Fiji's population has access to power, although a substantial number of rural areas are not connected to the power grid and are forced to rely on intermittent and unreliable diesel generators. Unreliable services have also led to reliance on costly generators installed by those who need uninterrupted supply for their business. There are also strict government

36 ADB. 2011. *Finding Balance 2011: Benchmarking the Performance of State-Owned Enterprises in Fiji, Marshall Islands, Samoa, Solomon Islands, and Tonga*. Manila.

37 Footnote 39, p.44.

38 ADB. (forthcoming) *Fiji Private Sector Assessment: Reinvigorating private sector investment*. Manila.

controls on tariffs, making Fiji's average tariff rate one of the lowest in the Pacific island region. This makes power affordable but it also acts as disincentive to private sector investment in power generation.

The government is also promoting greater reliance on renewable sources of power. Particular attention is being devoted to hydro, wind, and solar. Private investment in renewable sources of energy is being encouraged through a variety of incentive schemes.

Electricity is provided by the Fiji Electricity Authority (FEA), a government-owned utility. In 2001, the World Bank identified the FEA as one of the better performing state enterprises in Fiji as a result of corporatization. Its

Table 9: Selected Indicators of Infrastructure Services in the Pacific Islands

Indicator	Fiji	Papua New Guinea	Solomon Islands	Vanuatu	Tonga	Samoa
Electricity						
Access to electricity (% of total households)	90%	...	8%	19%	78%	99%
Average end use tariff (US\$ per kilowatt-hour)	\$0.20	\$0.18	\$0.56	\$0.50	\$0.50	\$0.42
Water and Sanitation						
Access to improved water source						
• Urban (% total population)	95%	87%	94%	96%	100%	100%
• Rural (% total population)	78%	33%	65%	79%	100%	100%
Average tariff for water and sewerage (US\$ per cubic meter)	\$0.39	...	\$0.96	\$0.66	\$1.03	\$0.25
Telecommunications						
Fixed line per 100 persons	16.1	0.9	1.6	3.0	29.8	17.8
Mobile subscriptions per 100 persons	75.4	13.3	5.7	52.7	51.0	84.4
Broadband subscriptions per 100 persons	2.5	...	0.4	0.2	1.0	0.1
Mobile high usage affordability (cost as % of monthly income)	12.5%	93.3%	53.5%	19.1%	9.0%	14.4%
Roads						
Total paved roads (kilometer)	1,692	3,000	33	256	184	532
Total unpaved roads (kilometer)	1,748	6,349	1,327	814	496	2,005
Road density (total kilometer per area)	0.19	0.02	0.05	0.09	0.95	0.83
Ports						
Time to export (days)	22	26	24	21	20	27
Cost to export (US\$ per container)	\$655	\$664	\$1,030	\$1,690	\$775	\$820
Time to import (days)	23	29	21	20	24	31
Cost to import (US\$ per container)	\$635	\$722	\$1,237	\$1,690	\$775	\$848

... = data not available.

Sources: 1 Fiji (FEA website), PNG (PNG Power website), other countries (ADB, Pacific Infrastructure Performance Indicators, 2011). Average tariff rates for 2010; 2) Fiji (Water Authority of Fiji, World Bank development indicators), PNG (World Bank development indicators), other countries (ADB, Pacific Infrastructure Performance Indicators, 2011). Average tariff rates for 2010, except Fiji 2011; 3) ITU, ICT Eye Statistics, 2009; 4) CIA Factbook; and 5) World Bank, Doing Business Indicators, 2012.

success was attributed to an independent and commercially focused board and management team with clear profit objectives. As part of FEA's restructuring agenda, its workforce was downsized from 1,050 employees in 2001 to 595 by the end of 2004. Its success, however, was compromised in subsequent years by government imposition of unfunded social obligations and reluctance to impose tariff rates that cover full economic cost. The FEA has a heavy debt burden; and, since 2007 it has been unable to borrow from multilateral banks. Its profitability and ability to invest in improvements to the system have also been impaired by the government's decision to postpone application of the Commerce Commission's proposed new tariff rates. The tariff rates were finally increased in 2010, to F\$0.33 per kilowatt-hour from F\$0.22 per kilowatt-hour. The increase should allow FEA to proceed with much needed investment and boost generating capacity by attracting independent (private) power producers.

There are also conflicts of interest in the regulation and provision of power in Fiji. The FEA is both a major service provider and the regulator and enforcer of the Electricity Act which regulates private power providers. Potential conflicts of interest might be avoided by having an independent regulatory authority in place.

Roads

Fiji has a fairly complete road network but lack of cost-effective access to markets and services, combined with high transport costs, leaves large parts of Fiji economically isolated from national and regional markets. Poor road conditions are a major concern. While the government has implemented a policy of gradually upgrading national roads from gravel standard to two-lane sealed highway standard over the past 30 years, there has been insufficient investment in routine and periodic maintenance and rates of deterioration have been faster than otherwise would have been the case. While there has been some investment in rehabilitation of these sealed roads, this has also been insufficient with the result that a backlog of rehabilitation work has built up. Consequently, the full benefits of investment in the network are not being realized.

A road levy was introduced in 2009 to boost road maintenance funding; in 2010 the government introduced the Land Transport (Road Levy Amendment) Decree which established the new Infrastructure Rehabilitation and Development Fund account for the road levies to finance the operation and maintenance of roads. The corporatization of the Department of National Roads was completed in 2012 to improve the efficiency of road network management. However, while new institutional arrangements have been made for maintaining the roads, there is still a need for greater accountability and transparency in contracting out road maintenance and repairs.

By 2013, it is expected that the entire circular road around Viti Levu, Fiji's main island, will be paved. However, while the network is essentially completed, 70% of the national road network, or about 3500km remains unsealed. Unsealed roads constrain economic development due to high vehicle operating costs, slow journey times and risks associated with frequent road closures, particularly in the wet season.

Outer islands suffer from a lack of road infrastructure. Low potential traffic volumes coupled with high construction costs due to remoteness and a lack of integrated port facilities and shipping services conspire to constrain

outer island development where agricultural and tourism potential exists. Improvements to infrastructure in the outer islands are required to improve access to markets and services and to limit urban drift and depopulation.

Ports

The ports sector has undergone major reforms, which included the formation of the Fiji Ports Corporation (FPCL), as a government-owned commercial enterprise, in 2004. Its operation and maintenance activities are carried out by a fully government-owned subsidiary, Ports Terminal. FPCL operates four ports: Suva, Lautoka, Labasa, and Levuka. The Levuka port is cross-subsidized by the other three ports. An ADB-funded upgrade of the Suva and Lautoka ports (Fiji's two busiest ports) was completed in December 2004. In 2006, FPCL purchased three mobile cranes—two for Suva and one for Lautoka. These reforms have led to significant improvements in container-handling efficiency and have vastly improved intra- and inter-regional trade.

When surcharges are factored in, the cost of trading through Fiji's ports is quite high. Comparative data available from the World Bank indicates the cost of importing and exporting a 20-foot container to and from Fiji was the lowest within the region in 2011 (Table 9).³⁹ These charges, however, exclude the port service surcharge charged by shipping companies on all containers entering and leaving Fiji, to compensate for delays and port congestion costs. The surcharge amounted to F\$150 per 20-foot container in 2002 and it rose steadily to F\$350 per 20-foot container by January 2011. Quarantine clearance is required for all shipments, and the quarantine inspection fees have also substantially increased by January 2011. The all-in charge for clearing a container of freight typically exceeds \$1,100, which is at the high-end of the cost-range in the Pacific islands when surcharges and quarantine clearance fees are added. Quarantine inspection fees are now being reviewed with a view to reducing some of the charges.

Shipping paperwork requirements are also relatively burdensome. The World Bank data on Doing Business shows that it takes 10 separate documents to import and export a 20-foot container to and from Fiji's ports. This is considerably more than the average number of documents in the Asia and Pacific region (7 documents for importing and exporting). The increase in quarantine requirements in 2010 and 2011 also has the potential to add more to paperwork requirements.

Telecommunication

Fiji has a significant advantage in overseas telecommunication services compared to many other Pacific island countries due to its access to bandwidth on the Southern Cross cable which connects Fiji and Australia. In 2008, the telecommunication sector was deregulated and three companies now provide mobile services. This contributed to rapid growth in mobile services with penetration rising from 34 subscribers per 100 inhabitants in 2006 to 75 subscribers per 100 inhabitants in 2009. Despite increased competition, however, internet use is still in its infancy with the number of internet subscribers rising from 9.6 subscribers per 100 inhabitants in 2006 to just 13.5

³⁹ World Bank. 2012. *Doing Business. Measuring Business Regulations*. (Trading across borders), as viewed on the World Bank's *Doing Business* website (www.doingbusiness.org/data/exploreeconomies/fiji).

in 2009. Less than 2% of the population have access to broadband internet facilities. Broadband use is constrained because Telecom Fiji, which owns the fixed line infrastructure, is not obliged to provide access to competitors.

Airports

Airports Fiji is an SOE that operates and maintains 15 public airports. Nadi airport is the main revenue earner and it subsidizes the operation of the domestic airports. Airports Fiji recently completed major upgrades to the airport navigation and landing systems; and it is undertaking a major airport renovation program which will be partly funded by an airport levy. Essential terminal services are provided by Air Terminal Service (Fiji), which is owned by the government (51%) and employees (49%). Introducing competition in terminal services could improve performance. In addition, the long-run viability of a large network of public airports has yet to be demonstrated.

Water

About 80% of the population has access to treated, delivered water; and 16% are connected to a centralized sewerage system. Remote rural areas are served by government-subsidized village-based schemes. Previously, water and sewerage services were managed by the Water and Sewerage Department which was corporatized and became the Fiji Water Authority in January 2010. In the past, services provided by the Water Authority were extremely poor, with frequent water supply interruptions and low revenue collection rates. Considerable progress has been made over the past few years, particularly in the Suva-Nausori and Nadi-Lautoka corridors, after the pumping stations were refurbished. This reduced leakages in the distribution system and improved water quality and flow. Water supply and sewerage services are heavily subsidized, with more than half of the budget of Fiji Water Authority coming from the government, although the government does not pay for its water consumption. Over the years, the water system has deteriorated because of insufficient funding. Tariffs have not been increased since the 1990s, and while water rates are VAT-exempt, the Fiji Water Authority must pay nonrefundable VAT on the electricity used in the pumping stations. Increasing water rates will be challenging, however, because the quality of the water supply system has historically been poor.⁴⁰

Business Regulatory Environment

Ease of Doing Business

The Ease of Doing Business of the World Bank and International Finance Corporation shows that Fiji's relative business environment has been deteriorating, from a ranking of 72nd in 2011 to 77th out of 183 economies in 2012 (Table 10).⁴¹ Fiji ranks low particularly in measures related to starting a business, paying taxes, dealing with construction, and trading across borders. Although once ranked as having the best business environment in the South Pacific, Fiji is now ranked behind Tonga. A combination of high entry and operating costs discourages new business start-ups and raises the costs of expanding existing businesses.

⁴⁰ Footnote 39, p.44.

⁴¹ World Bank. *Ease of Doing Business Indicators*, as viewed on the World Bank's Doing Business website (www.doingbusiness.org/ExploreEconomies/?economyid=68).

Table 10: Ranking of Fiji in Doing Business by Business Category

Ease of....	Doing Business 2012 rank	Doing Business 2011 rank	Change in rank
Doing Business	77	72	(5)
Starting a Business	119	105	(14)
Dealing with Construction Permits	73	64	(9)
Registering Property	52	49	(3)
Getting Credit	67	64	(2)
Paying Taxes	80	78	(2)
Trading Across Borders	113	113	e
Enforcing Contracts	64	63	(1)

() = negative, e = no change.

Source: World Bank and International Finance Corporation 2011. *Doing Business 2012*.

Starting a new business is estimated to take between 32 to 40 days in 2012 with the application processes divided among several agencies and requiring applications that must be submitted in person, often in Suva. The registry maintained by the Office of the Registrar of Companies is not computerized, making public access to registry information time consuming and information difficult to obtain. To facilitate the investment approval process, an e-payment portal for foreign investors was launched in April 2012.

Businesses in Fiji must apply for a range of general and specialized licenses, adding to operating and regulatory compliance costs. The general business license is particularly problematic because it must be renewed annually and each local council has developed its own licensing requirements. As a result, businesses are required to obtain several licenses depending on their activity and on the number of locations, in which they operate.⁴²

Obtaining access to land for business development is also a time consuming process. This includes complying with land-use zoning requirements, obtaining building permits, and securing approvals for development master plans and subdivision of land. Key constraints include limited administrative capacity within the Department of Town and Country Planning and local authorities to process applications, a lack of standard operating procedures, and the length of time required to obtain inputs from referral agencies. Re-zoning, approval of development master plans and land subdivision, and on-site development control can take several years for major projects. The department has, in 2012, set up two offices in the Northern and Western divisions to fast-track processing of applications.

Labor laws have been substantially reformed since 2006. The Employment Relations Promulgation, introduced in 2007, repealed and replaced six labor laws. The promulgation adopted international labor standards and is largely compliant with key International Labor Organisation principles. However, the Essential National Industries (Employment) Decree, introduced in June 2011, will take precedence over the promulgation for industries that are designated as “operating in an industry of national strategic import.” The decree also overturned the collective bargaining agreements and other provisions of the

⁴² Footnote 39, p.44.

labor laws. This has resulted in cancellation of collective labor agreements in several sectors, and has sparked boycott threats from Australian unions. The enforcement of labor laws is lacking however, and many of the new laws, regulations, and procedures, particularly those related to minimum wages, social security contributions, and work place standards, are likely to impose costs that small businesses cannot afford. As a result of tightening labor standards, small businesses are likely to either remain in the informal sector, or face the risk of closure should they be forced to comply with the new labor laws.

Price Controls

The government intervenes directly in market pricing through the Prices and Incomes Board which was set up under the Counter Inflation Act of 1973. The board is mandated to fix the maximum prices on certain goods and services and to regulate rental increases on residential and commercial properties. Through the board, the government regulates the price of 32 food items and provides price surveillance for 146 food items, as well as the prices of 460 hardware items; 74 pharmaceuticals, wholesale cement, and steel prices; fuel prices; and rental property charges. The reasons for the control in the prices of some goods are not clear, as price controls have been tailored to individual firm's costs of production. Application of price controls tends to distort market signals, creates uncertainty, discourages the production of high quality goods, and reduces investment incentives. While steps have been taken to reduce the scope of price controls, progress in this area has been modest. While ostensibly established to foster competitive market behavior and protect the poor, the costs of price controls far outweigh their benefits.⁴³

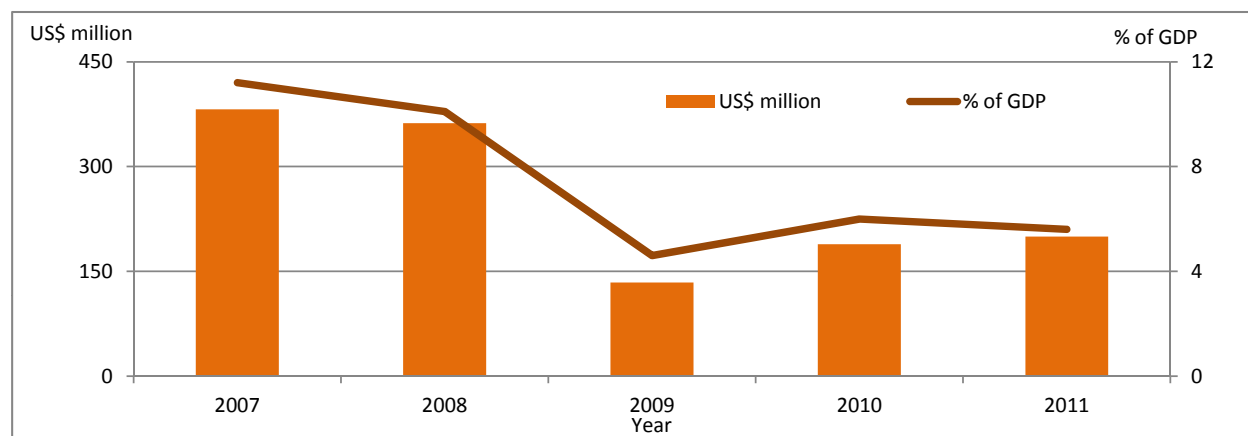
Foreign Investment Regime

Foreign direct investment (FDI) is crucial for economic growth in Fiji, providing finance for investment, market links, and new technologies. FDI trends are often a good indicator of the quality of the investment regime, which serves as the main incentive for foreign investors to allocate their resources to countries offering the most promising returns. Foreign investment, fell markedly following the events of 2006. With a large decline in the number of foreign investors setting up new operations in the country (Figure 20). Foreign investment licenses issued declined fivefold from 441 in 2006 to 117 in 2010 with a concomitant decrease in the number of projects implemented over the same period. Table 11 shows that only 40 foreign investments were implemented in 2010 (from 227 in 2006) and only 330 new jobs were created in 2010 (from 1,757 in 2006). Foreign investment has shown some signs of recovery in 2012.

The government's foreign investment regime was streamlined in 2004 and 2005 with the introduction of investment lists, which reserved some activities for Fijian citizens and identified the 100% Fijian-owned entities and subjected other activities to specified restrictions such as the need to comply with joint venture requirements. These reforms brought the processing times for foreign investment approvals down from several months to less than 5 days.

⁴³ Footnote 6, p.9.

Figure 20: Foreign Direct Investment, 2007–2011



Source: IMF. 2011 Republic of Fiji Article IV Consultation Staff Report.

The introduction of new minimum foreign investment requirements in 2008 and 2009, however, reduced the country's attractiveness as an investment destination. The lowest foreign investment level in 2012 was \$125,000—five times what it was in 2005—and had to be made as a cash deposit in a local bank account. This was substantially higher than the capital requirements of small companies, especially of internet-based firms, seeking to establish operations in Fiji. The requirement that minimum investment thresholds must be reflected in the owners' contribution, or for companies in their paid-up capital, is also problematic since this imposes an administrative judgement on the mix of debt and equity that a new business should use. In December 2012, the Government removed the minimum foreign investment requirement.

The continued use of foreign exchange controls makes it also difficult for foreign firms to remit funds abroad. While restrictions have been eased in recent years, Fiji continues to maintain a number of foreign exchange restrictions, including tax certification before foreign companies can remit profits. The International Monetary Fund (IMF) has recommended the phasing out of foreign exchange restrictions as a means of reducing excess liquidity in the banking system and improving investor confidence.⁴⁴

Tax and Investment Concessions

Up to 2011, Fiji's tax rates were high relative to those of its regional neighbors. The World Bank estimated Fiji's tax rate, as a percentage of profits, at 38.3%.⁴⁵ The rate includes corporate income tax, labor tax, and contributions and other taxes. Comparative figures for other countries are 8.4% (Vanuatu), 18.9% (Samoa), 25.7% (Tonga), and 26.2% (Solomon Islands). Only Papua New Guinea had a higher rate at 42.3%. The 2012 budget reduced tax rates in Fiji: corporate tax rate was reduced from 28% to 20%; and the marginal personal income tax for the top band was reduced from 31% to 20%, from 31% to 18% for the middle band, and from 25% to 7% for the lower band. The income tax threshold was also increased to F\$15,600.

⁴⁴ Footnote 36, p.41.

⁴⁵ World Bank. 2012. *Doing Business. Measuring Business Regulations*. (Paying taxes). as viewed on the World Bank's *Doing Business* website (www.doingbusiness.org/data/exploreeconomies/fiji).

Table 11: Foreign Investment, Registration and Implementation in Fiji, 2005–2010

Item	2005	2006	2007	2008	2009	2010
Registration						
Provided registration licenses (no.)	541	441	398	245	80	117
Implementation						
Implemented (no.)	188	227	211	134	62	40
Associated employment created (no.)	2,027	1,757	2,215	1,764	714	330

Source: Government of Fiji. 2011. *Investment Fiji*. Suva.

The government offers a large number of incentives that enable some businesses to reduce their tax burden, and grants exemptions or reduced rates of customs duties. These include tax holidays for some sectors and regions of the country, investment allowances, and accelerated depreciation on certain types of capital expenditure, tax deductions for new jobs created, and duty concessions for raw materials used in approved manufacturing activities. However, the sector, input, and region-specific nature of the investment incentives distorts the investment environment, and raises the relative tax-burden on less-assisted firms. The Ministry of Finance has considerable discretion in awarding investment incentives. The complexity and negotiated nature of the incentive package can make it difficult for small businesses to make use of the incentives—this effectively shows a bias toward larger firms.

Public–Private Policy Dialogue and Policy Credibility

Businesses find it difficult to predict the evolution of public policy in Fiji. This adds to their risks and weakens the credibility and effectiveness of enterprise reforms. The four coups between 1987 and 2006 and the many reforms in business policy undertaken since 2007—with limited public consultation—have added to a sense of uncertainty among the business community.

The lack of regular, formal communication between the business community and government is a long-standing cause for concern.⁴⁶ The government has attempted to close these gaps through special working groups and various consultation meetings, but these have been regarded as ad hoc or one-off efforts. A process of public–private sector dialogue that is open and conducted without bias is needed to inform and assist what is likely to be a long-term process of investment climate reform.

Conclusions

Fiji's private sector operates far below its potential because of constraints in the factor markets; the extensive role played by inefficient SOEs; weak and poor quality infrastructure services; and excessive, discretionary regulations. Communication between the private sector and government is limited, which adds to mistrust and uncertainty. Since 2006, foreign direct investment approvals and project implementation have registered significant downturns. Using foreign investment as a good proxy for the quality of the private sector investment regime, the data do not show a favorable investment climate in the country.

⁴⁶ Footnote 30, p.37.

A multifaceted effort to improve the enabling environment for private sector development is needed. This could include measures to

- make factor markets work more efficiently, for example, by increasing access to customary land for productive purposes, building technical and vocational skills, and improving access to well-regulated microfinance institutions;
- reduce crowding out by SOEs by accelerating their commercialization and divestiture, contracting out services previously reserved for the SOEs, and strengthening the government ministries responsible for SOE oversight which is essential in leading SOE reforms;
- improve infrastructure services by continuing to separate the regulation of infrastructure services from their provision, notably in the power and water supply sectors; ensuring that tariffs provide sufficient incentives for new infrastructure investments as well as for operations and maintenance, and allowing private broadband telecommunication providers to have access to Fiji's fixed line systems;
- streamline enterprise regulation by lowering the costs and cutting the requirements for registering new firms; complying with labor market regulations; and obtaining business licenses and access to land for development; abolishing the extensive system of price controls, with the exception of a small number of utility tariffs; regulating competition directly, rather than by interfering with the price-setting process; lowering the minimum foreign investment requirements; and phasing out the foreign exchange controls; and
- level the playing field for investors by phasing out the use of discretionary tax holidays and exemptions for selected categories of investors.

Developing market-friendly policies and institutions to enable private sector activity is a major challenge. Progress is being made, but establishing credible policies and effective institutional arrangements will take strong leadership and a concerted effort for many years to come.

Government's Economic Reform Strategy

The government has prepared a wide-ranging set of economic, governance, and cultural reform strategies. In August 2008, the government released a major report prepared by the 45-member National Council for Building a Better Fiji, entitled “Fiji: The State of the Nation and the Economy Report.” This was followed in December 2009 by the proclamation of the Peoples’ Charter for Change for Peace and Progress. The charter defined the vision and set of principles for rebuilding the nation around 11 pillars: (i) ensuring sustainable democracy and good governance; (ii) developing a common national identity and building social cohesion; (iii) ensuring effective, enlightened, and accountable leadership; (iv) enhancing public sector efficiency, performance effectiveness, and service delivery; (v) achieving higher rates of economic growth while ensuring sustainability; (vi) making more land available for productive and social purposes; (vii) developing an integrated development structure at the divisional level; (viii) reducing poverty to a negligible level by 2015; (ix) making Fiji a knowledge-based society; (x) improving health service delivery; and (xi) enhancing global integration and international relations.

In 2008, the Prime Minister announced “The Strategic Framework for Change.” Under the framework, the government was to focus on improving socioeconomic and infrastructure conditions during 2009 to 2012. By 2013, a new constitution was to be in place; and in 2013–2014, preparations would be launched for a new national election. The framework presents the government’s vision, mission, and guiding principles in the areas of good governance, economic development, and socio-cultural development.

The Strategic Framework for Change was then translated, in more detail, into a Roadmap for Democracy and Sustainable Development, 2009–2014, which was issued by the Ministry of National Planning in September 2009. The roadmap sets out the strategic framework to achieve the government’s vision of a sustainable democracy, good governance, socioeconomic development, and national unity. It includes a sectoral analysis, along with a list of policy objectives, strategies, and key performance indicators. It also includes a specific implementation and monitoring mechanism. Table 12 presents the roadmap’s main goals and objectives on economic growth.

The roadmap includes a number of key economic goals and targets. A key strategic priority is to raise investment levels, particularly private sector investment, to achieve an investment rate equivalent to 25% of gross domestic product (GDP). Other targets include doubling GDP between 2009–2014, eliminating the balance of payments deficit, boosting visitor arrivals to 6 million for the 5-year period, eliminating exchange controls and liberalizing the finance sector, doubling the size of the communications sector, converting

up to 90% of power generated by fossil fuels to renewable energy sources, reducing unemployment to less than 3%, ensuring that 80% of all of the nation's lands are used productively, and reducing the poverty headcount to negligible levels by 2015. If current trends persist, few of these targets are likely to be met.

The roadmap also sets out an implementation and monitoring mechanism. Action plans are to be developed by each line ministry and department which are to be aligned with the roadmap. Annual corporate plans, based on the action plans, will then be developed to provide an overall monitoring and reporting framework.

Table 12: Goals and Strategic Priorities of the Roadmap for Economic Growth of Fiji

Goals	Priorities
Maintain macroeconomic stability	<ul style="list-style-type: none"> • Ensure macroeconomic balance is maintained • Improve standards of living
Sustainable, growing, and globally competitive tourism industry	<ul style="list-style-type: none"> • Increase economic contribution of the tourism sector • Resource owners benefit from greater participation in the tourism industry
Globally sustainable and competitive manufacturing, commerce, and industry to compete with imports and expand exports	<ul style="list-style-type: none"> • Diversify and expand manufacturing and commercial sector • Diversify exports base • Improve business regulatory environment • Enhance consumer protection and awareness
Creating sustainable livelihoods through enterprise development	<ul style="list-style-type: none"> • Communities improve their livelihoods through micro, small, and medium enterprises.
Global integration and international relations for political and economic enhancement	<ul style="list-style-type: none"> • Communities benefit from Fiji's diplomatic and economic relations • Cordial bilateral and multilateral relationships • Enhance global trading opportunities
Fullest and most productive utilization of human resources	<ul style="list-style-type: none"> • Employees work in a safe, healthy, decent, conducive, and sustainable work environment, where more people can secure incomes from employment in the formal and informal sectors and acquire technical skills and productivity levels needed for higher incomes and economic development
Proper land use planning and management	<ul style="list-style-type: none"> • Resource owners and land users secure long-term incomes from environmentally sustainable land development and management
Sustainable sugar and non-sugar agriculture and livestock industries	<ul style="list-style-type: none"> • Restructure the sugar industry into a commercially viable and sustainable industry • Thriving agriculture sector that sustains food security and sets the platform for commercial agricultural development
Sustainable development of forest, fisheries, mineral, and groundwater resources	<ul style="list-style-type: none"> • Conservation and management of resources • Communities benefit from sustainable development of resources that maximize long-term economic returns
Effective, stable, and competitive financial system that enhances economic growth	<ul style="list-style-type: none"> • People have access to appropriate modes of transparent, sound, and secure financial and banking facilities • Widen coverage of financial services • Deepen financial markets • Strengthen the management of superannuation funds
Cost efficient infrastructure services for people and businesses	<ul style="list-style-type: none"> • Access to safe, efficient, and affordable transport and cargo shipping • Access to affordable and reliable energy supplies • Access to reliable and adequate supplies of safe water and environmentally safe sewage treatment • Improve coverage, quality, and price of information and communication technology services

Source: Ministry of National Planning. 2009. *Roadmap for Democracy and Sustainable Socio-Economic Development, 2009–2014*. Suva.

Managing Reform and Rebuilding Credibility

The roadmap's economic policy goals and objectives were formulated in a participatory manner and are ambitious and broad in scope. They are aimed at reforming policies and institutions to address many long-standing structural barriers to higher rates of economic growth, poverty reduction, and social development. The government has been challenged, however, to implement this ambitious agenda; and the private sector has been equally challenged to assess and respond to the reforms over a relatively short span of time.

To date, few of the roadmap's economic performance targets have been met. While the poor performance in the first years in achieving economic results can be attributed, in part, to the knock-on effects of the global economic crisis and natural disasters, internal factors also play a major role. The ultimate success of the roadmap will hinge on the extent to which economic actors respond to signals provided by the changes in government's policies and institutional arrangements. A critical factor, therefore, in determining the success of the government's reform program will be the degree to which economic actors view it as being credible and sustainable. This, in turn, is directly linked to the extent to which the government is able to operate in a sufficiently inclusive, transparent, and accountable manner to win the cooperation and support of the broader society, the business community, and Fiji's international partners.

Credibility has suffered in recent years. The coup and abrogation of the Constitution means that the executive branch operates without the usual parliamentary and judicial checks and balances, which bring a measure of credibility to government reforms. Political power has become concentrated in the office of the Prime Minister, who has appointed the Public Accounts Committee to oversee government spending and respond to reports of the Auditor General. Decrees are prepared by the Cabinet and approved by the President without public scrutiny or parliamentary review. Looking forward, it will be important for the government to restore meaningful checks and balances in political decision making if reforms are to be deemed credible and sustainable.

The prospects of success in reforming economic policy will be greatly influenced by the market's assessment of whether and how the politically controversial issues relating to future elections and the Constitution will be resolved. The economic response to reform will also hinge on the degree to which investors believe that these are likely to be sustained after democratic processes have been restored.

While not at the pace or breadth initially envisaged, progress has been registered in fiscal and public wage and hiring controls; streamlining of exchange restrictions; tax reforms (including simplification of tax administration and reduction in the corporate tax rate); opening up of the telecommunications market to competition; adoption of a plan to put the Fiji National Provident Fund on a sound financial and actuarial footing; restructuring of the Fiji Sugar Corporation; opening of mobile telephony to competition; preparing other state-owned enterprise for restructuring and divestiture; and introduction of competition in the native land lease process by establishing a land bank. Eventually, these reforms will contribute to improving Fiji's investment climate.

The impacts to date of reforms on private sector development have been relatively modest. In addition to a challenging global setting and natural

disasters, four factors have contributed to a fairly modest economic response to policy change. First, several of the policies are relatively new, and time will be required for implementation to proceed to a point at which the effects are felt. A case in point is the Land Bank, which only started operating in 2010.

Second, the pace of legislative change has been extremely rapid. Since 2009, the government has issued an average of almost six decrees per month.⁴⁷ It has been difficult for the private sector to keep pace with the changes that have been made, and to fully understand the ramifications of these changes since the many decrees that have been issued have not yet been incorporated into consolidated legislation or tested in practice.

Third, the lack of a regular forum for public-private dialogue weakens the extent to which the voice of the private sector is heard in defining reforms aimed at improving the business environment. Active involvement of stakeholders in the reform process is important as it creates a sense of shared ownership which makes policies more likely to succeed in practice and be sustained.

Fourth, institutional capacity to implement reforms is weak. The technical capacity of many government and private institutions has been weakened due to the continued loss of skilled and experienced staff.⁴⁸ The travel bans imposed by Australia and New Zealand also appear to have discouraged qualified people from accepting senior positions in the government or on SOE Boards. Skill and staff constraints have made it difficult for government institutions to efficiently and effectively implement the reforms expected of them.

Building trust and credibility will require open dialogue and debate. Fiji's Public Emergency Regulations were introduced in April 2009 and have been subsequently extended at three monthly intervals. They were introduced as a means of addressing perceived threats against public order and the government. In January 2011, the regulations were withdrawn but were then effectively replaced by an even stronger amended Public Order Act.

The Public Emergency Regulations (and the subsequent amended Public Order Act) require persons and organizations holding meetings involving more than 5 persons to seek a permit from the Police prior to convening the meeting. The Police may deny or approve the issuance of the permit and set conditions based on their assessment of the meeting's purpose and proposed agenda. A police officer has the right to attend the meeting and stop it if the officer feels that the Public Emergency Regulations were being contravened. The regulations also give the Permanent Secretary of the Ministry of Information powers to prohibit any broadcast or publication of information that may give rise to disorder, breach of the peace, public disaffection or alarm; or otherwise undermine the government. All materials for publication or broadcast must be submitted to the Permanent Secretary prior to publication. Both restrictions—on public meetings and the media—impede public debate and dialogue. If genuine policy dialogue that is essential to build trust and credibility is to take place, then the restrictions will need to be removed or substantially relaxed.

⁴⁷ In 2010, 70 decrees were passed and in 2011 a further 52 were passed. During the first six months of 2012, there were 60 decrees passed.

⁴⁸ Between 1987 and 1999, over 64,000 migrants left Fiji permanently, of which over 16% were professionals. The outflow of skilled personnel intensified again after the 2000 coup. A further 47,724 emigrated between 2000 and 2008, of which about 30% were professionals, technicians, senior managers, legislators, and administrative workers.

Conclusions

The government has prepared a formidable Roadmap for Democracy and Sustainable Development for fostering higher rates of economic growth, employment generation, and poverty reduction. Ambitious targets have been set. While many new decrees have been issued, implementation of the roadmap has been frustrated by skills shortages and other constraints within the government and by insufficient consultation with the private sector and the public-at-large.

Success in economic policy reform will be strongly influenced by the market's assessment of the resolution of the political issues and how these were resolved. Delaying their resolution prolongs economic uncertainty and weakens policy credibility. Consideration should be accorded to establishing a more open environment for dialogue by removing or relaxing restrictions on public gatherings and the media, and by establishing a high level of public-private dialogue mechanism to guide economic policy reforms. Open dialogue and debate is essential to build a broad-based constituency for reform.



Conclusions and Policy Recommendations

Since the mid-1980s, Fiji's economy has been trapped in a cycle of low economic growth, rising emigration, and high levels of poverty. Political instability has added to these pressures by creating uncertainty and undermining reform credibility. The resilience of the economy has been tested by a series of economic, climatic, and political shocks. But with private investment levels now at historic lows and the government hampered by a large public debt overhang, the very resilience of Fiji's economy is now in question.

The government's Roadmap for Democracy and Sustainable Development, 2009–2014 signals the development of a new constitution and electoral law, measures aimed at facilitating access to land for production, reforms to strengthen the economy and private sector development, and public sector reform; and intensifying poverty eradication efforts. However, the implementation of the roadmap has been hampered by capacity and financial constraints within the public sector and by insufficient dialogue and consensus-building among stakeholders.

Given the prevailing political and economic context, priority should be accorded to the reform interventions that are likely to have a meaningful impact on economic performance, will bolster stakeholder confidence, and are essential to returning the country to a path of good governance. Improvements in political conditions, economic management, and structural policies are needed to put the economy on a higher economic growth and employment generation trajectory. Only through higher levels of investment and a focus on private sector-led growth will the economy generate the jobs and incomes needed to reduce poverty and boost social development.

Tackling Macroeconomic Imbalances

Macroeconomic management challenges

Fiji's economy suffers from a number of macroeconomic imbalances. The exchange rate is appreciating, there is excess liquidity in the banking system, and growth in domestic credit is very slow. Fiji's trade deficit has soared, and while tourism earnings and remittances have helped to close the trade gap, these are both volatile sources of foreign exchange earnings. Public debt levels have steadily increased and with large contingent liabilities and rising debt service requirements, the government's room for fiscal maneuver is limited. Government revenues have been buoyant, but increasing reliance on indirect taxes and the continued proliferation of tax holidays and concessions weaken the progressivity and fairness of the tax system. The effectiveness of public expenditures has been hampered by a large wage bill and low levels of public capital spending. Key macroeconomic reform priorities are discussed below.

- **Fiscal policy.** Government recurrent spending needs to be restrained. Actions should go beyond freezes on wages and public employment. A reprioritization of government expenditure will be needed with an

emphasis on reducing unproductive government spending, reducing transfers to state-owned enterprises (SOEs), and downsizing the government work force. Higher spending on infrastructure development and the operation and maintenance of economic infrastructure should be prioritized. Revenue policies need to emphasize a phase-out of tax concessions and tax holidays, broadening of the value-added tax base, and accelerated efforts to establish a competitive corporate tax system. Fiji's public debt levels will need to be reduced. This will require measures to strictly contain deficit spending, refinance high-cost domestic debt, and meet deficit financing requirements by drawing more on official sources of finance and less on captive sales of domestic bonds and high cost commercial sources of financing.

- **Monetary and exchange rate policy.** Given excess liquidity in the banking system, a commitment to further monetary easing could have a modest effect on boosting domestic lending. Efforts to stimulate lending through moral suasion and sector-specific lending targets, or by mandating commercial banks to engage in microfinance, are unlikely to be of much effect. More efforts should be made to bolster macroeconomic competitiveness by reducing foreign exchange controls, and ensuring that appreciation of the real exchange rate is held in check.
- **Secure support of international finance institutions for government-led reforms.** With the exception of emergency disaster relief, new lending to Fiji by international financial institutions (IFIs) has been suspended since 2006. The government has mounted ambitious macroeconomic and structural reforms without the support, or the financial endorsement, of major IFIs (i.e., the IMF, the World Bank, and ADB). Implementation of the key economic reforms envisaged in the roadmap are costly, technically demanding, and institutionally challenging. Mounting these reforms during a period of fundamental political transition and in a volatile global market setting make implementation much more difficult. The support of the IFIs for a government-led, multiyear macroeconomic and structural reform program could bolster the credibility of the government's reform effort while providing much needed resources to help finance implementation and adjustment costs.

Growing the Private Sector

Fiji's private sector operates far below its potential because of constraints in the operation of factor markets; the extensive role played by inefficient state-owned enterprises; weak and poor quality infrastructure services; and excessive, discretionary regulations. Communication between the private sector and government is limited, which also adds to mistrust and uncertainty. A multifaceted effort will be required to improve the enabling environment for private sector development, including measures designed to achieve the various objectives discussed below.

- **Improving access to customary land.** Large tracts of customary land sit idle and land policies and procedures are badly in need of reform. Rental payments for customary land are set at too low a level; the proportion paid to the landowner is too small; and leases are limited to 30 years without renewal provisions, providing insufficient investment security for

investors. While the establishment of the Land Bank is a step in the right direction, consideration should be accorded to reforming the Agricultural Landlords and Tenants Act with the objectives of creating a more flexible and equitable leasing regime for customary lands and establishing a computerized land registry system that is quick and simple to use.

- **Addressing skills gaps.** Fiji suffers from a shortage of skilled workers. Measures are needed to improve private sector participation in vocational training; develop better labor market information systems; and reorient technical and vocational education and training (TVET) to provide the skills needed in the informal sector, and to improve TVET quality standards and financing.
- **Access to finance and reforming the pension fund.** Although Fiji has a well-developed finance sector, large numbers of rural households have scant access to financial services. Establishment of a new microfinance bank may be needed to enhance financial inclusion; and there is potential for credit unions and cooperatives to play a greater financing role. Fiji's capital market is dominated by the Fiji National Provident Fund (FNPF). Putting the FNPF on an actuarial sound footing and easing restrictions on how the public pension fund invests its resources are a step in the right direction for the Fiji government.
- **State-owned enterprise reform.** The government has an ambitious SOE corporatization, divestiture, and outsourcing program but implementation has been relatively slow. A more prioritized SOE reform roadmap will be required; and capacities will need to be strengthened in the Ministry of Finance and in the Ministry of Public Enterprises if they were to lead a more aggressive SOE reform effort. Fiji's Public Enterprise Act should also be reviewed with a focus on updating provisions relating to SOE governance, transparency, and accountability.
- **Infrastructure development.** High quality infrastructure is essential to support private sector-led investment and growth. The quality of Fiji's economic infrastructure has deteriorated since 1990. In the power subsector, more frequent rules-based tariff adjustment is required to overcome a long legacy of tariff restraint; and there is a need to separate the regulatory and service provision functions of the Fiji Electricity Authority. In the roads subsector, there is a need to upgrade Fiji's unsealed roads; funding for roads operation and maintenance needs to be increased; and the capacities of the Department of National Roads to manage road assets and to contract out road works needs to be improved. In the case of the main ports, costs are high and shipping paperwork is excessive. Efforts should be made to identify and address logistics bottlenecks in the two main ports and to streamline shipping and quarantine requirements. In the water sector, tariffs should be substantially increased to cover the full costs of delivering potable water. In telecommunications, while solid progress has been made in fostering competition in mobile telephony, broadband internet penetration remains extremely low. Arrangements should be made to oblige Telecom Fiji to provide access to its fixed line infrastructure in order to foster more rapid internet penetration.
- **Reforming business regulations.** Compared to other emerging markets, Fiji's business environment is falling behind. Procedures for starting

a business and obtaining business site approvals are costly and time-consuming. There is a need to streamline and automate business approvals and improve the capacities of the Department of Town and Country Planning and of the local authorities to speed up site approval process. Labor laws have been modernized in recent years, but these will require simplification if small businesses were to be able to comply with them.

- **Price controls.** The control of hundreds of commodity prices distorts market signals, creates uncertainty, discourages production of high-quality goods, and dampens investment incentives. High priority should be attached to eliminating price controls on all commercial commodities.
- **Foreign investment regime.** While the new investment regime introduced in 2004 has opened new activities to foreign investors, high minimum investment requirements and foreign exchange controls discourage foreign investment inflows. High priority should be accorded to phasing out foreign exchange restrictions and to either reducing or eliminating minimum foreign investment requirements.
- **Tax and investment concessions.** Extensive use of tax and investment concessions has eroded the tax base and has had little durable effect. Now that the government has made significant progress in lowering corporate tax rates, the next step should be to phase out the use of tax concessions, holidays, and preferences; and to apply a fair and competitive set of enterprise taxes to all firms.

In an unstable political setting, businesses find it difficult to predict the evolution of public policy. This adds to their risks and weakens the credibility and effectiveness of government reforms. The lack of regular, formal communication between the business community and government is another cause for concern. A formal, structured, public-private sector dialogue mechanism is needed to inform and assist the process of investment climate reform.

Nurturing Private Sector Growth in Key Sectors

Preferential trade agreements, selective subsidies, and protectionist policies have helped to shield selected industries, but at the cost of dampening incentives to innovate and compete. The textiles and sugar industries are prime examples of the difficulties that protected industries can experience once trade preferences are removed. Reform priorities in key sectors are summarized below.

- **Agriculture.** Agricultural producers have become accustomed to input subsidies and government market interventions, which have crowded-out much needed spending on agricultural research and extension, dampening incentives to innovate and compete. The government is encouraging demand-driven agricultural services in an effort to foster diversification, development of niche markets, improved linkages between agriculture and tourism, and greater food security. These are steps in the right direction, and could be aided by a commitment to phase out input subsidies of various kinds and to transform the Agricultural Marketing Authority into a grower-owned and -operated enterprise.
- **Sugar industry.** While the sugar industry provides employment to nearly a quarter of the work force, it has suffered from land tenure,

mill mismanagement, and quality control problems. The phase-out of preferential market access to the European Union has resulted in the decline in the value of Fiji's sugar exports from 28% of total merchandise exports in 2002 to just 12% in 2010. Starting in 2010, the government has mounted a major (and costly) restructuring program for the Fiji Sugar Corporation (FSC). Progress has been registered in 2011 in terms of the management of the mills and in the overall operation of FSC. While restructuring subsidies were necessary to stave off the imminent collapse of the industry, the government cannot afford to subsidize the sugarcane industry indefinitely. Once FSC is restored to profitability, plans should be drawn up for privatizing it, and alternative livelihood options for producers, who no longer have a place in the sugar industry, should be identified.

- **Forestry.** The forestry sector is recording rapid growth, but at the expense of deforestation of Fiji's natural rainforest. In the future, exploitation of the natural forest should be reduced to sustainable levels, while investment in mahogany, teak, and other high-value forestry products for export are promising areas for private investment.
- **Fisheries.** The fisheries sector operates under outmoded legislation and has suffered from stock depletion and resource degradation. For coastal and inland fisheries, high priority should be attached to introducing management plans to support healthy fish stocks. For offshore fisheries, there is a need to reduce the number of licenses issued, extend license periods, establish a more transparent system for allocating licenses, and ensure strict adherence to the terms of the licenses.
- **Mining.** With high global prices of minerals, several new major mining projects are at various stages of development. If these projects were to come to fruition, they could potentially lead to a doubling of GDP. But a number of obstacles must be tackled first before major mining investments are realized. A new mining law has been under preparation since 2000. Enacting a mining law that meets global standards, together with an appropriate set of implementing regulations, would help to improve investor incentives and investment security.
- **Manufacturing.** Experience since 2000 has clearly demonstrated that industries developed on the basis of preferential market access and tax holidays (i.e., sugar processing and textiles) are not competitive once market preferences and tax concessions are removed. Niche industries, such as bottled water exports have thrived without such subsidies. If Fijian industries are to survive, then these cannot be made globally competitive through subsidies, preferential market arrangements, or government ownership. Government's role should be to maintain a level playing field among all industries by creating a conducive operating environment, rather than attempt to pick (or nurture) winners.
- **Tourism.** The tourism sector is Fiji's largest industry, and has considerable growth potential. Streamlining project approval and licensing requirements for hotel operators could unleash much needed new resort investment. Adoption of an open skies policy for civil aviation could induce new carriers to come to Fiji and help bring down international travel costs. Improvements in skills, access to finance, and value-chain

development could help the industry differentiate tourism products, such as sports tourism, eco-tourism, high-value boutique tourism, and overseas second homes; and strengthen the linkages between village producers and tourism centers.

Reducing Poverty and Fostering Social Development

Progress has been registered in poverty reduction over the past 10 years, although this has largely been in the urban areas and poverty in the rural areas and in the Northern region remains far above the national average. Furthermore, nearly half of the total population could be classified as poor or near-poor. While rural and agricultural households are more likely to be poor, poverty is also associated with larger families, low levels of educational achievement, and the presence of elderly members in the family.

Government spending on social services accounts for nearly half of total public outlays. Over the long term, higher rates of economic growth will be needed to generate the resources required for better quality and more accessible social services. In the near term, a number of steps can be taken to improve social service delivery, as summarized below.

- **Education.** In the education sector, the coverage of primary and secondary education is relatively high, but coverage drops off considerably at the post-secondary level. High student dropout rates, the limited relevance of secondary education to the demands of the labor market, inequality in access to post-secondary education, weak linkages between technical and vocational training and the private sector, and poor coordination arrangements among sector institutions and the many education nongovernment organizations weaken the efficiency of the system. Education reform should begin with an assessment of the various reasons for high student dropout rates and steps should be taken to systematically boost completion rates in basic education.
- **Health and water supply.** A combination of changing lifestyles and diet, obesity, and an increase in tobacco and alcohol consumption are contributing to a rise in noncommunicable diseases. In addition to fostering a change in lifestyles, a key challenge for the government is to overcome the shortage of medical professionals and the loss of medical professionals to emigration. The ongoing effort to consolidate and rebuild the Ministry of Health merits support. Measures are also required to strengthen policy-making capacities within the ministry; and to improve the planning, management, and deployment of trained health care providers. The government's ambitious program to provide clean water supplies to all is likewise important. Rural areas are lagging behind in terms of access to clean water; and improved access will likely require stronger community-based delivery approaches.
- **Housing.** The number of people living in urban squatter settlements is rising at an alarming pace. This is due to a combination of rural-urban migration, a lack of affordable urban housing, the creation and extension of new towns and urban boundaries, and the natural increase in the size of the urban population. Partnerships between the government and civil society organizations will need to be forged to help improve access to basic

urban services in these settlements and to involve the local communities in upgrading efforts.

- **Social protection.** The government operates a number of social protection and insurance programs. The Family Assistance Program is Fiji's largest social protection program. While it is effective in screening-out the non-poor, it misses large numbers of poor individuals. Consideration should be accorded to reviewing the categories of persons eligible for social protection programs to increase coverage of the poor, and to boost benefit levels. A second area that requires attention is the rapidly growing numbers of low-income elderly persons. Introduction of a social pension program could be a useful instrument for combating poverty and extending old-age income insurance to those in the rural areas and the informal sector.

Fostering political participation

Political instability and alternating periods of democratic and martial rule have been unfortunate features of Fiji's political landscape since 1987. From 2006, the suspension of democratic rule has weakened investor confidence, damaged Fiji's international image, and fuelled the flight of skilled Fijians. Bearing in mind Fiji's ethnic fragmentation, the strong role of indigenous institutions and the special role played by the Armed Forces, a political solution will be needed that is both inclusive and takes different stakeholder interests into account.

The government has identified the key actions required for a return to democracy in its roadmap, including the development of a new constitution and a new electoral law and the holding of free and fair elections. Abolition of the Emergency Decree, which restricted public meetings and media freedom, was a step in the right direction. However, its replacement by the amended Public Order Act is problematic. What is ultimately needed is free and unfettered dialogue among different groups in Fijian society. Such dialogue is essential to ensure that far-reaching constitutional and electoral reforms are credible and owned by the population-at-large.

Appendixes

Table A.1: Fiji Key Economic Indicators, 2005–2012

	2005	2006	2007	2008	2009	2010	2011 ^a	2012 ^p
GDP at constant factor cost	4327.3	4407.5	4370.0	4415.3	4359.0	4351.8	4442.2	4499.9
GDP growth (% pa, constant factor costs)	(1.3)	1.9	(0.9)	1.0	(1.3)	(0.2)	1.9	–
GDP per capita growth (% pa, constant prices)	(1.7)	1.5	(1.2)	0.4	(1.9)	(0.7)	1.6	–
GDP sector growth (% pa, constant factor costs)								
Agriculture	1.0	5.0	(4.9)	4.9	(12.9)	(5.0)	8.3	–
Share to GDP (% of total)	14.1	14.5	13.9	14.4	12.7	12.1	12.9	–
Industry	(6.7)	0.7	(5.2)	(1.4)	(0.4)	8.1	0.3	–
Share to GDP (% of total)	19.2	18.9	18.1	17.7	17.8	19.3	19.0	–
Services	1.8	1.5	1.3	0.9	1.0	(1.4)	1.5	–
Share to GDP (% of total)	66.8	66.6	68.0	67.9	69.4	68.6	68.2	–
GDP at constant market prices	4892.9	4974.5	5008.2	4977.1	4359.0	4351.8	4442.2	–
GDP per capita at constant factor cost	5235.1	5312.1	5248.6	5269.5	5168.4	5131.2	5210.8	5255.7
GDP growth (% pa, constant factor cost)	(1.3)	1.9	(0.9)	1.0	(1.3)	(0.2)	2.0	1.3
GDP at current factor cost	4327.3	4539.8	4648.6	4901.6	5768.4	5394.9	5746.7	–
GDP at current mp, million US\$	2558.9	3099.6	3404.8	3590.4	2878.5	3246.6	3851.5	4070.2
Consumer price index (2005=100)	140.4	143.9	150.7	160.6	171.5	181.0	196.7	206.0
Exchange rate (F\$ per US \$)	1.7	1.7	1.6	1.6	2.0	1.9	1.8	1.8
Real effective exchange rate (Jan 1999=100; eop)	100.3	105.9	108.0	107.5	91.7	92.2	99.1	–
Nominal effective exchange rate (Jan 1999=100; eop)	101.5	101.6	101.6	103.3	83.8	84.3	86.7	–
Broad Money (M2)	2513.8	3012.2	3326.0	3097.6	3327.3	3456.0	4026.2	–
Central bank policy rate	3.8	5.3	5.8	6.3	3.0	3.0	2.0	–
Deposit rate (time deposits)	2.0	9.1	4.5	3.0	5.8	4.7	3.8	–
Lending rate (wtd average of all loan types; eop)	6.6	7.9	8.5	7.7	7.5	7.4	7.5	–
Total receipts	1221.9	1401.3	1391.3	1454.9	1411.8	1537.8	1723.6	1942.8
Total expenditures	1588.8	1749.5	1726.2	1680.5	1911.4	1668.7	1961.7	2077.9
Overall surplus/deficit	(366.9)	(348.2)	(334.9)	(225.6)	(499.6)	(130.9)	(238.1)	(135.1)
Central government expenditure (% of GDP)	27.3	28.9	27.4	24.8	29.1	26.8	28.7	–
Central government revenue (% of GDP)	24.0	26.1	25.4	25.4	25.0	24.7	25.2	–
Overall budget balance (net of total loan repayments, % of GDP)	(3.3)	(2.8)	(2.0)	0.6	(4.1)	(2.1)	(3.5)	–
Current Account Balance (\$ million)	(294.9)	(600.6)	(482.1)	(648.5)	(219.1)	(358.2)	(429.7)	(391.3)
Current Account Balance (% of GDP)	(11.5)	(19.4)	(14.2)	(18.1)	(7.6)	(11.0)	(11.2)	(798.5)
Foreign Direct Investment, Net (\$ million)	169.9	370.5	369.4	346.5	116.9	–	–	–
Gross International Reserves	549.1	515.4	804.6	558.7	557.0	680.5	852.2	–
Import cover (number of months)	4.5	3.8	5.9	3.4	5.4	5.3	5.7	–
External Debt (\$ million)	97.2	240.7	246.5	298.6	269.4	285.9	421.6	–
External Debt (% of GDP)	3.8	7.8	7.2	8.3	9.4	8.8	10.9	–
External Debt Service (% of X of goods & services)	1.2	1.8	1.5	1.1	1.8	1.3	9.2	–
Exchange Rate (annual average; F\$ per \$)	1.7	1.7	1.6	1.6	2.0	1.9	1.8	–
Real Effective Exchange Rate (Jan1999=100; EOP)	100.3	105.9	108.0	107.5	91.7	92.2	99.1	–
Nominal Effective Exchange Rate (Jan1999=100; EOP)	101.5	101.6	101.6	103.3	83.8	84.3	86.7	–

() = negative, – = data not available, p = projection.

Source^a Asian Development Outlook, Asian Development Bank 2012.

a Figures for national income accounts, government finance, and balance of payments are estimates. While figures for prices and exchange rates, monetary survey, and interest rates are actuals.

Table A.2: Fiji Paid Employment by Sector (No.) Selected Years

Sector	1991	1995	2000	2005	2008
Agriculture, forestry, and fisheries	2,583	2,352	1,800	1,709	1,668
Mining and quarrying	1,120	2,075	1,700	2,350	2,338
Manufacturing	23,400	25,309	28,500	26,300	27,900
Electricity, gas, and water	2,712	2,241	2,600	2,700	2,900
Construction	7,031	7,430	2,800	6,200	6,775
Wholesale and retail trade, restaurant and hotels	14,536	13,964	22,100	26,900	29,400
Transport, storage, and communications	8,952	10,103	11,300	10,535	10,750
Finance, insurance, real estate, and business services	5,855	5,983	5,700	7,900	8,800
Community, social, and personal services	25,349	27,918	39,300	39,400	40,100
Total	91,538	97,375	115,800	123,994	130,631

Source: Fiji Islands Bureau of Statistics and Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

Table A.3: Fiji Poverty Rate by Division and Rural-Urban Status, 2002–03 and 2008–09

Division and Rural-Urban Status	Poverty Headcount Rate			Distribution of the Poor			Distribution of Population		
	2002–03	2008–09	Change	2002–03	2008–09	Change	2002–03	2008–09	Change
Central/Eastern Urban	29.5	20.5	(9.0)	20.6	17.2	(3.4)	27.8	29.6	1.7
Central Rural	29.7	32.5	2.8	13.6	10.5	(3.1)	18.2	11.4	(6.9)
Eastern Rural	28.5	31.2	2.8	0.4	3.8	3.4	0.6	4.3	3.7
Northern Urban	51.1	51.5	0.4	5.7	6.8	1.1	4.4	4.6	0.2
Northern Rural	59.8	54.2	(5.6)	17.9	19.5	1.6	11.9	12.7	0.8
Western Urban	38.6	29.6	(9.0)	15.4	12.8	(2.6)	15.8	15.2	(0.6)
Western Rural	49.5	46.6	(2.9)	26.4	29.4	3.0	21.2	22.3	1.0
Total	39.8	35.2	(4.5)	100.0	100.0	0.0	100.0	100.0	0.0

() = negative.

Source: World Bank. 2011. *Poverty Trends, Profiles and Small Area Estimation (Poverty Maps)* in Republic of Fiji (2003–2009). Washington, DC.

Table A.4: Fiji Overall Poverty Change by Urban and Rural Area, 2008–09
(rate in %; change in percentage points)

Area	Poverty Headcount Rate			Poverty Gap			Squared Poverty Gap		
	2002–03	2008–09	Change	2002–03	2008–09	Change	2002–03	2008–09	Change
Urban	34.5	26.2	(8.2)	10.3	6.9	(3.4)	4.3	2.6	(1.7)
Rural	44.6	44.0	(0.6)	14.0	12.8	(1.2)	6.0	5.3	(0.7)
Total	39.8	35.2	(4.5)	12.2	9.9	(2.3)	5.2	4.0	(1.2)

() = negative.

Note: Calculations based on the Household Income and Expenditure Surveys 2002–03 and 2008–09.

Source: World Bank. 2011. *Poverty Trends, Profiles and Small Area Estimation (Poverty Maps) in Republic of Fiji (2003–2009)*. Washington, DC.

Table A.5 : Fiji GDP by Sector at Constant 2005 Prices
(F\$ million)

Year	Agriculture and Forestry	Fishing	Mining and Quarrying	Manufacturing	Electricity and Water	Construction	Wholesale and Retail	Hotels and Restaurants	Transport, Storage and Communication
2005	503.6	105	16.6	615.7	59.1	137.8	548.1	184.3	648.4
2006	513.2	125.8	9.5	658.9	32	134.3	516.8	166	666.6
2007	494	113.7	(5.4)	619.3	57.4	120.4	542.2	191.1	659.5
2008(r)	499.2	138.4	14.3	606.7	33.3	126.1	511.4	230.5	626.1
2009(r)	434.7	120.4	24.1	593.1	49.8	110.2	481.2	235.4	684.2
2010(p)	407.5	119.7	30.8	634.8	56.7	117.7	480.2	265.9	681.6

() = negative.

p = preliminary, r = revised.

Source: Fiji Bureau of Statistics and the Macroeconomic Committee. Suva.

Table A.6: GDP Growth Rate of Selected Pacific Island Countries, 2000–2011, (%)

Year	Fiji	Papua New Guinea	Samoa	Solomon Islands	Tonga	Vanuatu
2000	(1.7)	(9.8)	3.3	(14.2)	5.4	2.7
2001	1.9	0.0	8.2	(8.0)	7.2	(2.6)
2002	3.2	2.0	3.2	(2.8)	1.4	(7.4)
2003	0.8	4.4	4.8	6.5	3.4	3.2
2004	5.4	0.6	4.8	8.0	2.6	5.5
2005	0.6	3.9	5.4	5.0	(3.0)	6.5
2006	1.9	2.3	1.0	6.1	3.0	7.4
2007	(0.5)	7.2	2.3	10.3	(1.2)	6.8
2008	(0.1)	6.6	5.0	7.3	2.0	6.3
2009	(2.5)	5.5	(4.9)	(1.2)	(0.4)	3.8
2010	(0.5)	7.1	0.0	4.0	(1.2)	3.0
2011	2.1	8.9	2.1	9.5	1.5	4.3

() = negative, GDP = gross domestic product.

Source: ADB. 2012. *Asian Development Outlook 2011*. Manila; and United Nations Economic and Social Commission for Asia and the Pacific. (UNESCAP). 2011. *Economic and Social Survey of Asia and the Pacific 2011*. Bangkok.

Table A.7: Inflation Rate of Selected Pacific Island Countries, 2000–2010, (%)

Year	Fiji	Papua New Guinea	Samoa	Solomon Islands	Tonga	Vanuatu
2000	1.1	15.6	0.9	7.1	6.2	2.1
2001	4.3	9.3	4.7	7.7	6.7	3.5
2002	0.7	11.8	8.1	9.3	10.7	2.1
2003	4.2	14.7	0.1	10.0	6.8	1.1
2004	2.8	2.4	16.3	7.1	11.8	3.2
2005	2.7	1.5	1.9	7.2	9.9	1.2
2006	2.5	2.4	3.8	11.2	7.3	2.1
2007	4.8	0.9	4.5	7.7	5.1	4.1
2008	7.7	10.8	11.5	17.3	9.8	4.8
2009	6.8	7.0	6.6	7.1	5.0	4.5
2010	5.0	6.0	1.0	3.0	2.0	3.4
2011	8.7	8.7	2.9 ^a	7.4	6.1	0.8
2012	5.1 ^p	n/a	5.0 ^b	5.5 ^p	6.1 ^c	3.0 ^p

a = based on first 11 months of 2011, n/a = not available, p = projection, b = for financial year 2012, c = based on first 6 months of 2012.

Source: ADB. 2011. *Asian Development Outlook 2011*. Manila; and UNESCAP. 2011. *Economic and Social Survey of Asia and the Pacific 2011*. Bangkok.

Table A.8: Fiji Agricultural Production of Selected Commodities, 1977–2010
(tonnes)

Year	Sugar Cane ('000)	Copra	Paddy Rice	Virginia Tobacco	Cocoa	Beef	Pork	Goat	Chicken	Eggs	Fish	Ginger	Yaqona
1977	2674	30644	17966		97	2327	335	n/a	1634	998	4775	2656	n/a
1978	2849	26092	16105		123	2722	469	n/a	1992	1622	5800	2591	n/a
1979	4058	21948	18712		144	3616	645	n/a	2505	1642	6959	2479	n/a
1980	3360	22837	17846	413	137	3525	574	n/a	2961	1666	6296	2265	n/a
1981	3931	20651	16972	315	185	3394	628	n/a	3054	1703	10665	2701	n/a
1982	4075	22056	20302	384	130	3379	700	700	3234	1844	10474	4527	n/a
1983	2203	23588	16160	322	235	3456	719	565	4137	1876	12627	3832	n/a
1984	4290	24660	22246	n/a	245	3383	737	623	3793	2035	11578	4059	n/a
1985	3043	21172	27574	377	221	3357	574	641	3612	1908	10202	3939	n/a
1986	4109	22476	24600	293	242	3644	641	680	3838	1978	9834	5518	n/a
1987	2960	13095	23477	208	465	3762	610	690	3690	1849	12324	4865	n/a
1988	3185	10730	32147	144	238	3565	530	691	3989	1839	13075	3737	n/a
1989	4099	13362	31827	224	375	3136	558	679	5030	2018	13571	4457	n/a
1990	4016	19005	32147	240	406	2902	603	700	5491	2160	13394	5500	n/a
1991	3380	15193	29038	295	363	2847	715	660	5888	2191	13796	6427	n/a
1992	3533	16047	22479	279	327	2624	711	720	6057	2475	13520	4632	n/a
1993	3704	10232	22284	367	152	2430	765	637	5742	2448	13979	2906	n/a
1994	4064	8407	18019	272	163	2306	831	758	8144	2526	16772	1095	n/a
1995	4110	10724	18496	136	100	2217	754	801	8763	2576	17375	2220	2619
1996	3729	20964	17370	214	126	2401	791	806	9602	2844	13847	2404	2685
1997	3384	11551	17385	215	72	3279	737	833	9156	2629	13230	2683	3310
1998	2263	17041	5092	167	146	3177	778	875	7775	4103	13920	3500	3204
1999	3747	16511	17301	233	148	2984	750	905	8261	3137	20515	2608	3216
2000	3598	13422	13170	313	15	2688	891	934	8100	3201	21078	3622	3082
2001	3077	16553	14612	390	5	2874	673	971	8237	2668	18598	1437	4575
2002	3216	14349	12852	238	16	2452	677	762	10623	2771	20687	3710	4039
2003	2817	9506	15504	385	15	2452	780	810	12165	2839	15654	3290	2691
2004	2971	14805	14358	224	12	2233	981	1158	12900	2908	22973	3680	2149
2005	2826	11291	15189	333	15	2252	1117	930	12090	3791	29609	3652	2259
2006	3192	11139	12732	318	12	2252	928	946	13579	3522	24661	3210	1700
2007	2513	10079	14870	266	14	1958	973	969	14413	3438	9841	3111	3350
2008	2322	12583	11595	257	13	1866	920	983	14429	3401	13456	2488	3286
2009	2089	10096	11637	439	5	1719	1128	238	11866	3471	13252	2787	2603
2010	1751	6496	7684	452	6	1761	1169	227	14383	5707	n/a	2338	2792

n/a = not available.

Source: Fiji Islands Bureau of Statistics. *Annual Report (various issues)*. Suva.

Table A.9 : Fiji Production of Manufactured Agricultural Commodities, 1970–2010
(tonnes)

Year	Sugar (‘000)	Coconut Oil	Sharps	Flour	Butter (Imported Content)	Butter	Cigarettes	Stock Feed	Sawn Logs (‘000 cu. meters)
1970	361	17000	n/a	n/a	n/a	n/a	441	n/a	n/a
1971	322	18000	n/a	n/a	n/a	1112	459	7000	110
1972	303	18000	n/a	n/a	n/a	1141	408	7000	111
1973	301	16000	n/a	n/a	534	982	461	8640	123
1974	273	18000	17617	12080	610	1134	501	9000	150
1975	272	15000	17113	12205	692	1162	535	11454	180
1976	296	17126	20227	9580	738	1201	600	13593	148
1977	362	18502	21011	11162	814	1316	610	16755	181
1978	347	16519	18245	16463	953	1523	618	18837	181
1979	473	14947	21318	18730	1104	1698	636	19721	180
1980	396	14630	21563	19012	1061	1652	624	22983	233
1981	470	13936	21886	19874	1010	1406	643	20326	205
1982	487	15203	21743	20985	630	897	609	18586	163
1983	276	16026	23540	22987	57	264	606	22243	159
1984	480	16289	23614	22468	228	308	583	17555	183
1985	341	12951	24961	23876	727	1124	583	18115	193
1986	502	14122	23523	24580	822	1239	543	18418	187
1987	401	8417	23267	25720	826	1261	530	16145	214
1988	363	6576	21439	25507	760	1204	530	17597	188
1989	461	7619	19455	28331	853	1363	506	18943	162
1990	408	11614	15689	24733	766	1228	604	22212	258
1991	389	8775	14625	26933	947	1477	585	25377	248
1992	426	9234	10682	27766	975	1504	550	24601	214
1993	443	6231	7902	33314	983	1480	574	22601	248
1994	517	4697	6486	37581	1151	1692	548	29402	266
1995	454	7787	5282	41266	1244	1712	497	28120	256
1996	454	8028	4941	42984	1167	1652	499	29251	268
1997	347	8796	3485	45774	1193	1678	511	29215	250
1998	256	9371	3261	50896	1258	1762	466	30073	257
1999	364	10354	2408	51420	1285	1809	507	29814	190
2000	335	7646	1975	54931	1257	1732	450	36059	189
2001	310	9955	1662	59569	1290	1747	442	31731	184
2002	317	11256	1208	59442	1284	1800	480	38754	127
2003	308	7523	1083	63559	1299	1839	473	41095	129
2004	312	8242	714	88310	1005	1442	516	40264	101
2005	292	9533	547	88330	1313	1757	477	40216	100
2006	307	8349	310	67661	1671	1879	519	44618	82
2007	261	9657	246	52677	1609	1854	456	37820	91
2008	257	9069	267	52754	1543	1806	437	44140	83
2009	162	4977	248	89113	1555	1814	367	42336	92
2010	135	4816	279	99721	1531	2042	382	49580	113

n/a = not available.

Source: Fiji Islands Bureau of Statistics. *Annual Report (various issues)*. Suva.

Table A.10: Fiji Sugar Industry Production and Prices, 1975–2010

Year	Number of Growers	Production ('000 tons)	Yield (tons/ha)	Price to Growers (F\$/ton)	Exports ('000 tons)	Export Value FOB (F\$ million)	Export Unit Value (F\$/ton)
1975	16,995	2,160	49.1	24.6	246	95	385
1980	19,567	3,360	52.5	26.2	461	175	379
1985	22,154	3,043	60.9	36.6	410	112	273
1990	21,334	4,016	57.4	50.9	394	224	568
1995	22,449	4,110	55.5	53.8	445	276	620
1996	22,304	4,380	59.2	44.8	500	302	603
2000	22,179	3,786	57.0	44.0	302	237	785
2001	21,882	2,805	42.5	60.8	247	225	912
2002	21,253	3,423	42.0	53.8	284	234	825
2003	20,693	2,610	42.8	60.1	270	226	836
2004	20,492	3,001	49.0	55.5	262	209	799
2005	20,290	2,789	47.6	58.1	303	224	738
2006	18,636	3,226	55.6	42.8	250	215	860
2007	18,691	2,478	45.9	56.0	250	185	841
2008	18,683	2,321	45.6	54.0	260	248	955
2009	17,762	2,247	45.9	56.6	153	147	960
2010	16,827	1,778	39.6	45.7	111	78	701

FOB = free on board, ha = hectare.

Source: Fiji Sugar Corporation. Suva.

Table A.11: Fiji Balance of Payments, 2007–2011

Item	2007	2008	2009	2010 ^p	2011 ^f
In % of GDP					
Trade balance	(28.1)	(32.8)	(23.5)	(24.1)	(24.1)
Exports	17.6	22.4	19.6	24.2	25.5
Imports	45.7	55.2	43.1	48.6	49.6
Current account balance	(14.2)	(18.1)	(7.6)	(11.3)	(11.9)
Capital account	17.3	8.9	17.0	9.6	11.7
Overall balance	6.1	(5.6)	8.6	4.7	1.3
In million of US dollars					
Workers remittances	115	72	150	200	210
Tourism credit	487	536	417	511	534
Net FDI	382	362	134	189	200
External debt	461	449	430	464	612
External debt (% GDP)	13.5	12.5	14.9	14.6	17.3
Central government external debt	256	270	274	324	470
Central government external debt (% of GDP)	7.5	7.5	9.4	9.0	12.8
Gross Reserves (months of import cover)	3.2	1.8	4.4	4.4	4.6

() = negative, f = forecast, FDI = foreign direct investment, GDP = gross domestic product, p = preliminary.

Source: Fiji Islands Bureau of Statistics, Reserve Bank of Fiji, and IMF estimates.

Table A.12: Fiji Production of Minerals and Manufactured Products, 1970–2010

Year	Silver (kg)	Cement (000 tons)	Beer (mega liters)	Paint (000 liters)	Soap (tons)	Matches (000 gross boxes)	Electricity (million kwhs)	Ice Cream (000 liters)	Non- Alcoholic Drinks (000 liters)	Toilet Paper (000 rolls)	Garments (F\$000)	Gold (oz)
1970	n/a	60	7	891	3859	108	158	n/a	n/a	n/a	n/a	104008
1971	n/a	78	8	1091	3031	126	179	n/a	n/a	n/a	n/a	83013
1972	n/a	91	10	1109	3603	130	191	n/a	n/a	n/a	n/a	76004
1973	n/a	93	12	1496	4046	152	217	n/a	n/a	n/a	n/a	79991
1974	n/a	86	15	1391	4868	147	223	n/a	n/a	n/a	n/a	68995
1975	n/a	74	16	1110	3946	139	241	n/a	n/a	n/a	n/a	68738
1976	n/a	69	16	1373	4963	132	265	n/a	n/a	n/a	n/a	65780
1977	n/a	80	16	1520	4606	167	276	n/a	4579	3117	n/a	49351
1978	n/a	87	16	1702	5229	169	284	n/a	5179	3347	n/a	28068
1979	n/a	87	18	1722	5970	178	305	n/a	5482	4156	n/a	29675
1980	208	83	18	1799	6010	173	306	3423	4307	4285	n/a	24885
1981	261	92	18	1788	5601	207	321	3568	4162	4818	n/a	30833
1982	576	88	19	1836	6229	180	331	2541	3643	4815	n/a	45750
1983	405	110	19	2326	6759	68	327	2408	3672	5272	n/a	40124
1984	473	98	19	1822	7252	105	369	2397	3518	6258	n/a	48515
1985	459	93	18	2300	6131	133	372	2197	3850	5979	n/a	59961
1986	774	92	16	1951	6891	138	402	1941	3893	7065	n/a	91822
1987	841	59	15	1643	7406	128	394	2311	3973	5657	n/a	92080
1988	988	44	16	1778	7865	145	379	2914	4428	5575	n/a	137348
1989	1055	58	18	1831	6417	122	437	3169	5279	7022	n/a	135708
1990	779	78	19	2188	6614	153	447	3029	7041	9441	n/a	132332
1991	477	79	18	2339	7068	147	474	2450	8186	9676	n/a	88189
1992	1258	84	17	2565	6891	142	470	2479	9173	9780	n/a	118990
1993	1112	80	17	2795	7002	145	480	2772	10292	9719	n/a	121658
1994	1498	94	16	2626	7248	162	520	2930	8962	11543	n/a	113653
1995	2083	91	15	2189	6967	168	544	2755	9941	11191	50757	112399
1996	1882	84	17	2268	6109	163	591	2115	9858	13356	64265	143135
1997	2594	96	17	2391	8188	159	610	2589	12625	12905	108967	150176
1998	1745	89	18	2374	8972	167	631	2325	19719	15519	142315	119665
1999	2125	99	18	2328	6827	137	699	2552	27706	18237	154683	142396
2000	1462	87	18	2337	6226	141	688	1838	30606	19033	146443	121980
2001	1934	98	18	2585	5259	128	726	1257	50958	20225	188471	124263
2002	1903	102	20	3858	4503	135	765	2805	59569	23594	165096	119794
2003	1247	100	15	3096	3192	132	812	3290	79401	22926	140700	113074
2004	1523	111	20	3140	4023	133	816	2321	94335	20109	178038	129664
2005	1418	143	22	3130	4375	134	823	2492	147356	20483	116437	89796
2006	494	143	22	3637	6140	144	840	3238	168081	26771	46600	45103
2007	0	144	19	3175	5556	121	836	3296	213383	29080	47262	932
2008	265	140	19	3220	5587	138	799	3000	203124	28611	47387	22497
2009	313	116	20	3217	5319	114	809	2367	154111	17179	56809	35074
2010	328	163	23	3765	4148	116	869	2713	193012	18842	65978	61172

kg = kilogram, kwh = kilowatt-hour, n/a = not available, oz = ounce.

Source: Fiji Islands Bureau of Statistics. *Annual Report (various issues)*. Suva

Table A.13. Interest and Profitability Rates of Selected Pacific Island Countries, Average for 2000–2009 (%)

Item	Fiji	Papua New Guinea	Solomon Islands	Vanuatu	Tonga	Samoa
Loan yield	7.9	7.6	15.0	12.5	11.3	13.5
Cost of deposits	1.6	1.1	1.4	3.6	4.3	4.6
Simple interest spread	6.3	6.5	13.7	8.9	6.9	8.8
Return on assets	3.7	5.0	7.6	3.5	3.8	5.9
Return on equity (post tax)	34.4	32.7	30.4	36.1	17.1	24.7

Source: Pacific Financial Technical Assistance Centre. 2010. *Interest Rates and Bank Profitability in the South Pacific*. Suva.

Table A.14: Fiji Finance Sector Indicators, 2007–2011

Indicator	2007	2008	2009	2010 ^p	2011 ^f
Money and Credit (% change)					
	(in million of Fiji dollars)				
Domestic Credit	3,020	3,166	3,299	3,242	3,385
	3.2%	4.8%	4.2%	(1.7%)	4.4%
Of which, Private Sector	2,479	2,757	2,763	2,852	3,023
Credit	2.8%	11.2%	0.2%	3.2%	6.0%
Ratio of Credit to the Private Sector to GDP	45.2%	48.2%	49.0%	46.9%	44.2%
Growth Rate in Real Credit to the Private Sector	(0.1)	(7.7)	(0.4)	(4.6)	(3.8)
Loan to Deposit Ratio	0.82	0.99	0.93	0.93	0.87
Excess Reserves (F\$ million)	332	55	297	348	480
Interest rates (% end of period)					
Savings Deposit	0.8	0.6	0.9	1.0	1.2
Commercial Bank Lending Rate	8.6	7.7	7.5	7.4	7.5

() = negative, GDP = gross domestic product, f = forecast, p = preliminary.

Sources: Reserve Bank of Fiji. 2011. Quarterly Review. Suva. and IMF. 2012. Republic of Fiji. 2011 Article IV Consultation. *IMF Country Report* No. 12/44. Washington, DC.

Table A.15: Fiji Government Finance Indicators, 2000–2010
(% of GDP)

Year	Fiscal Balance	Tax Revenue	Total Government Revenue	Total Government Expenditure
2000	(3.1)	19.6	25.4	28.5
2001	(7.7)	19.6	23.8	31.1
2002	(5.5)	19.6	25.8	31.1
2003	(5.8)	21.2	24.2	30.1
2004	(3.1)	21.9	24.9	28.0
2005	(3.4)	21.4	24.5	28.0
2006	(3.4)	22.5	25.6	29.1
2007	(2.1)	22.4	25.3	27.4
2008	0.2	21.8	25.5	25.3
2009	(4.6)	21.4	25.0	29.6
2010	(2.2)	21.0	25.3	27.4
2011	(3.5)	22.6	25.2	28.7

() = negative, GDP = gross domestic product.

Source: Ministry of Finance and National Planning, and IMF. 2012. Republic of Fiji. 2011 Article IV Consultation. *IMF Country Report No. 12/44*. Washington, DC.

Table A.16: Fiji Revenues and Expenditures by Functional Composition, 2007–2011
(% of GDP)

Item	2007	2008	2009	2010 ^p	2011 ^f
Revenue and Grants	25.3	25.5	25.0	25.3	25.2
Tax revenue	22.4	21.8	21.4	21.4	22.6
Indirect tax	14.4	14.1	13.4	14.4	16.0
Direct tax	8.0	7.7	8.0	7.0	6.6
Non-tax revenue and grants	2.9	3.5	3.5	3.7	2.5
Expenditure	27.4	25.3	29.6	27.4	28.7
Current	23.9	21.2	23.2	21.8	21.1
Wages and salaries	10.7	9.9	10.6	9.3	8.3
Debt service	3.3	2.9	3.4	3.5	4.0
Other current expenditure	9.9	8.4	9.2	9.1	8.9
Capital	3.5	4.1	6.4	4.9	6.0
Investments	2.0	2.3	3.6	2.7	3.1
Grants, transfers, and FSC	1.6	1.4	2.3	2.8	4.2

f = forecast, FSC = Fiji Sugar Corporation, p = preliminary.

Source: Ministry of Finance and National Planning, and IMF. 2012. Republic of Fiji. 2011 Article IV Consultation. *IMF Country Report No. 12/44*. Washington, DC.

Table A.17: Fiji Central Government Budget by Sector, 2007–2012
(F\$ million)

Expenditure	2007	2008	2009	2010	2011	2012(p)
01 General Public Services	65,738	65,711	82,881	81,495	110,116	119,040
02 Defence	121,731	85,431	100,340	98,130	100,804	100,102
03 Public Order and Safety	99,977	108,541	112,780	110,460	114,215	128,865
04 Economic Affairs	134,990	121,451	130,554	116,496	108,342	124,737
04.1 General Economic, Commercial and Labour Affairs	21,821	20,704	21,243	22,710	25,391	27,213
04.2 Agriculture, Forestry, Fishing and Hunting	26,263	21,019	22,129	20,967	21,616	24,010
04.3 Fuel and Energy	1,228	1,431	2,040	1,528	3,225	7,418
04.4 Mining, Manufacturing & Construction	48,620	41,731	46,328	43,567	25,740	27,091
04.5 Transport	26,217	26,868	28,263	17,392	21,736	27,636
04.6 Communication	428	440	509	107	422	542
04.7 Other Industries (Tourism)	1,198	1,001	846	457	699	921
04.8 R&D Economic Affairs	4,537	4,392	4,650	4,036	5,140	5,424
04.9 Economic Affairs (nec)	4,678	3,865	4,546	5,732	4,373	4,482
05 Environmental Protection	6,560	5,601	7,290	1,208	2,835	2,287
05.2 Waste Water Management	5,826	4,740	6,386	–	–	–
05.6 Environmental Protection (nec)	734	861	904	1,208	2,835	2,287
06 Housing and Community Amenities	19,924	19,680	28,464	7,242	8,717	10,703
06.1 Housing Development	5,196	5,173	5,398	5,315	6,543	7,890
06.2 Community Development	1,277	1,192	1,317	1,927	2,174	2,813
06.3 Water Supply	13,451	13,315	21,749	–	–	–
07 Health	119,282	111,904	120,158	125,854	116,971	130,331
08 Recreation, Culture and Religion	2,223	605	1,639	1,152	1,332	1,352
09 Education	218,470	219,001	213,364	210,366	207,441	214,886
10 Social Protection	4,783	3,881	3,929	4,363	5,517	6,083
GRAND TOTAL	793,678	741,806	801,399	756,766	776,290	838,386

– = data not available, f = forecast, nec = not elsewhere classified, p = preliminary, R&D = research and development.
Source: Fiji Bureau of Statistics. 2011. *Key Statistics*. Suva.

Table A.18 : Fiji Government Revenue by Source, 1992–2009
(F\$ million)

	Indirect Taxes	Direct Taxes	Non-Tax Revenue	Other Revenue(a)	Total Revenue and Grants(b)
1992	275.2	207.5	107.3	12.5	602.5
1993	335.4	192.2	118.8	7.7	654.1
1994	360.1	205.8	124.0	7.9	697.8
1995	376.9	225.5	101.7	14.8	718.9
1996	386.0	235.7	110.8	11.0	743.5
1997	423.8	241.0	131.7	7.0	803.5
1998	452.8	271.0	125.7	291.7	1,141.2
1999	518.5	270.0	171.5	44.5	1,004.5
2000	420.0	293.5	183.0	14.5	911.0
2001	456.1	284.4	155.5	4.5	900.5
2002	514.7	275.1	168.0	81.0	1,038.8
2003	660.6	269.3	133.7	2.7	1,066.3
2004	698.7	334.6	142.9	4.0	1,176.2
2005	713.3	352.5	156.1	4.5	1,221.9
2006	781.1	446.1	174.1	34.4	1,401.3
2007	792.0	438.3	160.9	14.2	1,391.3
2008	804.5	438.5	211.9	14.2	1,454.9
2009	756.3	452.9	202.6	66.7	1,411.8
2010(c)	877.2	426.3	225.0	9.4	1,537.8
2011(d)	1,092.0	451.0	180.0	n/a	1,724.0

a = Comprises Capital Revenue and Grants; from 2004 onwards a revision of the Ministry of Finance classification of Non-Tax Revenue includes Capital Revenue and Grants in Non-Tax Revenue; b = errors due to rounding; c = based on data from Reserve Bank of Fiji. March 2012. Quarterly Review (Table 38). Suva. d = data from IMF. 2012. Republic of Fiji 2011 Article IV Consultation: *IMF Country Report No. 12/44*. (Table 3A). Washington, DC.

Source: Fiji Bureau of Statistics. *Key Statistics (various issues)*. Suva, and Reserve Bank of Fiji, *Chartbook and Statistical Annex (various issues)*. Suva.

Table A.19: Fiji Government Spending on Social Services, 2000–2007

Item	2000	2001	2002	2003	2004	2005	2006	2007
Expenditure (F\$ million)								
General public	28.2	23.4	23.7	23.6	23.3	25.8	32.1	21.3
Education	151.9	162.5	179.6	192.34	192.6	180.6	192.4	229.2
Social welfare	2.41	2.63	2.3	2.3	2.0	4.2	4.4	4.2
Health	82.3	89.8	99.9	108.0	110.7	114.4	113.8	117.3
Housing	5.5	6.1	8.0	7.8	8.0	25.0	26.3	26.2
Poverty Alleviation Fund (F\$ million)	43.0	48.0	54.0	54.8	55.5	62.7	63.3	54.6
Total ODA Net (US\$ million)	29.1	26.0	34.1	51.1	65.3	65.9	58.4	57.5
Remittance (F\$ million)	93.4	187.8	212.6	232.4	297.4	310.9	322.3	256.4

ODA = official development assistance.

Source: FIBOS and Reserve Bank of Fiji, United Nations Development Programme, and Government of Fiji. 1997 and 2009.

Table A.20 Fiji Education Sector Indicators, 2008

Indicator	2008	Rank and No. of Countries
Average years of schooling of adults (years)	8.3	27th of 100
Duration of compulsory education (years)	10	54th of 171
Duration of education: Primary level (years)	6	92nd of 181
Duration of education: Secondary level (years)	7	45th of 181
Education enrolment: Tertiary level (no.)	7,908	99th of 150
Education spending (% of GDP)	5.6	42nd of 132
Education spending (% of total government expenditure)	19.4	22nd of 96
Education, primary completion rate (%)	104	17th of 148
Female enrolment share: Primary level (%)	48.3	105th of 176
Literacy rate: Male (%)	95.5	61st of 156
Literacy rate: Total population (%)	93.7	64th of 160
Public spending on education, total (% of government expenditure)	20.0	15th of 103
Public spending per student, primary level (US\$)	16.5	43rd of 126
Pupil-teacher ratio, primary (%)	28.2	45th of 159
Women to men parity index, as ratio of literacy rates, aged 15–24	0.99	63rd of 138

GDP = gross domestic product.

Note: Data were taken from Nation Master, a compilation of data from sources of the CIA World Factbook, United Nations, and the Organisation for Economic Co-operation and Development.

Source: Nation Master Data Base. http://nationalmaster.com/graph/edu_pub_spe

Table A.21 : Fiji Education Sector Selected Enrollment Indicators, 1995, 2000, and 2009

Year	Primary School Enrollment	Pupil/Teacher Ratio	Secondary School Enrollment	Pupil/Teacher Ratio
1995	138,313	27.71	67,288	19.83
2000	142,892	28.12	66,905	18.10
2009	129,444	25.02	67,072	15.70

Source: Ministry of Education, Fiji.

Table A.22: Fiji Health Sector Statistics, 2004–2009

	2004	2005	2006	2007	2008	2009
Total live births	17714	17826	18394	19298	18944	18854
Crude birth rate (per 1000 population)	20.87	20.99	21	22.2	21.5	21.4
Crude death rate	6.63	7.02	7.1	9.8	7.4	7.5
Rate of natural increase (%)	1.42	1.4	1.4	1.2	1.4	1.4
Infant mortality rate/1000 live births	17.84	20.76	19.5	18.4	13.1	15.2
Perinatal mortality rate/1000 live births	19.3	22.5	19.4	15.8	15.4	15.8
Neonatal mortality rate/1000 live births	10.5	15.37	11.3	11.9	9	9.9
Postneonatal mortality rate/1000 live births	7.79	5.39	8.2	6.5	4.1	5.3
Under five mortality rate	22.52	25.81	25.8	22.4	23.6	23.2
Maternal mortality rate/100,000 live births	33.87	50.49	43.5	31.1	31.7	27.5
Gross fertility rate/1000 child bearing age	105.56	97.25	96.9	104.1	99	97.7
Family planning protection rate	45.92	42.48	49.1	43	44.7	28.9

Source: Ministry of Health. *Annual reports (various years)*. Suva.

Table A.23: Fiji Ease of Doing Business
(out of 183 economies)

Topic	2012 Rank	2007 Rank
Starting a Business	119	55
Dealing with Construction Permits	73	–
Getting Electricity	110	–
Registering Property	52	71
Getting Credit	67	21
Protecting Investors	46	19
Paying Taxes	80	49
Trading Across Borders	113	70
Enforcing Contracts	64	86
Resolving Insolvency	126	–
Doing Business	77	31 (out of 112)

Source: World Bank and International Finance Corporation. 2011. *Doing Business 2012*.

Table A.24: Fiji Visitor Arrivals by Country of Origin, 1994–2010
(number)

Year	Australia	New Zealand	USA	Canada	UK	Continental Europe	Japan	Pacific Islands	Others	Total
1994	85532	53495	45351	12018	23915	31004	39782	17931	5570	318874
1995	78503	59019	39736	10412	24409	30968	45300	17461	5860	318495
1996	79534	63430	38707	11431	28907	31875	44598	18545	6334	339560
1997	80351	68116	44376	13359	35019	32806	44783	20381	20250	359441
1998	100756	70840	48390	12837	39341	29334	35833	22850	11161	371342
1999	118272	72156	62131	13552	40316	28371	37930	26090	11137	409955
2000	76883	49470	52534	10532	29215	22506	19674	21534	11722	294070
2001	98213	66472	57711	10752	30508	20917	20411	23608	19422	348014
2002	123606	68293	58815	9802	43393	21654	26382	24051	21863	397859
2003	141873	75016	58323	10990	49794	21847	23464	28167	21326	430800
2004	176195	103900	65211	12435	47668	22720	24392	26182	25372	504075
2005	203250	112932	62640	12625	44472	25123	22304	28476	33323	545145
2006	206529	107277	66631	14372	38239	26801	23794	29725	35221	548589
2007	207001	99744	64687	16992	34785	26311	22800	34221	33340	539881
2008	247608	100018	63667	17871	33935	29512	21918	35936	34566	585031
2009	248589	90898	51592	13452	26213	28926	14975	35078	32463	542186
2010	318185	97857	53122	12970	23813	29115	12011	39198	45597	631868

Source: Fiji Islands Bureau of Statistics and Reserve Bank of Fiji. 2011. *Chartbook Statistical Annex*. Suva.

Table A.25: Fiji State-Owned Enterprise Performance Indicators, Fiscal Year 2009

Item	Total Assets (F\$ million)	Staff (no.)	Total Revenue (F\$ million)	Return on Assets (%)	Return on Equity (%)
SOEs with the Ministry of Public Enterprises					
Government Commercial Companies					
Airports Fiji	174	471	46.4	3.3	4.6
Fiji Ports Corporation (FPCL)	162	413	42.3	2.2	4.0
Fiji Ships and Heavy Industry ^a	8	77	2.8	1.8	2.7
Fiji Broadcasting Corporation	16	114	4.3	2.2	10.6
Food Processor Corporation	4	30	2.7	2.3	3.9
Post Fiji	31	407	29.0	3.3	7.7
Rewa Rice	2	19	0.5	(2.8)	...
Unit Trust Management of Fiji	1	11	1.5	(25.4)	(42.0)
Viti Corps Company
Yaqara Pastoral Company	13	22	0.3	1.3	1.5
Public Trustee Corporation	12	19	1.6	4.9	5.4
Fiji Hardwood Corporation	157	321	14.3	(1.7)	(2.0)
Commercial Statutory Authorities					
Fiji Electricity Authority	881	531	189.2	0.3	0.7
Housing Authority	151	130	14.8	(0.1)	(0.3)
Public Rental Board	9	36	4.1	16.2	...
Majority owned entities					
Pacific Fishing Company Ltd	33	797	29.5	8.3	12.3
SOEs with the Ministry of Finance					
Air Pacific	241	959	333.3	(1.5)	(6.5)
Fiji Pine	119	724	49.8	(2.7)	(5.9)
Fiji International Telecommunications	40	90	24.2	11.9	13.7
Fiji Sugar Corporation	212	1,729	169.3	(11.8)	(33.1)
Total Portfolio	2,266	6,900	959.9	(0.4)	(0.8)

^a Merged with FPCL in 2009.

() = negative, ... = not available, SOE = state-owned enterprise.

Source: ADB. 2011. *Finding Balance: Benchmarking the Performance of State-Owned Enterprises in Fiji, Marshall Islands, Samoa, Solomon Islands, and Tonga*. Manila.

References

- Abbott, D.F. 2006. Estimation of Basic Needs Poverty Lines and Incidence of Poverty in Fiji. Analysis of the 2002–03 Household Income and Expenditure Surveys (Draft final report for comment). Suva: United Nations Development Programme (UNDP), Pacific Sub Regional Centre.
- Air Pacific. 2009. Minister for Foreign Affairs, International Co-operation and Civil Aviation Briefing, John Campbell, Managing Director and Chief Executive Officer. Nadi.
- Airports Fiji. 2007. *Annual Report 2007*. Suva.
- _____. 2008a. *2007 Annual Report. Your Gateway to the World*. Suva.
- _____. 2008b. *Corporate Plan. Key Result Areas: a staff version*. Suva.
- _____. 2009. *Annual Plan 2008*. Suva.
- Asian Development Bank (ADB). 2003. *Millennium Development Goals in the Pacific: Relevance and Progress*. Manila.
- _____. 2006. *Republic of the Fiji Islands: Country Gender Assessment*. Manila.
- _____. 2006. *Fiji Private Sector Assessment*. Manila.
- _____. 2007. *Improving the Delivery of Infrastructure Services in the Pacific, Fiji Country Consultations for a Regional Technical Assistance*. Suva.
- _____. 2009a. *Key Indicators for Asia and the Pacific 2009*. Manila.
- _____. 2009b. *Finding Balance, Making State-Owned Enterprises Work in Fiji, Samoa, and Tonga*. Manila.
- _____. 2009c. *Technical Assistance Completion Report: Fiji Islands Alternative Livelihoods Development Project*. Manila.
- _____. 2011b. *Asian Development Outlook 2011*. Manila.
- _____. 2011c. *Pacific Economic Monitor*. 6. Manila.
- _____. 2012. *Fiji Private Sector Assessment*. Draft. Manila.
- Auditor General of the Republic of Fiji Islands. 2005. *Strategic and Corporate Plan 2005–2010: Promoting good governance and enhancing transparency and accountability in the public sector*. Suva.
- _____. 2006. *Annual Report 2005*. Suva: Government Printer.
- Australian Agency for International Development (AusAID). 2008. *Pacific Economic Survey 2008: Connecting the Region*. Canberra: AusAID.
- Australian National University. 2008. *1986–2007 data on CDROM. Pacific Economic Bulletin Volumes 1–22*. Canberra.
- Barr, K. 1994. *Let's Change the World*. Suva: Chevalier Publications.
- _____. 2009. *Fiji Times*. 12 December. p.1.
- _____. 2009. *Blessed are the rich, praise the Lord: an examination of new religious groups in Fiji today*. Suva: Ecumenical Centre for Research Education and Advocacy.

- Briguglio, L. and E.J. Kisanga (eds.). 2004. *Economic Vulnerability and Resilience of Small States*. Malta: Islands and Small Institute of the University of Malta and the Commonwealth Secretariat.
- Chand, G. 2004. *Overview of Current Economic Conditions in Fiji*. www.gpn.org (accessed 21 May 2004).
- Commonwealth Secretariat and the World Bank. 2000. *Small States: Meeting Challenges in the Global Economy*. Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States. Washington, DC: TheWorld Bank.
- Davies, J. 1998. The causes and consequences of cane burning in Fiji's sugar belt. *Journal of Pacific Studies*. 2. pp.1–25.
- Department of Forestry. 2009. Stewardship of Forests & Forestry Resources into the New Century. *Forestry Business Guide 2009–2010*. Suva.
- Duncan, R. and Y.W. Sing. 2009. The Failure of Agricultural Policymaking in Fiji. *Pacific Economic Bulletin*. (24) 2. pp. 2–26.
- Economist Intelligence Unit. 1998. *Country Profiles of the Pacific Islands: Fiji, New Caledonia, Samoa, Solomon Islands, Tonga, and Vanuatu*. London.
- _____. 2009. *Country Profiles of the Pacific Islands: Fiji, New Caledonia, Samoa, Solomon Islands, Tonga, Vanuatu*. London.
- Ecumenical Centre for Research Education and Advocacy (ECREA). 2008. *ECREA Strategic Plan, 2008–2010: People's Participation for Social Justice*. Suva.
- EUROPA. 2005. *EU Relations with Fiji: Country Overview*. http://europa.eu.int/comm/development/body/country/country_home_en.cfm?cid=fj=new (accessed 30 November 2009).
- European Commission. 2007. *The European Union and the Pacific*. Luxembourg.
- _____. 2008. *Annual Report 2008*. Suva.
- Fiji Bureau of Statistics. 2000. *Fiji Social Atlas: 1996 Census of Population and Housing*. Suva.
- _____. 2006. *Fiji Household Income and Expenditure Survey 2002–03*. Suva, Fiji. FIBOS.
- _____. 2007a. *Compilation Guide: Construction value of work put in place*. Suva.
- _____. 2007b. *Compilation Guide: International Investment Statistics*. Suva.
- _____. 2007c. *Compilation Guide: International Trade in Services*. Suva.
- _____. 2008a. *Census 2007 Results: Population Size, Growth, Structure and Distribution. 2007 Census of Population and Housing*. Suva.
- _____. 2008b. *Tourism Satellite Account 2002: Fiji Islands*. Suva.
- _____. 2009a. *Key Statistics September 2009*. Suva.
- _____. 2009b. *Annual Employment Survey 2003*. Suva.
- _____. 2009c. *Compilation Guide: Consumer Price Index* (Reference Base 2005=100.0). Suva.
- _____. 2009d. *Economic Surveys: An Economic and Functional Classification of General Government Accounts 2006*. Suva.

- _____. 2009e. *Economic Surveys: Construction 2007*. Suva.
- _____. 2009f. *Economic Surveys: Hotels and Restaurants 2007*. Suva.
- _____. 2009g. *Economic Surveys: Manufacturing 2006*. Suva.
- _____. 2009h. *Economic Surveys: Mining and Quarrying 2007*. Suva.
- _____. 2009i. *Economic Surveys: Wholesale and Retail Trade; Repairs of Motor Vehicles, Motor Cycles and Personal and Household Goods 2006*. Suva.
- _____. 2009j. *Economic Surveys: Real Estate and Business Services 2007*. Suva.
- _____. 2009k. *Sources and Methods: Balance of Payments and International Investment Position*. Suva.
- _____. 2009l. *Statistical News: Visitor Arrivals, April 2009*. Suva.
- _____. 2009m. *Statistical News: 2007 Census of Population and Housing*. Suva.
- _____. 2010. *Key Statistics*. Suva.
- _____. 2010c. *Key Statistics*. Suva.
- _____. 2011a. *Fiji Facts and Figures*. Suva.
- _____. 2011b. *Report on the 2008–09 Household Income and Expenditure Study for Fiji*. Suva, Fiji.
- Fiji Council of Social Service. 2009a. *Microfinance*. Unit Document. Suva.
- _____. 2009b. *Towards Understanding Fiji Council of Social Services*. Paper written by the Executive Director. Suva.
- _____. 2009c. *Submission for 2010 National Budget*. Suva.
- Fiji Government. 2009. Press Release: *State targets tourism and agriculture for economic recovery*. www.fiji.gov.fj/publish/page_10190.shtml
- Fiji Independent Commission Against Corruption. 2009. *Annual Report 2008*. Suva.
- Fiji Islands Visitors Bureau. 2004. *Annual Report 2003*. Nadi.
- _____. 2005. *Annual Report 2004*. Nadi.
- _____. 2008. *Annual Report 2007*. Nadi.
- Fiji National Forest Program. 2007. *Nation Forest Program 2010–2012: Stewardship of Forest and Forest Resources into the New Century*. Suva.
- Fiji Ports Corporation. 2006. *Annual Report*. Suva.
- Fiji Revenue and Customs Authority. 2011. *2012 Budget: Summary of Revenue Policies*. Suva.
- Fiji Sugar Corporation. 2009. *Annual Report 2008*. Lautoka.
- Fiji Trade and Investment Board (FTIB). 1999. *1999 Annual Report*. Suva.
- _____. 2007. *Annual Report 2007*. Suva.
- _____. 2009a. *Checklist and Foreign Investment Registration Certificate*. Suva.
- _____. 2009b. *Checklist and Foreign Investment Regulation*. Suva.
- _____. 2009c. *Post FTIB Registration-Investment Approvals Guide: Understanding the Next Step of Establishing a Business*

- In Fiji*. Suva.
- _____. 2009d. *Trade and Investment News*. 1 (1). January–June. Suva.
- Fukuyama, F. 2008. State Building in the Solomon Islands. July 2008: mimeo.
- Gounder, R. 1999. The Political Economy of Development: Empirical Evidence from Fiji. *Economic Analysis and Policy*. 29 (2). pp. 133–150.
- _____. 2001a. Aid-Growth Nexus: Empirical Evidence from Fiji. *Applied Economics*, 33 (8). pp. 1009–1019.
- _____. 2001b. Performance of Public and Private Investment in Fiji. *Pacific Economic Bulletin*. 16 (1). pp. 76–85.
- _____. 2002. Political, Economic Freedom, Fiscal Policy and Growth Nexus: Some Empirical Results for Fiji. *Contemporary Economic Policy*. 20 (3). pp. 234–245.
- Gounder, R. and V. Xayavong. 2002. Globalization and the Island Economies of the South Pacific. S. Mansoob Murshed (ed.) in *Globalization, Marginalization and Development*. London. pp. 203–216.
- Government of Fiji. 2008a. *The State of the Nation and the Economy Report*. Suva: National Council for Building a Better.
- _____. 2011. *Investment Fiji*. Suva, Fiji.
- _____. 2008b. *Peoples Charter for Change, Peace and Progress*. Suva: National Council for Building a Better Fiji.
- Islands Business. 2009. *Pacific Sailors Reveal Our Voyage to Hell*. 35 (10). Suva.
- International Monetary Fund (IMF). 2009a. *The Implications of Global Financial Crisis for Low-Income Countries*. Washington, DC.
- _____. 2010. Fiji: Staff Report for the 2009 Article IV Consultation. Washington DC.
- _____. 2011. Republic of Fiji: 2010 Article IV Consultation–Staff Report and Public Information Notice on the Executive Board Discussion. Washington, D.C.
- _____. 2012. Fiji: 2011 Article IV Consultation. *IMF Country Report No. 12/44*. Washington DC.
- Lal, P.N., R. Rita, and N. Khatri. 2009. *Economic Costs of the 2009 Floods in the Sugar Belt and Policy Implications*. *International Union for Conservation of Nature Report*. Gland: International Union for Conservation of Nature, pp. xi–52.
- Levantis, T., C. Groeger, and S. McNamara. 2006. Policy Dialogue. *Pacific Economic Bulletin*. 21 (3).
- Ministry of Commerce and Industry. 2006. *National Export Strategy: A Dynamic And Competitive Exporter For Prosperity Through a National Partnership*. Suva.
- Ministry of Education. 2000a. *Blueprint for Fijian Education*. Suva: Government Printer.
- _____. 2000b. *Learning Together: Directions for Education in the Fiji Islands*. Report of the Fiji Islands Education Commission/Panel 2000. Suva: Government Printer.
- _____. 2003. *Corporate Plan 2003–2005: Putting the 2003–2005 Strategic Plan into Action*. Suva: Government Printer.
- _____. 2005a. *Building a Strategic Direction for Education in Fiji 2006–2015*. Suva: Government Printer.
- _____. 2005b. *Business Plan 2005: Putting the 2003–2005 Strategic Plan into Action*. Suva: Government Printer.

- _____. 2005c. *School Management Hand Book 2005*. Suva: Government Printing Department.
- _____. 2005d. *Strategic Plan 2006 to 2008*. Suva: Government Printing Department.
- _____. 2008. *Annual Report 2007*. Suva: Government Printing Department.
- _____. 2009. *Strategic Development Plan 2009 to 2011*. Suva: Government Printing Department.
- Ministry of Education, National Heritage, Culture and Arts. 2009. *Annual Report 2008*. Suva: Government Printing Department.
- _____. 2008. *Annual Corporate Plan for the Financial Year ending on 31 December 2008*. Suva: Government Printing Department.
- Ministry of Finance. 2009. *Economic and Fiscal Update Supplement to the 2010 Budget Address, Strengthening the Foundations for Economic Growth and Prosperity*. 27 November. Suva.
- _____. 2011. *Empowered Fijians and a Modern Economy: 2012 National Budget Address*. Suva.
- Ministry of Finance and Central Planning Office. 1975. *Fiji's Seventh Development Plan, 1976–1980*. Suva: Central Planning Office.
- _____. 1980. *Fiji's Eighth Development Plan, 1981–1985*. Suva: Central Planning Office.
- _____. 1985. *Fiji's Ninth Development Plan, 1986–1990: Policies, Strategies, and Programmes for National Development*. Suva: Central Planning Office.
- Ministry of Finance and National Planning. 2004. *Millennium Development Goals: Fiji National Report*. Suva: Government Printing Department.
- _____. 2006. *Strategic Development Plan 2007–2011: Maintaining Stability and Sustaining Growth to Achieve a Peaceful, Prosperous Fiji*. Suva.
- _____. 2008a. *Raising Economic Growth and Alleviating Poverty: Supplement to the 2009 Budget Address*. Suva: Government Printing Department.
- _____. 2008b. *Economic and Fiscal Update: Raising economic growth and alleviating poverty: Supplement to the 2009 budget address*. Suva: Government Printing Department.
- _____. 2008c. *Fiji Budget Estimates 2009*. Suva: Government Printer.
- Ministry of Finance and National Planning and Sugar Industry. 2007. *Sustainable Economic and Empowerment Development Strategy (SEED) 2008–2010. A Better Fiji for All*. Suva.
- Ministry of Fisheries and Forests. 2007. *Fiji Forest Policy Statement 2007*. Suva.
- _____. 2008. *Department of Forests Annual Report 2007*. Suva: Government Printer.
- _____. 2009a. *Fiji National Forest Program 2010–2012: Stewardship of Forests and Forest Resources into the New Century*. Suva: Government Printer.
- _____. 2009b. *Fisheries Business Guide 2009–2010: Stewardship of Fisheries and Fisheries Resources into the New Century*. Suva: Government Printer.
- _____. 2009c. *Forestry Business Guide 2009–2010: Stewardship of Forests and Forestry Resources into the New Century*. Suva: Government Printer.
- Ministry of Health. 2005. *Annual Report 2004*. Suva: Government Printer.

- _____. 2007. *Annual Report 2006*. Suva: Government Printer.
- Ministry of Health, Women, Social Welfare and Poverty Alleviation. 2008. *Annual Report 2008*. Suva: Government Printer.
- _____. 2009. *Annual Report 2008*. Suva: Government Printer.
- Ministry of Labour, Industrial Relations and Employment. 2009. *Annual Corporate Plan, 2009*. Suva: Quality Print.
- Ministry of National Planning. 2008. *State of the Nation and Economy*. Suva.
- _____. 2009. *Roadmap For Democracy and Sustainable Socio-Economic Development 2009–2014: A Better Fiji For All*. Suva.
- _____. 2010. *Millennium Development Goals 2nd Report 1990–2009: Report for the Fiji Islands*. Suva, Fiji.
- Ministry of Primary Industries. 2009. *Department of Agriculture Annual Report 2009*. Suva.
- Ministry of Public Enterprises and Public Sector Reform. 2003. *Annual Report for the Year 2002*. Suva: Government Printer.
- _____. 2004. *Annual Report for the Year 2003*. Suva: Government Printer.
- _____. 2005. *Annual Report for the Year 2004*. Suva: Government Printer.
- Ministry of Public Utilities. 2009. *Corporate Plan: Water, Sewerage and Energy*. Suva.
- Ministry of Women, Social Welfare and Poverty Alleviation. 2008a. *Annual Report 2004*. Suva: Government Printer.
- _____. 2008b. *Annual Report 2005*. Suva: Government Printer.
- _____. 2008b. *Annual Report 2006*. Suva: Government Printer.
- Ministry of Works, Transport and Public Utilities. 2009a. *Annual Report 2008: A Dynamic Fiji through Excellent Transport, Infrastructure and Energy Sectors*. Suva.
- _____. 2009b. *Annual Corporate Plan and Capital Works Programmes*. Suva.
- Mitsubishi UFJ Research & Consulting Co. 2007–2008. *Nadi-Lautoka Regional Water Supply Project*. Jun Arakawa, External Evaluator. November 2007 and May 2008. Lautoka.
- Narayan, P. and B. Prasad. 2007. The Long-Run Impact of Coups on Fiji's Economy: Evidence from a Computable General Equilibrium Model. *Journal of International Development*. 19. pp. 149–160.
- Narayan, P., C. Blundell, and I. Collingwood. 2008b. *Situation Analysis: Fiji Education*. Suva: AusAid.
- National Centre for Small and Micro Enterprises Development. 2003. *Creating Livelihoods through SME Development. Strategic Plan 2003–2012*. Suva.
- _____. 2004. *Report of the 2nd Annual National SME (Small and Micro-Enterprises) Forum: Putting Co-ordination and Partnerships into Action for SME Growth*. August. Suva.
- _____. 2009. *Report for Results to 31 August 2009*. Suva.
- _____. 2009. *Report on National Business Incubator Workshop: Making Business Incubators Work for Fiji*. Suva.
- _____. (undated). *Microfinance Services Pamphlet*. Suva.

- _____. undated. *CEFE (Competency-Based Economies through Formation of Entrepreneurs) New Business Creation Course*. Suva.
- Nationmaster Database. http://nationalmaster.com/graph/edu_pub_spe
- Office of the Auditor General of the Republic of Fiji Islands. 2005. *Strategic and Corporate Plan 2006–2010*. Suva.
- Office of the Director of Public Prosecution. 2009. *Annual Report for the Year 2007*. Suva: Acting Government Printer.
- Organisation for Economic Co-operation and Development (OECD). 2005. *Geographical Distribution of Financial Flows to Developing Countries*. Paris.
- _____. 2009. *Geographical Distribution of Financial Flows to Developing Countries*. Paris.
- Pacific Islands Financial Technical Assistance Centre. 2010. *Interest Rates and Bank Profitability in the South Pacific*. Suva, Fiji.
- Pacific Islands Forum Secretariat. 2008a. *Annual Report*. Suva.
- _____. 2008b. *Corporate Plan 2008–2012*. Suva.
- Prime Minister's Office. 2004. *For the Good of All: A Progress Report on the Implementation of Affirmative Action Programmes under the Social Justice Act 2002–2003*. Suva: Government Printing Department.
- Public Service Commission. 2007. *Annual Report 2006*. Suva. Government Printer.
- _____. 2008. *Public Service, Public Enterprise and Public Sector Reform Annual Report 2007*. Suva. Government Printer.
- Reddy, M., V. Naidu, and M. Mohanty. 2003. The Urban Informal Sector in Fiji: Results from a Survey. *Fijian Studies*, 1 (1), pp. 128–150.
- Reddy, M. et al. 2004. Understanding reform in Fiji. Study Commissioned by the Global Development Network (Washington, DC) and the Foundation for Development Cooperation (Brisbane). Suva: University of the South Pacific.
- Reddy, S. 2009. State of the Economy and Monetary Policy. A Presentation to the Public and Private Sector Consultative Forum on the 2010 Budget, Novotel Lami, 17th September. Suva: Reserve Bank of Fiji.
- Reserve Bank of Fiji. 2000. *Quarterly Review: June 2000*. Suva.
- _____. 2007. *Quarterly Review: December 2007*. Suva.
- _____. 2008. *Quarterly Review: September 2008*. Suva.
- _____. 2009. *Quarterly Review: September 2009*. Suva.
- _____. 2011a. *Annual Report 2010*. Suva.
- _____. 2011b. *Quarterly Review: June 2011*. Suva.
- _____. 2011c. *The Fiji Economy: Chartbook Statistical Annex*. Suva.
- _____. 2011d. Future Investment and Growth in Fiji. Presentation to the Fiji Institute of Accountants, June 2011. Suva, Fiji. Reserve Bank of Fiji.
- Siwatibau, S. 1993. *Macroeconomic Management in the Small Open Economies of the Pacific in The Future of Asia-Pacific Economies: Pacific Islands at the Crossroads?* V. Cole and S. Tambunlertchai (eds.). Canberra: National Centre for Development Studies.

- South Pacific Stock Exchange. 2009. *Annual Report 2008*. Suva.
- Storey, D. 2003. *The Fiji Garment Industry*. Auckland: Oxfam.
- Training and Productivity of Fiji. 2009a. *Fiji's Labour Productivity Report, 1999–2006*. Suva: Bluebird Printery.
- _____. 2009b. *Handbook 2009*. Suva: Bluebird Printery.
- Turaga. 2009. *Fiji is Paradise. Building Peace, Progress and Prosperity*. (37). October–November. Suva.
- United Nations Children's Fund (UNICEF). 2007. *A Situation Analysis of Children, Youth and Women*. Suva: Government of Fiji and UNICEF Pacific Office.
- _____. 2009a. *Protect me with love and care. A Baseline report for creating a future free from violence, abuse and exploitation of girls and boys in Fiji*. Suva: UNICEF Pacific Office.
- _____. 2009b. *Protecting Pacific Island Children and Women during Economic and Food Crises 2009*. Suva: UNICEF Pacific Office.
- United Nations Development Programme (UNDP). 2000. *Human Development Report 2000*. New York: Oxford University Press.
- _____. 2007. *Human Development Report 2007/2008*. New York: Oxford University Press.
- _____. 2008. *Human Development Indices: A Statistical Update 2008*. http://hdr.undp.org/en/media/HDI_2008_EN_Complete.pdf (accessed 28 October 2009).
- _____. 2009a. *The Millennium Development Goals Report 2009*. New York: United Nations.
- _____. 2009b. *Civic Beat*, a publication of the UNDP Fiji National Initiative on Civic Education (NICE) Project Supporting Democratic Culture through Civic Education. January–March. Suva.
- _____. 2009c. *Knowing your Rights: Engaging the people of Fiji for a peaceful and democratic nation*. Suva: UNDP (NICE) Project, New Zealand Aid Program, and European Union (EU).
- _____. 2009d. *Understanding Democracy: Engaging the people of Fiji for a peaceful and democratic nation*. Suva: UNDP (NICE) Project, New Zealand Aid Program, and EU.
- _____. 2009e. *What is Democratic Governance? Engaging the people of Fiji for a peaceful and democratic nation*. Suva: UNDP (NICE) Project, New Zealand Aid Program and EU.
- UNDP and Government of Fiji. 1997. *Fiji Poverty Report*. Suva: UNDP.
- UNESCAP. 2011. *Economic and Social Survey of Asia and the Pacific 2011*. Bangkok. ESCAP.
- United Nations Population Fund (UNFPA). 2002. *Who We Are*. New York: UNFPA Office for the Pacific.
- _____. 2005. *Pacific Experiences Addressing Adolescent Reproductive Health, Before It's Too Late*. Suva: Quality Print.
- _____. 2007. *Growing Up Urban. State of World Population 2007. Youth Supplement*. New York: UFPA.
- _____. 2008. *Reproductive Health Commodity Security Status Assessment Report: Fiji Islands*. Suva: UNFPA.
- _____. 2008. *Generation of Change: Young People and Culture. State of World Population 2008 Youth Supplement*. New York: UNFPA.
- UNFPA Secretariat of the Pacific Community and Ministry of Health. 2007. *Teenage Deliveries and Risk of Adverse Outcomes: A Hospital Based Case-Control Study*. Suva: UNFPA Office for the Pacific.

- Vakaoti, P. and N. Khan. 2009a. *Culture and conflict: Implications for young people in Fiji*. Suva: ECREA.
- _____. 2009b. *Culture, conflict and you(th): based on Conflict and Culture: Implication for Young People of Fiji*. Suva: ECREA.
- World Bank. 1991. *Pacific Island Economies Toward Higher Growth in the 1990s*. Washington, DC.
- _____. 2006. *The Pacific Infrastructure Challenge*. World Bank: East Asia and Pacific Region; Pacific Islands Country Management Unit.
- _____. 2009a. *World Development Indicators*. Data on CDROM. Washington, DC.
- _____. 2009b. *Swimming Against the Tide: How Developing Countries are Coping with the Global Crisis*. Washington, DC.
- _____. 2009c. *Global Development Finance: Charting a Global Recovery*. Washington, DC.
- _____. 2009d. *Fiji Enterprise Survey 2009*. Washington, DC: World Bank
- _____. 2009d. *Fiji Enterprise Survey 2009*. Washington, DC.
- _____. 2010. *Global Economic Prospects 2010*. Washington, DC: World Bank.
- _____. 2011a. *Poverty Trends, Profiles and Small Area Estimation (Poverty Maps) in Republic of Fiji (2003–2009)*. Social Protection Unit. Washington, DC: World Bank.
- _____. 2011b. *Assessment of the Social Protection System in Fiji and Recommendations for Policy Changes*. Human Development Sector Unit. Washington, DC.
- World Bank and IFC. 2012a. *Doing Business: Measuring Business Regulations*. Washington, DC: World Bank.
- _____. 2012b. *Doing Business: Paying Taxes Indicator*. Washington, DC: World Bank.
- World Health Organization. 2008. *World Health Statistics 2008*. <http://who.int/whosis/>
- _____. 2009. *World Health Statistics 2009*. <http://who.int/whosis/>
- World Health Organization. 2009. *World Health Statistics 2009*. <http://who.int/whosis/> (accessed on 30 November 2009).
- World Trade Organization. 2003. *Agreement on Agriculture: The Implementation Experience. Developing Country Case Studies*. Suva: Andrew McGregor Trade Development Office.
- _____. 2009. *Trade Policy Review, Report by Secretariat*. February.

Fiji 2012

Revitalizing the Fiji Economy

This report provides a longitudinal study of the Fiji economy covering more than 2 decades of growth and development. It presents an economic update and outlook for the Fiji economy and assesses the key drivers of performance across key economic sectors. The report identifies potential reform strategies that can guide future policy action, assist in accelerating growth, and strengthen pro-poor policy development in Fiji.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.7 billion people who live on less than \$2 a day, with 828 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org



Printed on recycled paper

Printed in the Philippines