

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Fiji	Project Title:	Sustained Private Sector-Led Growth Reform Program (Subprogram 3)
Lending/Financing Modality:	Policy-Based Loan	Department/Division:	Pacific Department Social Sectors and Public Sector Management Division

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: General intervention

#### A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

Although poverty has fallen, it remains a concern, and the government plans to reduce it further. The government estimates that poverty declined from 31.0% in 2008–2009 to 28.1% in 2013–2014.<sup>a</sup> Rural poverty rates have come down, but urban poverty rates have risen in 2013–2014 compared to 2008–2009. The government, through the National Development Plan, 2017–2036, acknowledged the need for increased private investment to meet its long-term targets of doubling real per capita income by 2035, eradicating absolute poverty, redressing rural–urban gaps, lowering public debt, and creating more jobs.<sup>b</sup> Increasing private investment and reducing reliance on public investment to drive economic growth will require improvements in (i) fiscal management; (ii) the policy, legal, and institutional framework for state-owned enterprises (SOEs) and public–private partnerships (PPPs); and (iii) the business and investment climate. These reform areas address issues identified in the country partnership strategy (CPS), 2019–2023, of the Asian Development Bank (ADB) for Fiji.<sup>c</sup> The coronavirus disease (COVID-19) and the associated impact on the tourism sector is forecast to lead to a contraction of gross domestic product (GDP) of 15.0% in 2020.

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

**1. Key poverty and social issues.** From 2002 to 2013, real per capita consumption of the bottom 40% of the population grew faster (by 1.2% per year) than that of the population median (0.6% per year). The Gini coefficient, an aggregate measure of inequality, rose from 39.6 in 2002 to 42.8 in 2008 before declining to 38.3 in 2013. Economic growth has primarily driven poverty reduction; the majority of growth in per capita consumption (62%) from 2002 to 2013 stemmed from poverty reduction, with the remainder (38%) resulting from a decline in inequality.<sup>d</sup> Fiji is vulnerable to natural disasters such as cyclones and floods. Damage and losses estimated from the 2016 Tropical Cyclone Winston equaled 29.2% of gross domestic product. Tropical Cyclone Harold hit Fiji in April 2020 and initial assessments estimate damages of at least \$46.4 million and that 182,500 people (about 20% of the population) were affected. The government’s immediate COVID-19 and cyclone response includes measures to protect the vulnerable through its social protection programs, while its medium-term focus remains to rebalance the economy—away from a reliance on public investment toward greater private investment and private sector participation by accelerating structural reforms—will help create jobs and build foundations for inclusive growth.

**2. Beneficiaries.** The program is a general intervention that aims to address fiscal and structural constraints. It is nationwide in scope and will affect all Fiji citizens through policy and institutional reforms that improve macroeconomic stability, Fiji’s SOE and PPP portfolio performance, and the business and investment climate. Specific beneficiary groups include the private sector, civil society, SOE employees, and the vulnerable.

**3. Impact channels.** Improving fiscal management will ensure that the government can maintain public investment in physical and human capital, protect the most vulnerable in the event of shocks, and make more discretionary funding available to fund pro-poor expenditures, such as education and health services, and social protection programs. Improving the policy, legal, and institutional framework for SOEs and PPPs will help avoid unsustainable borrowing; create more room for private investment; and improve the reliability, efficiency, and affordability of basic public services. Improving the business and investment climate will enable businesses of all sizes to start up and flourish, including by facilitating greater access to credit, and enabling job creation.

**4. Other social and poverty issues.** None.

**5. Design features.** The program prioritizes and sequences policy reforms between January 2017–June 2020; the reforms will help the government address its main macroeconomic challenges of increasing private investment and reducing reliance on public investment to drive economic growth. Reform actions in subprogram 3 include (i) improvements to the budget process including the piloting of gender-responsive budgeting principles, the completion of a Public Expenditure and Financial Accountability assessment and a public expenditure review, and the release of a supplementary budget to support the country’s COVID-19 response; (ii) training for directors and senior management of public enterprises on compliance requirements of the Public Enterprises Act, the approval and publishing of privatization and PPP guidelines, and restructuring of several public enterprises; and (iii) the approval of an Investment Bill and competition and consumer protection policy statement, and the launching of an online information portal for building permits as well as the personal property securities registry.

#### C. Poverty Impact Analysis for Policy-Based Lending

**1. Impact channels of the policy reforms.** The program aims to rebalance the economy by accelerating structural reforms over the medium term. Improving fiscal management will ensure the government can maintain public investment in physical and human capital and protect the most vulnerable in the event of shocks. Improving the policy, legal, and institutional framework for SOEs and PPPs will strengthen governance, transparency, and accountability, and improve SOE performance and service delivery. This will help avoid unsustainable borrowing; create more room for private investment; and improve the reliability, efficiency, and affordability of basic public services. Finally, improving the business and investment climate will facilitate greater access to credit, particularly for micro, small, and medium-sized enterprises; encourage great domestic and foreign investment; strengthen Fiji’s international trade competitiveness; and reduce the cost of doing business.

**2. Impacts of policy reforms on vulnerable groups.** Improving fiscal management and the policy, legal, and institutional framework for SOEs and PPPs will make more funding available to channel toward pro-poor

<p>expenditures, such as education and health services, and social protection programs.<sup>6</sup> In the medium term, the program will indirectly benefit the poor and vulnerable through increased government capacity to respond to shocks, greater private investment and new employment creation, and more sustainable financing for the delivery of social services and social protection programs.</p> <p><b>3. Systemic changes expected from policy reforms.</b> The program will assist the economy's transition toward greater private investment, which will help improve macroeconomic stability, strengthen the fiscal position of government, and reduce the impact of external shocks by allowing the government to respond effectively while maintaining basic social services. Improved fiscal management will strengthen accountability relationships between taxpayers and the government, both of which are essential for sustainable service delivery. Improved policy, legal, and institutional settings for SOEs and PPPs are expected to generate additional revenues for the government; allow more room for private sector participation in the economy; and boost the access, quality, and affordability of public services. Finally, an improved business and investment environment is expected to improve Fiji's international trade competitiveness, reduce the cost of doing business, accelerate growth, and create jobs.</p>
<p><b>II. PARTICIPATION AND EMPOWERING THE POOR</b></p>
<p><b>1. Participatory approaches and project activities.</b> Social safeguard issues are not considered significant. The program's impact is aligned with the government's National Development Plan, 2017–2036, the formulation of which involved extensive consultations (over 730 public meetings were held across the country) with a wide range of stakeholders, including business leaders, civil society, and the public, as well as written submissions. Technical assistance by ADB and other development partners provided support for the consultations. ADB's Pacific Private Sector Development Initiative assisted with consultations on SOE reforms and business and investment climate reforms, including on international arbitration, secured transactions, and competition and consumer protection.<sup>1</sup> Consultations with the private sector and civil society on the program and reforms supported by ADB were also undertaken through the development of ADB's CPS, 2019–2023 (footnote c).</p> <p><b>2. Civil society organizations.</b> Civil society organizations representing sectors affected by policy reform actions, such as the Fiji Council of Social Services, were consulted as part of the government's reform implementation efforts. Civil society was also consulted as part of the development of ADB's CPS, 2019–2023 (footnote c).</p> <p><b>3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):</b>  <input type="checkbox"/> Information gathering and sharing   <input type="checkbox"/> Consultation   <input checked="" type="checkbox"/> Collaboration   <input checked="" type="checkbox"/> Partnership</p> <p><b>4. Participation plan.</b>   <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No</p> <p>The government will carry out participatory elements under specific reform activities, reflecting the policy-based nature of the support.</p>
<p><b>III. GENDER AND DEVELOPMENT</b></p>
<p>Gender mainstreaming category: Gender equity theme</p>
<p><b>A. Key issues.</b></p> <p>Women in Fiji have unequal access to economic opportunities, public services and decision making. There is almost gender parity in access to education, but it is not translated into equality in employment, and only 19% of registered businesses and companies are listed in women's names. Fiji's formal financial inclusion rates exceed those of other Pacific island countries, with higher inclusion rates for women, but more women than men are excluded from banks' financial services. Bank loans are difficult for Fijian women to access, because customary land is communally-owned and individual allotments are typically in the names of males. Consultations with businesswomen indicate lenders generally require land or land leases as security for credit. Competition and consumer policy has been gender blind with little consideration to women's roles within the private sector and their experience as consumers. COVID-19 and related nonpharmaceutical interventions (e.g., lockdown, restriction of movement) will have specific widespread impacts on women and girls including adverse impacts to their education, food security, nutrition, health, livelihoods and safety. The decline in tourism and associated services will have implications for women's formal and informal employment. Women-owned businesses will be impacted as they have less capital to sustain business operations during this period. Family violence is high with 64% of women reporting experiencing abuse in their lifetime and, as documented in other contexts, this is likely to increase particularly with lockdown or restricted movements.</p>
<p><b>B. Key actions.</b> Subprogram 3 is proposed to be classified <i>gender equity theme</i>.</p> <p>The overall effect of the program will ensure women's participation in private sector-led growth and ensure that COVID-19 response programs include proactive gender measures, including support for women's economic empowerment.</p> <p>The program will support women's equality, empowerment and access to services through delivering the first gender-responsive budget process in Fiji. This includes the completion of a Public Expenditure and Financial Accountability self-assessment of gender-responsive public financial management; procurement of software modules that allow for expenditure to be 'gender tagged'; parliamentary statements on the importance of gender-responsive budgeting including a Cabinet decision to agree gender-responsive budgeting; and revision of budget submission templates to include gender-responsive budgeting actions. In addition, two ministries (Ministry of Commerce, Trade and Tourism, and Ministry of Fisheries) have been chosen as pilots and have received training and support to make budget submissions in line with new methodology.</p> <p>The program also includes additional targeted interventions. In order to support women's leadership, training was carried out for directors and senior management of public enterprises including 90% of women directors and senior management. In order to ensure that the business and investment climate is gender responsive, actions include: (i) Bills relating to trademarks, designs and patents will undergo validation and gender analysis from the Parliament Standing Committee on Justice, Law and Human Rights; (ii) the establishment of a Personal Property Securities (PPS) Registry which allows women to access finance with moveable assets. The registry collects sex-disaggregated data that allows tracking of women's uptake of the PPS Act; and (iii) Cabinet approval of a policy</p>

<p>statement and drafting of a Bill on competition and consumer law which specifically highlights the differentiated needs of women, rural and disadvantaged groups, and a commitment to supporting women's consumer rights. In addition to the actions above which ensure women's participation in the private sector and Fiji's economic development in the medium and long term, actions to support women's economic protection in the COVID-19 crisis including: (i) support for women-owned and/or led SMEs (through the SME credit guarantee scheme and expanded natural disaster rehabilitation facility, and increased access to low interest loans); (ii) direct cash transfers to informal workers, including for women-owned micro-enterprises such as hawkers; and (iii) a guidance note on the gendered impacts of COVID-19 and recommendations to support women's economic empowerment prepared and presented to Cabinet. In order to take forward analysis and recommendations, the government has established a multistakeholder COVID-19 response gender working group which is led by the Ministry of Women, Children and Poverty Alleviation and includes women's civil society, ADB and multilateral stakeholders such as UN Women.</p> <p><input type="checkbox"/> Gender action plan    <input checked="" type="checkbox"/> Other actions or measures    <input type="checkbox"/> No action or measure</p>	
<b>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</b>	
<p><b>A. Involuntary Resettlement</b></p> <p>1. Key impacts. None.</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. Plan or other Actions.</p> <p><input type="checkbox"/> Resettlement plan</p> <p><input type="checkbox"/> Resettlement framework</p> <p><input type="checkbox"/> Environmental and social management system arrangement</p> <p><input checked="" type="checkbox"/> No action</p>	<p><b>Safeguard Category:</b> <input type="checkbox"/> A    <input type="checkbox"/> B    <input checked="" type="checkbox"/> C    <input type="checkbox"/> FI</p> <p><input type="checkbox"/> Combined resettlement and indigenous peoples plan</p> <p><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</p> <p><input type="checkbox"/> Social impact matrix</p>
<p><b>B. Indigenous Peoples</b></p> <p>1. Key impacts. None.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. Plan or other actions.</p> <p><input type="checkbox"/> Indigenous peoples plan</p> <p><input type="checkbox"/> Indigenous peoples planning framework</p> <p><input type="checkbox"/> Environmental and social management system arrangement</p> <p><input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> No action</p>	<p><b>Safeguard Category:</b> <input type="checkbox"/> A    <input type="checkbox"/> B    <input checked="" type="checkbox"/> C    <input type="checkbox"/> FI</p> <p><input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> Combined resettlement plan and indigenous peoples plan</p> <p><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</p> <p><input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</p>
<b>V. ADDRESSING OTHER SOCIAL RISKS</b>	
<p><b>A. Risks in the Labor Market</b></p> <p>1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).</p> <p><input type="checkbox"/> unemployment    <input type="checkbox"/> underemployment    <input type="checkbox"/> retrenchment    <input type="checkbox"/> core labor standards</p> <p>2. Labor market impact. None</p>	
<p><b>B. Affordability</b></p> <p>The program does not negatively impact the affordability of goods and services.</p>	
<p><b>C. Communicable Diseases and Other Social Risks</b></p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):</p> <p><input checked="" type="checkbox"/> Communicable diseases    <input checked="" type="checkbox"/> Human trafficking    <input type="checkbox"/> Others (please specify) _____</p> <p>2. Risks to people in project area. None.</p>	
<b>VI. MONITORING AND EVALUATION</b>	
<p>1. Targets and indicators. The design and monitoring framework reflects the policy-based nature of the program, with performance indicators targeting improvements in fiscal management and the business and investment climate. A post-program performance framework has been developed to track ongoing reform that will leverage the work done during the three subprograms.</p> <p>2. Required human resources. ADB staff will monitor performance targets and indicators.</p> <p>3. Information in the project administration manual. Not applicable.</p> <p>4. Monitoring tools. Not applicable.</p>	

<sup>a</sup> Government of Fiji, Fiji Bureau of Statistics. 2015. *2013–14 Household Income and Expenditure Survey*. Suva. Poverty incidences are computed using the national poverty line per adult per week (F\$55.12 for urban areas, and F\$49.50 for rural areas). Results from the 2019–2020 survey are expected to be released in mid-2020.

<sup>b</sup> Government of Fiji, Ministry of Economy. 2017. *5-Year 20-Year National Development Plan: Transforming Fiji*. Suva.

<sup>c</sup> ADB. 2019. *Country Partnership Strategy, Fiji: 2019–2023—Achieving Sustained, Inclusive, and Private Sector-Led Growth*. Manila.

<sup>d</sup> World Bank. 2017. *Republic of Fiji Systematic Country Diagnostic*. Washington, D.C.

<sup>e</sup> Social protection programs include the poverty benefit scheme, social pension scheme, the food voucher program for rural pregnant mothers, and the child protection allowance (for children from low-income families, single-parent families, and prisoner dependents).

<sup>f</sup> ADB. [Regional: Pacific Private Sector Development Initiative, Phase IV](#).

Source: Asian Development Bank.