



Strengthening Fiji's national poverty policies in the context of regionalism

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Although Fiji is the most affluent South Pacific island nation, its history of coups and failed policies reflects missed opportunities by pushing more people into poverty. The question addressed here is whether Fiji's economic policies over the past decade have been pro-poor, and if not, what direction should policy take? Increasing domestic economic activities, livelihood schemes, and assistance via regionalism are seen as important ways to build labour capacity for economic growth and poverty reduction. Actions to address poverty should be based on mutual obligations of individuals, government, and foreign aid.

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The deadline of 2015 set for the Millennium Development Goal of halving global poverty is not so far away. However, some countries are falling deeper in poverty. It is clear from the lack of social and economic development in many developing nations that the paradigm that dominated development activities for most of the past 40 years remains a constraint on human development. Globalisation and liberalisation policies have increased the challenges facing developing economies, including the many small island economies. New regional arrangements to some extent have opened new opportunities in trade, services in terms of labour mobility. However, the impacts of large-scale poverty

on society are devastating and its elimination remains a crucial challenge. International development agencies and bilateral aid donors encouraging economic reforms in developing economies are now focusing on livelihood strategies to target the most vulnerable.

Over the past three decades, a higher percentage of the population fell below the poverty line in Fiji. Social indicators for Fiji, such as the United Nations Development Programme's (UNDP) Human Development Index (HDI), are higher than for other Pacific island nations. However, its global HDI ranking has slipped from 44 in 1996 to 66 in 1998 to 92 in 2003 (UNDP 2001, 2005). By



comparison, Tonga and Samoa were ranked well ahead of Fiji in 2003 with Tonga 54 and Samoa at 74 (UNDP 2005). The Human Poverty Index shows Fiji slipping in the rankings from 41 in 2001 to 49 in 2003 (UNDP 2005). Outcomes such as low income and poor health are seen to be contributing towards vertical and horizontal inequality, larger numbers of households living in poverty, high drop-out rates in primary and secondary schools, increased crime rates, destitution and depression (Gounder 2005a).

Fiji's economy and the incidence of poverty

Fiji's island economy comprises both subsistence and commercial sectors—with the latter being predominantly engaged in the production of exports. Sugar, tourism, garments and other manufacturing are major contributors to GDP. The urban-based, commercial economy is engaged in business and paid employment, while the rural-based economy is mostly a mix of commercial agriculture and subsistence farming. Fiji's economy grew at a modest economic growth rate during most of the pre 1987 coup period; but the ensuing political turmoil had serious economic, social and poverty consequences. Business closures (particularly of garment industries), decline in sugar output, the outflow of skilled labour, the decline in investment and productivity, the emergence of land tenure insecurity, sustained political instability, and racial discrimination is a list of Fiji's woes that have adversely affected the state of the economy.

These woes and poor economic performance are ultimately the result of various governments' policy failures since the mid 1980s (Sepheri and Akram-Lodhi 2000; Kumar and Prasad 2004; Gounder 2005a). Failure of basic security provision, failure of public services, segmentation of economic

and social structures, and lack of policy implementation have resulted in hardship. Although average per capita income has risen very slowly over the past two decades, it has been accompanied by rising inequality, which is reflected in the increase in proportion of the population living in poverty.

Households in Fiji have become abruptly impoverished due to low-earning opportunities and poor skills. Narsey's (2006) study notes that wage rates have remained very low showing that 55 per cent of Fiji's wage earners are paid below-the-poverty-line wages. Other factors include 'inherent insecurity of many households and the inadequacy of existing safety nets' (UNDP 1997:3). Public and private sector retrenchments and pay cuts have affected all, particularly women, as they have been burdened with additional household duties. In addition, children become the victims of increasing poverty.¹

In 1991, the government adopted strategies and activities for reducing poverty through the establishment of a Poverty Task Force. With the assistance of various domestic and international organisations, poverty alleviation programs were to provide income-earning opportunities, and develop new basic-needs strategies. However, a 2002 Asian Development Bank (ADB) participatory assessment study of hardship and poverty in Fiji noted that

...the poor expressed concern over governance issues, declining standards in the delivery of basic needs, lack of economic opportunity, especially for those being displaced in the sugar industry and the urban unemployed (ADB 2002:3).

The gravest impacts of the ineffectiveness of government action have been an increase in the number of people living in poverty for whom eviction from the land, loss of livelihood, and lack of welfare have caused severe problems.²



Education and health sectors have received the bulk of funding, followed by water supplies (Table 1). The allocation of funds for primary education increased in the 1990s; however funds allocated to other priority social areas have been reduced (that is, rural primary education, rural public health and rural water supplies). Only about 50 per cent of the population has access to safe water and proper sanitation (access to sanitation is about 75 per cent for urban areas and 12 per cent for rural areas (ABD 2004).

Rural services, social welfare and housing sector expenditures have not increased sufficiently to address the deepening poverty problems. Education, health and water supply have been largely supported by aid programs.

The foreign aid flows are generally allocated via government's public

expenditure allocations. Per capita aid is high by international standards; moreover, it may not be directly part of poverty alleviation programs except for donor assistance through non government organisations.

The majority of the population depends on the government to deliver basic needs. Nevertheless, the Fiji Government

...has always spent a small proportion of its budget on social welfare on the basis that it cannot afford a welfare state nor wants to create a 'handout' mentality (UNDP 1997:3).

Yet, the stated policy aim of the recent government of Prime Minister Qarase was to reduce poverty by 5 per cent per annum and provide a safety net to those who experience severe deprivation. The key question is how this aim might be achieved?

Table 1 Government spending on social services, 1985–2003

	1985	1990	1991	1992	1993	1995	2000	2001	2003
Total government expenditure (F\$ million)	412.5	597.2	669.4	723.2	815.3	796.6	1,114.5	1,222.2	1,304.6
Total social expenditure (F\$ million)	143.3	175.9	197.9	223.8	244.6	260.1	285.5	310.7	390.6
Rural services	1.6	1.7	1.6	2.9	2.3	1.8	1.4	2.4	1.3
Water supplies	11.7	16.8	19.7	21.6	22.9	30.2	42.3	50.8	80.5
Education	83.4	109.1	119.4	130.7	127.4	150.3	151.9	162.5	193.4
Social welfare	2.1	2.5	3.2	3.6	4.0	4.0	2.41	2.63	3.38
Health	33.3	45.3	49.3	59.5	65.6	70.4	82.3	89.8	108.0
Housing	2.1	0.6	0.8	1.6	2.3	1.5	1.4	1.6	2.0
Poverty Alleviation Fund (F\$ million)	-	-	-	0.3	0.5	7.0	43	48	54
Aid (per cent of GNI)	3.0	4.0	3.0	4.0	4.0	4.0	2.0	2.0	3.0
Aid per capita (constant US\$)	46.0	69.0	61.0	85.0	81.0	58.0	36.0	32.0	61.0

Notes: ¹ Public expenditure ratio is the ratio of total government expenditure to GDP. ² Social allocation ratio is the ratio of total social expenditure to total government expenditure. ³ Social priority ratio is the ratio of social priority expenditure to total social expenditure (Social priorities sectors include primary education, rural and public health, rural water supplies).

Source: Fiji Islands Bureau of Statistics (various issues), *Current Economics Statistics*, Government of the Republic of Fiji Islands, Suva; United Nations Development Programme (UNDP), 1997. *Fiji Poverty Report*, UNDP and Government of the Republic of Fiji Islands, Suva.



The poverty alleviation fund set up in 1992 aimed to provide income-earning opportunities for the poor, to promote capacity building to enhance their participation in income-earning activities, and provide a social safety net for those who are unable to support themselves (Fiji 1993, 2002). Implementation of the objective of reducing poverty has been attempted through various government ministries. It has involved improving squatter settlements and housing, rental subsidy, infrastructure and subdivisions, microfinance, farming assistance and infrastructure development, remission of fees, building grants, tuition fee-free and compulsory education, and grants to volunteer organisations, family assistance, care and protection allowance (Fiji 2002, 2004).

In 1977, 15 per cent of the households lived in absolute poverty. This share increased to 25.2 per cent by 1990–91 (Table 2). The large increase in poverty during this time reflected the economic changes since 1977 and the adverse impacts of 1987 coups. It was estimated that at the time one in four households in Fiji then lived in poverty (UNDP 1997). It was also argued that the fact that only 20 per cent of the urban employed can afford government-subsidised homes, 30 per cent of the urban youth are unemployed, and that 50,000 children do not attend school supported the view that Fiji's urban and peri-urban households were slipping increasingly into poverty (Bryant 1993:74). The decline in agriculture shifted unskilled labour to urban areas, further contributing to the level of urban poverty. It was estimated that the cost of closing the poverty gap of F\$666 per person in 1977 would have been F\$11.5 million per annum, by 1991 the per person cost of closing the poverty gap was F\$1,377, which would have required F\$45.9 million per annum (UNDP 1997:43).

The poverty estimates from the HIES 2002–03 indicate that 34.4 per cent of Fiji's population now live in poverty (Fiji 2006).³ Hence there was a 9.2 percentage point rise since 1991, and a 19.4 percentage point increase between 1977 and 2002–03. The incidence of poverty in rural areas increased substantially to 31.8 per cent of the population—a 15 percentage point increase between 1991 and 2002–03 and an 18.5 percentage point rise between 1977 and 2002–03.

The poverty gap almost doubled from F\$1,377 in 1991 to F\$2,616 in 2002–03. The poverty gap is the difference between national poverty line (estimated at an annual income of F\$8062 in 2002) and the average income of a poor household (F\$5,445 in 2002–03) (Fiji 2006:7). Rural poverty worsened since the land leases of many Indo-Fijian sugar farmers were not renewed or the farmers could not afford the higher lease rents or goodwill payments and the sugar industry was in decline.

Poverty has become a significant urban problem, with many of the rural poor migrating to urban areas. Signs of rising urban poverty include the increasing numbers of street people such as beggars, street kids, wheel barrow boys, prostitutes and squatters in urban and peri-urban areas (Fiji 2002). Urban poverty is highest in the squatter settlements and urban villages, and there is serious concern because of poor diets and poor housing and difficulties in meeting basic health expenditures (Fiji 2002).

Social welfare grants, another important basic need for vulnerable families, have increased substantially as the number of applicants for the government family scheme increased from 9,245 in 1995 to 11,813 in 1999 to 20,333 in 2003 (Fiji 2004).

To tackle the increasing incidence of poverty, the Fiji Government has implemented macroeconomic and development policies,



however, the government's initiatives have not led to a lowering of the poverty level. Rather, the effect has been in the opposite direction. Unemployment levels are likely to remain high due to low economic activity and the shortage of income-earning opportunities. Combined with the urban drift and an ageing population, urban poverty can only be expected to increase in the coming years. To meet the Millennium Development Goal targets, new thinking and action is needed from the government, international organisations and non-government organisations.

Livelihood strategies and activities: inclusive human goals

Addressing poverty starts with providing the basics of human development through growth.

We have seen people preserving their spirit, integrity, commitment, and hope for the future even when they have little else, when tragic circumstances have left them bereft of health, education, possessions, and a means of livelihood (Sachs 2005:vii).

Studies by Chand (1998), Subramani (2003) and Kumar and Prasad (2004) point out that there has been gross failure on the part of the government to devise appropriate poverty alleviation policies. Naidu (2005), Barr (2004, 2005), Narsey (2004, 2006) point to situations where aid, trade, good governance, wage increases, basic needs and economic growth approaches can make a radical attack on poverty. The emphasis is not only on economic opportunities but also on expansion of political, social and cultural opportunities.

The key to better results is development of the linkage between livelihoods activities and housing, health and education programs

for human development. Implementation of several of the proposed medium to longer term livelihood programs will require a certain amount of stability being assured by the establishment of long-term programs for the poor and the vulnerable.

Income-earning capacity of vulnerable households

Four key interventions are being proposed

- diversification and intensification of farming and non-farming systems
- market-based agricultural and non-agricultural product development and sales
- access to credit and supplies by and through providers; appropriate, seasonal employment schemes
- access to land in the agricultural livelihood programs for displaced households.

Policies to enable output growth and provide essential services are vital to support livelihood programs across all communities. Provision of skills training, especially in high-demand vocational areas such as carpentry and production of household goods (baskets, mats, clothing, and so on) would encourage young people and reduce criminal activities and prostitution. Education programs should help to mitigate livelihood/income stresses by meeting the cost of fees and books and establishing school health and nutrition programs may help to reduce child exploitation.

Agricultural transformation

Increased agriculture productivity and rural incomes has strong expenditure and consumption linkages with other sectors of the whole economy. Increasing the productivity and competitiveness of agriculture is vital in improving livelihoods and the incomes of the majority of



households. Duncan (2006) has emphasised that increased agricultural productivity is essential for improving welfare in both subsistence and the commercial sectors in the land-rich Pacific islands. Devising innovations to transform agriculture first requires innovation in the conceptual and analytical framework. In addition, greater attention needs to be given to value adding to agricultural products. This requires going beyond the primary sector to take account of the whole economic system with the aim of maximising productivity and efficiency and minimising costs. Innovations in the agro-industrial and agribusiness services sectors would improve livelihoods and reduce poverty through broad-based economic growth, enhance food security, creating employment and generate value-added products and wealth across the farming and non-farming sectors.

Business in poverty reduction

Chronic poverty is bad for business and of concern to business people. In order to prosper, businesses need customers' purchasing power and a means of increasing this is by helping businesses to fight poverty (Prahalad 2005). While multinational companies may adopt social responsibility for charitable or business reasons, society-business partnerships are crucial for the survival of national companies. Businesses play a role in poverty reduction through job creation, sale of good quality but cheaper products, sourcing locally, and encouraging smallholder supply. For example, the handicraft companies with local counterparts can increase local craft-makers' prices and receive technical advice on how to improve their outputs and use inputs efficiently.

By increasing its production and purchase of local craft, a business will also be assisting people to improve their craftsmanship and boost the incomes of the people surrounding its factory. Company

workers could also be better off than others by earning above statutory minimum wage. Such schemes/contributions may be small but such business initiatives working together with other businesses and non-government organisations can make a tremendous impact on poverty reduction. Business can also assist through the Chamber of Commerce. Government can assist by waiving business tax (to a level) on donations made for poverty programs. Though the Fiji government's policies are aimed at helping people to move into small and micro-businesses, efforts to assist development of micro-businesses have been insufficient given the scale of poverty (Fiji 2004:52). In such circumstances government should collaborate with businesses and play a vital role in curbing poverty.

Small and medium entrepreneurs, consumers and profits

Understanding the business possibilities in assisting the poor while giving them economic opportunities is crucial in eradicating poverty (Prahalad 2005). Prahalad argues that the market focus on profits for corporations has been ineffective in raising the incomes of the bulk of the population. Hence, traditional development strategies carried out by governments have been ineffective in alleviating large-scale poverty. Companies should devise ways for all people to be consumers, and provide the lower socioeconomic groups with access to affordable markets. It is important to provide services to all customers in order not to create two classes of consumers.

Small and medium enterprises can play a crucial role in enhancing sustainable food security as a poverty eradication strategy. Microfinancing can contribute positively towards sustainable livelihood in a variety of ways. Strategies for small industries development can aim to help entrepreneurs promote their activities and capabilities.



Private investment

Private investment in farming is inhibited by the lack of sustainable financial structures, land problems and the difficulties of working in rural areas. Increases in demand for food and other agricultural products tend to be mostly met by imports that also affect private investment in other sectors. Fiji is faced with the following four major challenges

- commodity price volatility and finding affordable price risk management mechanisms
- declining real commodity prices and the challenge of diversification, productivity increases, and value-addition in agriculture
- protectionist (tariffs and quotas) policies, agricultural subsidies, and competitiveness in international markets
- trade reforms and addressing the related risks for agriculture.

Public awareness of the poverty problems has grown recently as lack of income growth has inhibited both the provision of basic needs and assistance to develop new livelihood. Robertson (2006) suggests that increased linkages between growth sectors like agriculture and growth sectors such as tourism and other sectors that can also be significant in generating private sector based livelihoods. Through improvements in political, economic and social systems, private investment can be fostered to modernise the economy and increase its wealth creating ability (Barr 2004; Gounder 2005b).

Institutions

Institutions are important as they structure the relationship between macroeconomic changes and the pattern of economic growth on the one hand, and the provision of social

programs of the changing life-circumstances of households and groups on the other (Gounder 2005a). Social exclusion of some households or communities will affect well-being, social integration and rights of the people.

The politics of race that is endemic in Fiji has contributed to poverty, unemployment and lack of basic facilities. In such a racially divided society, the most important national institutions are those that will provide a foundation for economic and social justice (Kumar and Prasad 2004). Naidu et al. (1999) note that Fiji's poverty alleviation strategies require an inclusive framework. Therefore the differential treatment of Fiji's citizens, based on their ethnicity, need to be addressed decisively.

Regional integration through provision of services

The Pacific Plan presents the possibility for a new regionalism in the context of the commitment of Australia and New Zealand to strengthen economic relationships with Fiji and other Pacific island countries. This can be achieved in part by the initiative of increasing income through the international labour mobility of those who do not have income-earning opportunities in the immediate future. Pacific people have the initiative and necessary agricultural capability and would leap at such an opportunity to better themselves.

Regional labour mobility schemes can not only benefit the islanders but also the host country. Under a temporary labour mobility scheme, Australia and New Zealand would assist their own business by increasing profits and assist Fiji in reducing poverty. At the same time it enables the hosts to be good international citizens.⁴

The establishment of a Trade and Technical Training Institute to develop skills is vital to address employment issues,



Table 3 **Bilateral official development assistance commitments by sector, 1975–2003**
(US\$ million constant prices)

	Social infrastructure and services	Economic infrastructure and services	Production sectors
1975–1980	7.34	63.22	45.30
1981–1985	41.45	8.64	37.96
1986–1990	19.94	3.82	67.00
1991–1995	128.77	6.04	26.21
1996–2000	154.92	5.70	47.89
2001–2003	78.50	2.96	11.68

Source: Organisation for Economic Cooperation and Development (OECD), 2005. *Geographical Distribution of Financial Flows to Developing Countries*, OECD, Paris.

building more industries and so on, but it is more of a benefit over the long term. This scheme will not be able to address the Millennium Development Goals challenge of halving the population in poverty in the short term, particularly when Fiji is falling deeper in poverty.

Poverty alleviation and foreign aid

For many small island countries, overseas aid has become crucial in many ways, including as a source of external financing. The positive effects of aid on developing economies through assisting in capital accumulation have been noted in the aid-growth literature (Gounder 2001). International and bilateral donors have played an important role in Fiji in providing funds for capital accumulation. However, political instability has reduced aid flows and some cancelled projects have not been restored. Important forms of assistance in poverty alleviation are to help meet resource needs in special projects and to ensure that the government's economic and social programs reach the poor.

Fiji implemented structural adjustment programs to address its domestic problems and its poor economic growth by raising

external finance from aid agencies but its poverty programs were not given the priority required to address the problem. Gounder (2001) notes that total aid flows and its various components, i.e. bilateral aid, grant aid, and technical co-operation grant aid, have had significant positive impacts on economic growth in Fiji. Good institutions and policies are crucial in reaching the poverty targets of the government and its Millennium Development Goals. Thus the government needs to maintain the effectiveness of aid with the assistance of the donors, as bilateral aid constitutes the bulk of aid flows.

Since the 1980s, the main focus of bilateral assistance to Fiji has been social infrastructure development (Table 3). A substantial amount of bilateral aid during 1975–80 was allocated to improve economic infrastructure such as roads. Development of the production sectors was also given priority until 1990. However the economic decline in the mid 1990s led to a higher allocation of aid to production sectors between 1996 and 2000. Aid for social infrastructure development has taken priority since 1981, with a much larger proportion of aid going to this sector in the 1990s. In particular, the education sector and



more recently the health sector have been allocated substantial amounts of aid. An increased share of aid has been concentrated on health and primary education in the rural areas in the post 2000 period.

The ADB (2004) and World Bank (2005) have identified transport and communications, energy, agriculture, natural resources, water and sanitation, and financial sectors as being priority areas that require further assistance from donor agencies, besides assisting the government with poverty reduction.

Conclusion

The 2002–03 HIES indicates that poverty has risen significantly since the 1991 survey. The late 1990s and the post 2000 coup periods are characterised by high unemployment, low wages, low incomes, higher cost of basic needs, more people in squatter settlements, and an increase in the number of people requiring family assistance allowances. Fiji needs a much higher rate of economic growth in order to reduce poverty.

Initiatives to address poverty in the immediate future should be through economic means involving livelihood activities and social development. The economic means include productivity increases and domestic and overseas market development for products and services and public and private investment to stimulate growth. Development of the capacity of businesses to be part of poverty reduction programs and the poor to be consumers will enhance poverty reduction. Urgent concerns for the government and businesses are the re-evaluation of wage rates and employment generation, and development of small-scale operations involving skill improvements.

The social development measures are to address education and health as key components of human capital and as a means to expand capabilities to meet critical development objectives. Policies for livelihood programs and actions are necessary and require sufficient conditions to lift all communities out of poverty, based on mutual obligations of individuals, government and regionalism. Non-discriminatory domestic institutions and foreign aid are vital in enhancing the prospects for Fiji's economic growth and its poverty alleviation programs.

Notes

- ¹ Cases of school children being sent home because parents could not pay school fees have been reported by the press and welfare department. Although there is a high rate of primary school enrolment, at least 30 per cent of the children do not complete their primary education or proceed to secondary school. Financial pressures have generally been the principal factor in the school dropout rates. Another link with poverty is that many children are compelled to leave school because they fail their national examinations that are from resource-poor schools and communities.
- ² Fiji's social indicators signifying harmful effects include increased crime rates, poor health and housing conditions, increase in squatter settlement, and high drop out rates in the primary and secondary levels of education (mainly due to inability to meet the cost for books, fees, transportation to school).
- ³ The estimate by Narain (2002) notes that over 40 per cent of the households live in poverty after the May 2000 coup.
- ⁴ Australia and New Zealand face agriculture/horticulture labour shortages and they already allow backpackers each year from North American and European countries to fill that labour gap in various areas.



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