Policy dialogue

Resolving the agricultural land lease impasse in Fiji

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This paper argues that the recent positions taken by the Government and the Opposition in Fiji will not lead to a satisfactory solution of the impasse over the renewal of the agricultural land leasing system. A permanent solution will have a positive impact on investment and agricultural productivity and indirectly on the whole economy. A proposal for the state to lease all agricultural land from the Native Land Trust Board (NLTB) and sub-lease it to the tenants could well satisfy both the tenants, who will have certainty of land leases, and the Great Council of Chiefs and the NLTB, who want all land to be leased under the Native Land Trust Act (NLTA). The formation of the multi-party government provides an excellent opportunity for the major parties to take the middle ground and consider this proposal as a way forward.

Controversy over agricultural land leases in Fiji is not new. Debates over this issue took place in the 1960s and the 1970s. The current debate began in the mid 1990s and has continued without resolution. In 1976 the then land lease debate was settled with the approval of the Agricultural Landlords and Tenants Act (ALTA). This legislation at least provided stability in the relations governing the NLTB and the Indian tenants growing sugarcane. The ALTA provided 30-year leases and the lease agreements were generally administered well. Under ALTA, leases provided legal titles that could be traded and used as collateral for loans from all lending institutions including the commercial banks. This legislation created stability in the agricultural sector and sugar production increased, allowing Fiji to meet its quota of sugar sales to the European Union. Even after the military coups of 1987, when ethnic and political tensions were at their peak, land leases were basically taken for granted and provided reasonable stability in the agricultural sector.

Despite the stability provided by the ALTA legislation, there were occasional tensions between the NLTB, landowners and tenants; these were not over the level of land rent paid but over rental arrears and the collection and distribution of the rents. Land rents have been an annual source of income for members of the *mataqalis* and for many, the rent has been the only source of income. In response to the tension between the NLTB and the landowners and their *mataqali* (landowning unit) members over the distribution of the rents, the NLTB reduced

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the percentage it deducted for administration costs from 25 per cent to 15 per cent. Part of the problem of tenant compliance with rental payments has been the tenants' perception that the NLTB is only concerned with the welfare of the landowners.

Over the past 15 years, land leases have been an important institutional issue, particularly the non-agricultural leases granted under the NLTA.[1] NLTA leases for non-agricultural purposes have been granted for much longer periods than agricultural leases under the ALTA. The NLTA leases have facilitated long-term investments in the tourism and business sectors, although there have still been tensions between landowners and the NLTB and between landowners and the lessees, and in some cases members of the *mataqali* have taken strong action in demanding higher benefits and compensation, which has created uncertainty for existing and potential investors.

The state owns 6 per cent of Fiji's total land area—roughly 7,000 square miles (Twyford and Wright 1965). This percentage excludes two categories of state land: Schedule A and B land. Schedule A is native land that reverted to the state after the extinction of the *mataqali* that owned it. Schedule B is state land over which no Fijian has claimed ownership. In 2002, both types of land were converted to native land.

Another 7 per cent of the land is held under freehold tenure, which includes much of the better class of land. The majority of the freehold land was acquired during the late 1800s. Table 1 shows the composition of land ownership in 1995. Ward (1995) points out, however that these figures vary when issued by various agencies. Before the conversion of schedule A and B to native land, Ward (1995:199) counted freehold land as comprising 8.17 per cent of the total, state land as 9.45 per cent, and native land as 82.38 per cent.

This composition has now changed. The state land referred to in Table 1 has been reduced to 6 per cent through a bill passed in parliament in 2002. According to the NLTA, Schedule A crown land was classified as follows

> [i]f any *mataqali* shall cease to exist by the extinction of its members its land shall fall to the crown to be allotted to the *mataqali* to which it was part or other division of the people which may apply for the same or to be retained by

Table 1 **Categories of land ownership in Fiji**

Type of ownership	Total area[a] (per cent)	Total area[b] (per cent)	Total area[c] (per cent)
Native land (owned by indigenous Fijians)	83	82.38	87
State land	10	9.45	6
Freehold land (owned by individuals of all races)	7	8.17	7
Total	100	100	100

[a] Total area based on Nayacakalou (1971).
[b] Total area based on Ward (1995).
[c] Total area after conversion of schedules A and B land to native land.
Sources: Nayacakalou, R., 1971. 'Fiji: manipulating the system', in R. Crocombe (ed.), *Land Tenure in the Pacific*, Oxford University Press, Melbourne:206–26; Ward, R.G., 1995. 'Land, law and custom: diverging realities in Fiji', in R.G. Ward and E. Kingdon (eds), *Land, Custom and Practice in the South Pacific,* Cambridge University Press, Cambridge:198–249.

> the crown or dealt with otherwise upon such terms as the Board may deem expedient (NLTA, Cap.134, and Section 19 [1]).

Schedule B crown land was defined as land that was not claimed by any *mataqali*, or was unoccupied, at the time of the Land Commission's sitting in 1959. These lands were to be classified as crown land but rents collected by the government would be turned over to the NLTB for the benefit of the native Fijians, as approved by the Great Council of Chiefs (NLTA, Cap.133, Sec. 19 [1]).

Since Fiji gained independence in 1970, the NLTB has demanded that these lands be converted to native land. The Burns Commission, established in 1960 to consider this issue, concluded that there was no justification for the conversion to native land. The Commission stated

> [i]n our view there is no legal or moral reason why the government should give up control of schedule A and B land, which should be held in trust for the benefit of the colony as a whole or for leasing otherwise (Fiji Colonial Government, Legislative Council Paper No.1, 1960).

The government has not given heed to the future needs of government and has allowed the conversion. When government land holdings are already minimal, and about 40 per cent of the population is unable to own land, it is not necessarily wise to divest further state land to non-state ownership. Now, 87 per cent of the land is held communally by indigenous Fijians. This share is likely to increase to about 90 per cent if indigenous Fijians continue to receive government financial support for the purchase of freehold land. This policy, while no doubt driven by genuine concern for the long-term interests of indigenous Fijians, may not be in the long-term interests of the nation, or of other ethnic communities.

The debate over land rights concerns not only the ownership but also the use of land. The former general manager of the NLTB summed up this part of the debate.

> The question is, is it a national resource for the nation as a whole, or only for the indigenous owners? How can we utilise this opportunity for the benefit of the native owners and also for the benefit of the country as a whole? (Kamikamica 1994:109).

This indeed is a crucial question for Fiji's future. Fijian and Indo-Fijian leaders answered this question with the adoption of the ALTA in 1976. The security of tenure provided under ALTA helped ensure relative stability in the agricultural sector for the next 20 years; Fiji's progress during that time—notwithstanding the coups in 1987—was largely due to that stability. However, since 1996, ALTA has come under increased scrutiny, and political considerations have outweighed the economic considerations that the legislation was designed to support. Furthermore, some agricultural leases have not been renewed amid demands from indigenous Fijian leaders to change the legislation.

Compared to the debates of the past, the recent debate over ALTA and NLTA between the government and the opposition has lacked economic logic and lacked understanding of the importance of resolving this issue quickly. Furthermore, it has shown a lack of understanding of the need to resolve the important institutional issue of property rights in land so that the nation can move ahead with the agenda of nation building and reap the benefits of globalisation.

The fast changing global trading regimes and integration of economies and institutions requires small states such as Fiji to adjust quickly and strengthen its institutions so that we are not left behind. We also have to realise that the importance of the agricultural sector will decline and the sugar industry will become smaller (Table 2). The contribution of the agricultural sector in total economic activity has already declined to 16 per cent from 22 per cent only five years ago. Our economic growth will depend on our ability to expand the tourism industry, in addition to increasing manufacturing and the services sector. Unfortunately, land, which is one of the single most important factors of production, is being withdrawn from the market.

The percentage of people in the agricultural sector has already declined and will continue to decline. For example, over the past ten years the urban population has increased by about 10 per cent (Fiji, Bureau of Statistics 2005). The rapid migration of the rural population to urban areas in an environment of low investment levels and poor jobs growth has created social and environmental problems.

Developments since 1997

Native land leases given under the ALTA have been expiring since 1997 and there were those within the NLTB and politicians who exploited the land issue to their advantage by advocating mass non-renewal of leases. This view received support from research based on erroneous assumptions and misleading data on land rentals and the articulation of a strong view that tenants have exploited the landowners under the ALTA legislation.[2] However, for a while it appeared that the land lease problem would be resolved after the 1999 general election. The Soqosoqo ni Vakavulewa ni Taukei (SVT) and the National Federation Party (NFP) coalition proposed that the government lease the land from NLTB and sublease it to the tenants. Similar proposals are now being put forward (see, for example, Chand 2006; Asian Development Bank 2005).

Table 2 **Sugarcane and sugar production, 1971–2002**

Year	No. of contracts	Area harvested ('000 hectares)	Cane production ('000 tonnes)	Sugar production ('000 tonnes)
1971	15,548	47	2,545	323
1976	17,667	47	2,283	286
1981	21,000	66	3,931	470
1986	22,182	69	4,109	502
1991	24,479	73	3,380	389
1996	22,304	74	4,380	454
1997	22,100	73	3,280	347
1998	22,146	57	2,098	266
1999	22,178	65	3,958	377
2000	22,179	63	3,786	341
2001	21,882	66	2,805	293
2002	21,246	65	3,423	330
2003	21,253	61	2,610	294

Source: Fiji, 1990. *Current Economic Statistics Bulletin*, January, Bureau of Statistics, Government of Fiji Islands, Suva; Fiji, 2002. *Current Economic Statistics Bulletin*, March, Bureau of Statistics, Government of Fiji Islands, Suva.

Table 3 **Native lease distribution by use and ethnicity** (per cent)

	Ethnic Fijians (per cent)	Indo-Fijians (per cent)	Others (per cent)	Total (hectares)
Agriculture	34	53.4	12.6	200,750
Residential	21	61.1	18.0	1,670
Commercial	2.1	25.0	72.9	480
Reserve	75	0.14	25.4	73,740
Other	0.25	0.06	99.7	516,480
Total	15.8	13.7	70.5	793,020
Unused/not on lease				895,611
Total native land				1,688,631

Source: Native Land Trust Board, 2003. *Annual Report*, Native Land Trust Board, Suva.

After the 1999 election and the formation of the Labour Party-led government, the land debate became prominent. The view that tenants exploited the landowners featured prominently in the NLTB campaign not to have the leases renewed. This campaign was used effectively against the government, and was likely an important factor in the subsequent overthrow of the government in 2000.

As a result, the majority of the non-renewals took place after the 1999 general election. Table 1 shows the current composition of land leases by ethnicity. The majority of the tenants are ethnic Indians and they account for 54 per cent of the agricultural leases.

The non-renewal of native land leases was further aggravated by the conversion of state land to native land. This conversion should have been pursued together with the strategies to resolve the native land lease issue. In fact, there was political consensus between the two major parties in parliament, that is, the Soqosoqo Duavata ni Lewenivanua (SDL) and the Fiji Labour Party to convert Schedule A and B land to native land. The Fiji Labour Party brought the Schedule A and B bill to parliament when it was in government in 2000 and argued for its conversion. However, there were a significant number of leases on these lands. In total, there are 129,445 hectares of Schedule A and B lands. Of these, only 21 per cent is currently leased. Of the agricultural leases, about 80 per cent are sugarcane leases. The tenants on schedule A and B lands have always held the belief that because they were on state land, they would not have any problems with the renewal of leases. The non-renewal of these leases caused further instability in the agricultural sector.

The ALTA legislation provided for 30-year leases and many tenants expected these leases to be renewed. Many believed that ultimately it would be the responsibility of the state (and not the NLTB), which either would convince the NLTB to have the leases renewed or provide alternative arrangements. As citizens of Fiji who are constitutionally precluded from owning any land except freehold land, Indo-Fijians and other non-indigenous farmers feel they have a right to expect the state to provide land for them to lease. Between 1997 and 2001 only 27.6 per cent of the expired leases were renewed. Of

Table 4 **Expiry of ALTA sugarcane farm leases in Fiji, 1997–2024**

Year of expiry	Indo-Fijian leases		All cane leases	
	Number	Area (hectares)	Number	Area (hectares)
1997	27	232	27	232
1998	120	1,398	128	1,463
1999	158	1,708	170	1,962
2000	1,133	8,217	1,218	8,838
2001	1,494	7,861	1,542	8,337
2002	310	2,670	322	2,912
2003	435	2,945	465	3,240
2004	216	2,250	231	2,390
2005	228	2,297	245	2,490
Averages over remaining years				
2006–9	294	3,186	319	3,810
2010–14	199	2,060	239	2,621
2015–24	45	485	65	886
Total 1997–2024	6,743	57,473	7,473	69,069

Source: Native Land Trust Board, 2003. *Annual Report*, Native Land Trust Board, Suva.

Table 5 **Renewal and non-renewal of leases, 1997–2003**

Year	Number renewed	Renewed to sitting tenant			Renewed to new tenants		
		Cane	Other	Residential	Cane	Other	Residential
1997	100	35	5	7	36	8	24
1998	214	41	95	7	103	17	53
1999	1,554	214	826	66	609	58	230
2000	1,976	288	35	52	873	36	216
2001	473	59	17	5	106	10	30
2002	682	73	7	5	121	5	17
2003	507	45	1	4	36	1	6
Total	5,506	755	66	146	1,884	135	576

Note: Individual members of *mataqali* can choose to lease and have individual titles.
Source: Native Land Trust Board, 2003. *Annual Report*, Native Land Trust Board, Suva; Sugar Cane Growers Council, 2003. *Annual Report*, Sugar Cane Growers Council, Lautoka.

these, 20.1 per cent were sugarcane leases, 4.3 per cent were other leases including other agricultural crops and commercial leases, and 3.2 per cent were residential leases. About 45 per cent of the expired leases have been given to new tenants and about 30 per cent have not been allocated.

Tables 4 and 5 show the majority of the leases that expired between 1997 and 2003 were not renewed to the sitting tenants but were issued to new tenants. Table 5 shows the distribution of lease renewals. About 90 per cent of the leases were issued to new tenants. Of those renewed to Indians, 80 per cent were to new tenants. This means sitting tenants are either voluntarily vacating the land on expiry or are unable to obtain agreement for renewal from landowners. A small number, however, have been offered to family members of the sitting tenants. The motivation for offering leases to new tenants is reflected in the willingness of the new tenants to pay goodwill whereas the sitting tenants are less likely to pay goodwill payments. The ALTA unit set up by the government to process land lease applications has been slow in acting. For example, out of a total of 1062 applications for renewal—as at the end of December 2003—only 449 applications were processed.

The NLTB's decisions not to renew leases are questionable as in most cases it has not clearly spelt out how and when the land will be used by the landowners. In a number of cases, large areas of land taken over by the landowners remain uncultivated and large amounts of rental are owed by landowner tenants. For example, in Korowiri, Labasa, the NLTB has taken a landowner to court for not paying rent. The landowner was not able to pay rent because of zero output. Furthermore, the landowner argued that he should not have to pay rent to NLTB as he is the landowner. In some cases, landowners have given their consent to a lease but the NLTB seems to be making other plans. Furthermore, its ability to settle disputes relating to both agricultural and non-agricultural leases and others including government properties has not been satisfactory.

Table 6 **Renewal of leases to Fijians and Indo-Fijians, 2004**

	Fijian			Indo-Fijian			Total		
	New	SIT	Total	New	SIT	Total	New	SIT	Total
Lautoka	521	10	531	534	122	665	1064	132	1196
Per cent									43
Rarawai	411	4	415	287	60	347	698	64	762
Per cent									27
Labasa	440	-	440	209	77	286	649	77	726
Per cent									26
Penang	78	4	82	18	1	19	96	5	101
Per cent									4
Total	1,450	18	1,468	1,057	260	1,317	2,507	278	2,785
Per cent	99	1	48	80	20	47	90	10	100

Source: Sugar Cane Growers Council, 2004. *Annual Report*, Sugar Cane Growers Council, Lautoka.

NLTB administers all leases, whether they are agricultural leases under ALTA or non-agricultural leases under the NLTA. Some disputed cases have received national attention, for example, the Monasavu Electricity Dam case, where landowners have been claiming compensation from the state for the use of their land for the generation of electricity. Government has agreed to pay some compensation. Leases at the Ratu Kadavulevu School (a government-owned boys' school exclusively for indigenous Fijians), Fulton College (a private primary teachers' college), the Nausori Government Complex, and other schools have faced similar claims, which have been settled by the government through the payment of compensation. The NLTB's dominant position and its subjection to active influence by politicians have not allowed it make rational economic decisions. For example, after the 2000 coup, the NLTB, with the support of some indigenous Fijian politicians, campaigned against the wishes of the landowners who wanted to renew leases. This led to extensive dislocation of sitting tenants from the island of Vanua Levu and basically destroyed its economy.

The widespread non-renewal of leases in Vanua Levu has instilled fear among the rural tenant population. In cases where only a few years are remaining on the lease, landowners are demanding exorbitant sums of money in order to sign consent forms for renewal.

Apart from damage to the economy, the members of landowning units have suffered losses of rental income. NLTB is in many respects similar to a real estate agent, renting the land at appropriate levels and making sure that the rents are efficiently distributed to the members of the land owning units. The majority of leases are agricultural, and rents from agriculture represent about 52 per cent of the total rents paid to the NLTB. The NLTB therefore cannot sustain its revenue if it delays the renewal of agricultural leases to the sitting tenants or grants the leases to new tenants (new tenants need time to settle in and are likely to grow less sugarcane than a long-term tenant, hence their ability to pay rent would be less.) However, rents for agricultural leases are lower than for other types of lease (see Table 7). Forty eight per cent of the rental income of the NLTB comes from the leases offered under NLTA, and the

Table 7 **NLTB leases by type and rent, 2001**

Type	Number	Percentage of total	Area (hectares)	Area (per cent)	Annual rent (F$ '000)	Rent (per cent)	Average F$/hectare
Agricultural	14,454	50.4	596,112	89.2	9,243	51.9	15.51
Commercial	1337	4.7	27,613	4.1	3,289	18.5	119.11
Industrial	338	1.2	3071	0.5	820	4.6	266.90
Other	1607	5.6	31,673	4.7	1,440	8.1	45.46
Residential	10,966	38.1	9597	1.5	3,008	16.9	313.41
Total	28,702	100.0	668,067	100.0	17,799	100.0	26.64

Note: The figures in the table exclude 10 per cent poundage from royalties from timber, gravel, and electricity; premiums, stumpage, and compensation; fees for applications; interest on investments.
Source: Fiji, 2001. *20-Year Development Plan (2001–2020) for the Enhancement of the Participation of Indigenous Fijians and Rotumans in the Socio-Economic Development of Fiji,* Ministry of Finance and National Planning, Government of Fiji Islands, Suva:227.

Table 8 **NLTB lease summary by ethnicity, 2001**

Type	Number	Per cent of total	Area (hectares)	Area (per cent)	Average hectares per leasehold
Indigenous Fijian	7,563	26.4	88,588.65	13.3	11.7
Rotuman	2	-	0.10	-	-
Chinese	223	0.8	987.78	0.1	4.4
European	238	0.8	1,107.58	0.2	4.7
Indo-Fijian	17,026	59.3	102,732.06	15.4	6.0
Others	3569	12.4	473,349.48	70.8	132.6
Unspecified	81	0.3	1,302.22	0.2	16.1
Total	28,702	100.0	668,067.87	100.0	23.3

Source: Fiji, 2002. *Rebuilding Confidence for Stability and Growth for a Peaceful, Prosperous Fiji: strategic development plan, 2003–2005,* Government of Fiji Islands, Suva:227.

highest rents come from commercial, residential, and industrial leases. Therefore, the NLTB's focus on ALTA and on agricultural leases is inappropriate as far as its future income potential is concerned.

The percentage of agricultural lease rent in the total rent collected has barely changed over the years. For example, in 1982, 53.7 per cent of the total rent was from agriculture and by 2001 it had declined only marginally to 52 per cent. However, with the continued non-renewal of leases, the share of rent from agricultural leases is expected to decline rapidly over the next few years. The NLTB should concentrate more on commercial, residential and industrial leases, where the potential for increasing rental income to landowners lies. It cannot continue to rely so heavily on agricultural leases.

The NLTB's role in the distribution of benefits to members of the landowning units leaves much to be desired. Members of the landowning units have questioned NLTB's activities on many occasions. In particular, NLTB's failure to resolve the land owning grievances about commercial projects has been a cause of major concern for landowners. Mismanagement and lack of transparency occur in the issue of non-agricultural leases.

The rents collected and distributed by the NLTB have increased over time as the unimproved capital value has been reassessed and new leases added. The total rent collected by the NLTB was F$1.83 million in 1977, F$2.29 million in 1980, F$3.34 million in 1982 and F$17.8 million in 2001. The number of leases granted to non-Fijians has also increased over the years. For example in 1982 there were 11,148 leases given to non-Fijians; in 2001 they held 17,489 leases. While Indo-Fijians hold the largest number of leases—twice as many as indigenous Fijians—the average area per lease for indigenous Fijians is 11.7 hectares and for Indo-Fijians only 6 hectares (Table 8).

Since 1997, Indo-Fijians with agricultural leases under ALTA have been the most frequent targets of non-renewal. After the promulgation of the new constitution in 1997 it appeared that Fiji was becoming less racially polarised. This change, however, was short-lived, as the democratically elected government in 2000 was again overthrown in what came to be known as a civilian coup. This heightened ethnic tension, and coup supporters brought the land issue to the forefront. This resulted in the eviction of mainly Indo-Fijian tenants from native lands.

While the NLTB continues to advocate abolition of ALTA, it has also continued to give leases under this legislation. This action on the part of the NLTB is partly due to the fact that rental incomes have been declining, leading landowners to place pressure on the NLTB to renew leases. Between 1997 and 2002, 42 per cent of the new sugarcane leases were issued to Indo-Fijian tenants, mainly new tenants but with some going to the sons and daughters of the sitting tenants. However, renewals and non-renewals have not taken place in an orderly fashion, that is, in some instances landowners wanted to renew leases but the NLTB did not approve it. In other instances NLTB was willing to offer renewal but the landowners refused to give their consent. These actions have created a lot of instability and confusion in the agricultural sector and especially in the sugar industry.

Similar problems are encountered with non-agricultural leases issued under NLTA. Many landowners are dissatisfied with the benefits that they receive. Thus there is a constant threat to security of tenure and security of investment on native leases issued under NLTA. A *Fiji Times* editorial summed up the problems with respect to demands from the landowners in relation to a filmmaking project.

> It's time we asked ourselves a basic question: Do we really want foreign investment? Judging by the reaction to the crew filming *Anaconda 2* in the area around Deuba, the answer is a resounding 'no'…[i]t is not the first time that this has happened in Fiji when an investor commits to major expenditure. Too often such people are seen by villagers (and some city dwellers) as a source of easy money. Their view is that peace has a price and the investors can afford to pay it. What they forget is that there are plenty of alternatives to Fiji for those same investors. Whether it is the movie industry, the garment industry, hotels or heavy engineering, there are developing countries clamouring for the investment and offering all kinds of tax and other incentives to make it happen. The incident described above happened recently, but this issue has surfaced repeatedly in Fiji for a long time. The level of private investment in Fiji has been of serious concern over the last 15 years ('The price of greed', *Fiji Times*, 10 July 2003:6).

Since the military coups of 1987, illegal landowner demands have been commonplace. Landowners make additional demands such as goodwill payments that are not part of the leasing arrangement. If their demands are not met they engage in illegal activities such as blocking access to the land. Total investment levels in Fiji have fallen from about 29 per cent of GDP in the 1970s to as low as 11 per cent in the 1990s (although they have since risen to around 16 per cent). Of critical concern has been the level of private sector investment (including foreign direct investment), which is about 5 per cent of GDP. Since 1987 governments have provided various economic incentives for potential investors but the total level of private and foreign investment remains low. Both the NLTB and the government have acknowledged that the current land lease situation creates problems for investment. The NLTB has tried to assure investors that commercial leases are secure; for example, it stated the following in the *Fiji Times* '[t]he Native Land Trust Board will do its best ensure that problems faced after the expiry of agricultural leases do not occur on commercial leases' ('Water crisis shuts school', *Fiji Times*, 28 October 2002:1).

However, landowners are not only targeting farmers and private investors but are also putting pressure on government with respect to the non-renewal of leases. For example, in 2002 two landowning units, the *mataqali* Ketenakurusara and the *yavusa*[3] Burenitu, took over land that had been leased to the government after the NLTB and the government failed to have the leases renewed in time ('Landowners bicker over re-location', *Fiji Times*, 24 October 2002:3).

The problems described above suggest that the solution to the impasse over agricultural land leases is elusive. However, the longer a solution is delayed, the more devastating its impact on the agricultural sector. Delay in arriving at a solution will continue to force the movement of experienced farmers away from sugarcane growing and other agricultural activities. It will become increasingly difficult to rehabilitate the agricultural sector.

The positions of political parties on agricultural land leases

The recent debate over ALTA and NLTA has been damaging to the process of resolving the impasse over the renewal of land leases in the agriculture sector. The ALTA legislation came into force when Fiji was at a stage of development where agriculture, and in particular the sugar industry, was the main driver of economic growth. It was vital therefore to develop a system of land leases that provided security of tenure to farmers and stability for landowners in terms of land rentals. There is no doubt that ALTA provided 30 years of stability in the agricultural sector and contributed significantly to the development of the country and to the landowners in terms of land rents.[4]

The SDL government introduced a proposal to parliament in November 2005 with the claim that it would provide 50-year leases for farmers and more income for landowners. The proposal included the following

- all agricultural leases to be issued under NLTA rather than ALTA (as per the wishes of the Great Council of Chiefs)
- with the consent of the landowners the lease duration could be 50 years
- if the landowners do agree to a 50-year lease, shorter leases would be offered but they would not be shorter than 20 years
- leases under the NLTA would be renewable, subject to the consent of the landowners
- decisions on renewal of leases would be made 2–4 years before expiry of 50-year leases and 3 years before expiry for shorter leases
- rents under the new arrangement would be a flat 10 per cent of the UCV
- the new leasing arrangements under NLTA would have fair and equitable arrangements for compensation, both for the farmers and landowners.

Prime Minister Laisenia Qarase explained that the new arrangements would allow for renewal, whereas under ALTA there was no such provision. He pointed out that under the new arrangement landowners would increase their income through the increased rental rate plus a premium payment, which is allowed under the NLTA. In addition, all types of leases would be brought under the NLTA legislation and NLTB would have full control of agricultural leases. The Prime Minister also suggested that tenants would have added security of tenure.

The main opposition parties, the Fiji Labour Party and the United General Party, indicated that they would not support the abolition of ALTA. However, the Fiji Labour Party's stand on land leases has been inconsistent. They criticised the ALTA legislation before the 1999 election but in

2000 changed their position to retaining ALTA while increasing the rent to 10 per cent of unimproved capital value.

The leader of the Fiji Labour Party opposed the proposal for the following reasons

- ALTA is entrenched legislation, providing security whereas NLTA is not entrenched legislation and can be changed by a simple parliamentary majority, and therefore does not provide security
- NLTA does not have any provision for renewal and the proposal for its amendment does not include such a provision
- the 50-year leases proposed cannot be taken seriously, considering that the lease tenure can range from 20 to 50 years. The NLTA amendment Bill states that 'if the Board (NLTB) is satisfied that the land is likely to be required by the Fijian owners for their use, the Board may then grant a contract of tenancy for a minimum period of 20 years'
- the independent Cyril Farrow report and the government's own ALTA task force report had recommended that ALTA be retained with necessary amendments to address the concerns of landowners.

It is easy to understand the criticisms of the Opposition. The proposal by the Government would not ally the fears of the tenants nor would it address the main concern of the landowners, which relates to the level of rental income. Because the landowners still have the final say on the duration of leases, the opposition parties have rightly pointed out that the government's recommendation does not create certainty about the nature and duration of leases.

The government's assertion that there is no legislative machinery for extending the duration of agricultural leases is incorrect. ALTA provides for the issue of leases for a minimum of 30 years. It therefore does allow for extending the duration of leases as it also prohibits contracting out of the Act.

The Opposition's response has been imbedded in the retention of the ALTA. This is understandable given the status of the ALTA legislation. However, maintaining this position is not going to be helpful in resolving the impasse. For a long time the Fiji Labour Party has condemned ALTA and accused the architects of the legislation of not safeguarding the interests of the tenants. It is therefore incumbent on the Fiji Labour Party to look at fresh approaches to resolving this issue.

Landowner and tenant incomes

The impasse over the leasing of agricultural land since 1997 has caused anguish to both tenants and landowners (Prasad and Tisdell 2006). Many tenants have lost their leases and have found refuge in urban squatter settlements. Landowners were promised support for farming after the land reverted to them but found that the support was not forthcoming from the government and the NLTB. The decision by the NLTB not to renew native land leases after 1999 came at a bad time, as there were already indications that the European Union support price scheme was going to end. The large reduction of 36 per cent in sugar prices announced during November 2005 by the European Union will have serious consequences for Fiji's economy in several ways.

First, the amount of rent that can be levied on cane land by the NLTB will fall unless significant reductions in the cost of producing sugar cane occur. This seems unlikely. Second, rents may have to be reduced to prevent rental income falling even more than in the absence of rent reductions because more tenants would be moving out of sugar cane farming. Third, marginal cane land is likely to be abandoned. In the absence of profitable alternative land uses,

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leaseholders are likely to drift to urban areas and many will join the urban poor.

The effects are illustrated in Figure 1 (from Prasad and Tisdell 2006). Let line GS represent the supply curve of sugar cane in Fiji and let OA represent the price paid to growers prior to the reduction in the European Union's sugar price. The maximum rent that could be extracted from sugar growers is equal to the area of triangle AGB. But suppose the price falls to OD. The maximum rent that can be extracted falls by an amount equivalent to triangle DGE. Potential rent of an amount equal to quadrilateral ADEB is no longer available. Cane production falls by X_2–X_1 and farmers on land with higher costs of production cease to produce cane and must look for an alternative livelihood.

All rents on sugar cane land may need to be reduced by the NLTB, otherwise it may forgo revenue. Rents must not exceed the vertical distances between line GE and DE, otherwise at the new low price growers make a loss and will cease production of cane. For example, if on the best land the rent happens to be slightly in excess of GD, farmers on that land would want to cease operations.

The non-renewal of leases has already had such effects on the amount of rent collected and cane production (Figure 2). There will be a loss of rent of amount DGEB from the reduction in sugar production from X2 to X1. In the long run, reform of the European Union agricultural policy through negotiations within the World Trade Organization could lead to a reduction in output of European Union beet sugar, which could allow more imports of sugar from Fiji. A reduction in beet production could also lead to a rise in the world market price of sugar.

A recent study on the macroeconomic impact of a 30 per cent decline in sugar production showed an economy-wide negative impact on real GDP and exports (Narayan and Prasad 2005). Real GDP, for

Figure 1 **Changes in rent from sugar cane land with declining preferential prices**

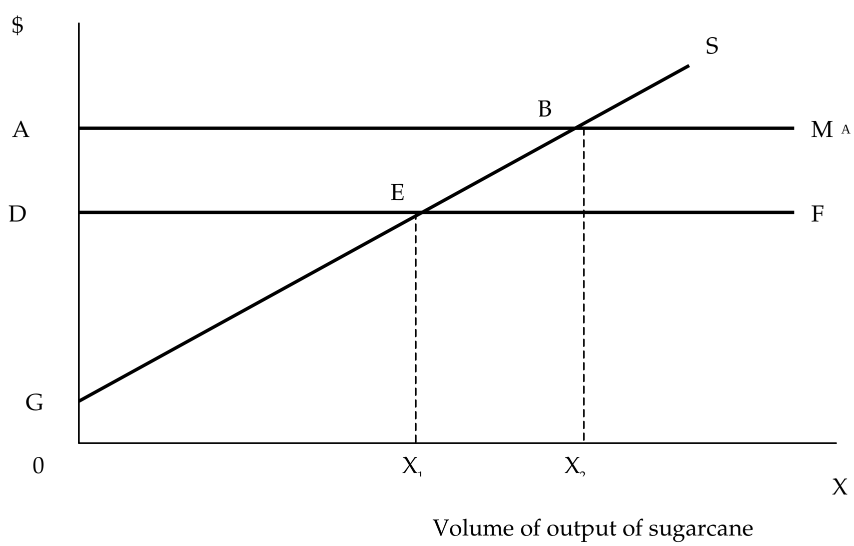
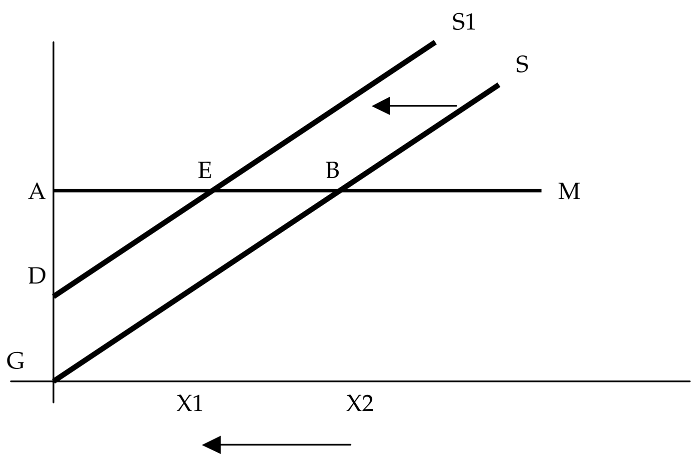


Figure 2 **Lease non-renewal effect on rent and cane production**



instance, could be expected to fall by 1.85 per cent. This is a significant amount given that Fiji's growth rate over the past decade has averaged only 2.8 per cent (Table 8).

Exports could decline by 2.1 per cent and imports by 1.7 per cent, thus contributing to the ongoing deterioration in the balance of payment. Another important outcome would be the impact on tax revenue from declining sugar production. Income tax is estimated to decline by about 3 per cent and value added tax (VAT) to decline by about 1 per cent. The biggest percentage declines would be in company tax and production taxes—by 3 per cent and 6 per cent, respectively. The sugar industry has a larger multiplier effect than most other industries in Fiji. Therefore, it could be expected that an adverse shock to the sugar industry will have a direct impact on other sectors of the economy.

It seems that Fijian landowners and Indo-Fijians could face increasing social conflict. Indigenous Fijians want to extract even greater rent but want more land for their own and other uses. Partly these demands are due to the fast rate of population growth of indigenous Fijians (Constituency Boundaries Commission 2006). This could lead to considerable reduction in their standard of living. While greater land security for cane growers could reduce costs and increase rents, indigenous Fijian landowners remain wary of this solution because it reduces their flexibility.

The way forward

There have been various proposals for resolving the impasse over native land leases for agriculture. First, the Labour-led coalition government argued in 2000 that ALTA should be retained and leases should be renewed but with an increase in rent from 6 percent of unimproved capital value to 10 per cent. The retention of ALTA has been rejected outright by the NLTB, in favour of bringing all agricultural leases under NLTA.

The Asian Development Bank (2005) advocated the concept of a master lease. The suggestion for a master lease is not new. Prior to the 1999 general election the National Federation Party suggested this idea and there was some degree of support from the then SVT government (see, for example, Narsey and Reddy 1999). Recently, the concept has been advanced by Chand (2006). Under the master lease arrangement the government would lease the land from the indigenous owners and sub-lease it to tenants. This means that the government would be responsible for making rent payments to the NLTB and would have the responsibility of collecting rent from the tenants. Such arrangements would minimise the conflict between tenants and landowners, reduce administrative costs for NLTB, and transfer a higher proportion of rent to the landowners.

The Sugar Industry Restructure Committee in 2002 discussed the concept of the Head Lease. Under this arrangement the NLTB would have provided a master lease agreement with the Fiji Sugar Corporation (FSC) stand-alone companies. This idea was widely criticised by farmers' organisations as reminiscent of the colonial days when sugar growers were tenants of the sugar mill company.

Narsey and Reddy (1999) suggested several different lease arrangements. They based their suggestions on the idea that landowners should have market-based incentives to lease more land. They also suggested that where landowners agree to renew leases the government should ensure that NLTB honours the wishes of the landowners. Since 1997 many native land leases have not been renewed against the wishes of the landowners. This created unnecessary problems for the landowners and the tenants. Narsey and Reddy (1999) argued for government to act as a 'buffer' landlord. They contended that many landowners refuse to renew leases because they feel left out of much of the benefits of national development. They proposed a 'social development compact' between the government and the landowners. They pointed out that under the social development compact 'government would agree to give the landowners and their region priority (with specified deadlines) on specified development projects (education, health, infrastructure) in return for renewal of specified leases, in the national interest'.

The suggestions made by Chand (2006) and the Asian Development Bank (2005) build on the broad thrust of what Narsey and Reddy (1999) suggested. According to Chand (2006), if accepted, their proposal would mean that NLTB would reduce its costs significantly as rent would be collected (on its behalf) by the government and paid in regular instalments. This would guarantee that there would be no arrears and landowners would have guaranteed regular incomes. The state would be justified in doing this, as it would be in the national interest of raising agricultural productivity. As the NLTB is already a government statutory organisation, this arrangement would not contravene any legislation or established norms of government spending.

Chand (2006) provides an indication of the cost to government, amounting to about F$14 million dollars per annum including F$9.5 million in rent and another F$4.5 million in premium payments and administrative cost (Table 8). These costs, however, would be easily recoverable from rent collected from tenants and increased government revenue earned from increased agricultural employment, output and incomes. The stability in the agricultural sector could trigger investments in other sectors and raise overall GDP growth rates.

Concluding comments

Land tenure is a politically sensitive issue in Fiji and unfortunately political parties have been more interested in using the debate over land leases as a means of supporting their own interests rather than resolving it to facilitate economic development. Fiji is at the crossroads of major development progress. One the one hand, through reaping the benefits of global trade reform and increasing integration of its economy, or, on the other, backsliding into a spiral of political conflicts, low economic growth, and instability. Among the institutional prerequisites for stability is a means of leasing agricultural land that is likely to create long-term stability and security in the agricultural and other sectors.

The proposal for the state to lease the land from the NLTB and sub-lease it to the tenants provides a mechanism for resolving the issue permanently. The state has an obligation to all its citizens, and our nationhood will be defined by our ability to resolve the land lease impasse so that people of all ethnic groups feel a sense of belonging. Lack of secure access to land for any community does not create confidence and trust in the nation. Since 1987 the Indo-Fijian community has felt a sense of alienation from the state in its policies and in particular in the way in which the land lease renewals have been handled by the NLTB.

The acceptance of this proposal could be the beginning of a new partnership between the state, indigenous landowners and tenants and create stability in many other areas apart from the agricultural sector. We cannot control international commodity prices; the only thing we can do as a country is make our sugar industry more efficient so that it is able to compete in the world market. To do this we need an immediate end to the disagreements over land leases.

The formation of the multi-party government after the May 2006 General Election provides a good opportunity for resolving the land lease impasse. In the past, the debate over land leases has mainly focused on the merits of ALTA and NLTA. Both arrangements present significant political problems to the SDL and the FLP. However, if both parties take the middle ground and move towards the concept of a Master Lease, whereby government leases the land from the NLTB and sub-leases it to the tenants, there might be a way forward.

Notes

1 NLTA is the Native Lands Trust Act, which established the Native Lands Trust Board (NLTB) in 1940 to control and administer native land in Fiji.

2 Davies (1999) argued that under ALTA landowners had surrendered their land and that over the previous 30 years only tenants' interest had been served by the leasing system. He argued that when leases expired they should not be renewed. He further stated, for example, 'never again will they surrender control of their land and never again will they accept rental at non-commercial levels'.

3 A *yavusa* is another category of land-owning unit.

4 For an economic impact analysis of Fiji's sugar industry, see Narayan and Prasad (2005).

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