

**Department of Applied and International Economics**

**Discussion Paper No. 06.12**

**November 2006**

**Socio-Economic Development Policies:  
Livelihood Strategies and Poverty Reduction  
in Fiji**

**Rukmani Gounder**

This series contains work in progress at the **Department of Applied and International Economics, Massey University**. Comments and criticism are invited. Quotations may be made on explicit permission of the author(s).

**Further copies may be obtained from:**

The Secretary  
Department of Applied and International Economics  
Massey University  
Private Bag 11222  
Palmerston North  
NEW ZEALAND  
Phone: 06 350 5799 Extn 2679  
Fax: 06 350 5660

**Discussion Paper 06.12**  
**ISSN.1174-2542**  
**Price: \$10**

# **SOCIO-ECONOMIC DEVELOPMENT POLICIES: LIVELIHOOD STRATEGIES AND POVERTY REDUCTION IN FIJI**

**Rukmani Gounder**

Department of Applied and International Economics  
Massey University  
Palmerston North  
New Zealand

## **ABSTRACT**

This study analyses poverty issues in Fiji, the dimensions of poverty, livelihood strategies, activities and foreign aid for poverty eradication. Three household income and expenditure surveys for 1977, 1990/91 and 2002-03 have been used in this study to analyse the extent of poverty. The challenges of meeting the economic and social development in its 35 years of independence saw Fiji as the most affluent South Pacific island nation but the history of coups and the policies of the nation reflect the missed opportunities which have pushed more people into poverty. Due to the persistence of socioeconomic crises, this paper explores activities and responses likely to be effective in resolving these crises. Increasing domestic economic activities, livelihood schemes and assistance through regionalism are important aspects to build labour capacity for economic growth and development in Fiji. Thus, some actions are necessary and require sufficient conditions to address poverty based on mutual obligations of individuals and the government. Policies are to involve income-earning opportunities via businesses and profits, consumerism, trade, institutions, regionalism and foreign aid to benefit the people, nation and the neighbours.

[R.Gounder@massey.ac.nz](mailto:R.Gounder@massey.ac.nz)

## **1. INTRODUCTION**

Over the last two decades, development strategies have been successful in reducing the proportion of people in extreme poverty but impoverishment in many developing nations of Africa, Asia and Latin America still face major challenges of halving the world's population in poverty by 2015.<sup>1</sup> With the United Nation's Millennium Development Goals (MDGs), it is clear that the paradigm that dominated development activities for most of the past 40 years remain a constraint to human development due to lack of social and economic programs in many developing countries. The effects of large-scale poverty on the society are many with impacts on health, education, housing, clean water, sanitation, population, environment, growth, political and economic development. Several empirical studies on the nature, causes and consequences of poverty have noted the characteristics and a range of policy options to address this problem.<sup>2</sup> Improvements in human conditions are becoming urgent as we move closer towards meeting the targets of the MDGs.

National wealth can expand well-being but the age-old observations of Immanuel Kant (1724-1804) and Adam Smith (1723-1790) show that the real wealth resides in people. In the era of globalization and social development, meeting basic human needs is necessary to address people's choices and overcome deprivation. International development agencies and bilateral aid donors encouraging economic reforms in developing countries are now focusing on livelihood strategies to target the most vulnerable. Political, economic, social and cultural choices are necessary for the expansion of income and human development. Governments, multinational institutions, non-government organisations (NGOs) in addressing poverty eradication face the huge challenges of overcoming widening global disparities, increased deprivation and lack of opportunities. Over the last two decades, more people fell below the poverty line in Fiji. The quality of social indicators in Fiji, such as Human Development Index (HDI), was relatively higher than other island nations, but its world ranking of HDI has slipped from 44<sup>th</sup> in 1996 to 66<sup>th</sup> in 1998 to 92<sup>nd</sup> in 2003 (United Nations Development Programme (UNDP), 2001, 2005). In comparison, Tonga and Samoa are ranked way ahead of Fiji with Tonga in 54<sup>th</sup> place and Samoa at 74<sup>th</sup> place in 2003 (UNDP, 2005).

The Human Poverty Index shows that Fiji slipped in its ranking from 41<sup>st</sup> in 2001 to 49<sup>th</sup> in 2003 amongst developing nations (*ibid*). The presence of low incomes are seen to be contributing towards vertical and horizontal inequality, a larger number of households living in poverty, high drop out rates in primary and secondary schools, increased crime rates, destitution and depression (Gounder 2005a). Following a recent poverty study by the United Nations Development Programme the Fiji Government released a *Fiji Poverty Report* in 1997 that generated great concern and anxiety with its findings that 25 percent of Fiji's households live in poverty in 1991 compared to 10 percent in 1977.<sup>3</sup> The households in poverty are unable to afford an adequate basic standard of living due to varying degrees of hardships based on lack of access to opportunities. Poverty levels rose in the 1990s due to political, economic and social crises. The expiry of land leases, non-resolution of land issues, lack of basic services (health, education) and lack of income-earning opportunities have led to a rise in social inequalities and are pushing more people below poverty line; "approximately 40% of the households are living below the poverty line, poverty accelerated after the events of 2000"

(Narain, 2002, p.2). This has pushed more people into squatter settlements which are seen on both the main islands (Viti Levu and Vanua Levu).

Poverty alleviation programs require a sound basis for providing necessary support (government, private, aid donors, NGOs) to operate in a transparent, accountable, and effective manner in order to increase the capacity of vulnerable households to be improved in the medium to long term to avoid falling into poverty. This paper is structured as follows: The next section presents an overview of economic and social structures in Fiji. Using the 1977 and 1990-91 and 2002-03 household income and expenditure surveys (HIES) the poverty issues of Fiji are examined. Implementation of several medium- to longer-term livelihood recovery activities will require a certain amount of stability being assured through the establishment of long-term income-earning opportunities for vulnerable families. Livelihood strategies and the role of aid in poverty eradication are examined in the penultimate section. These activities are necessary and require sufficient conditions to address poverty based on mutual obligations of individuals, government, institutions and regionalism to benefit the people, nation and the neighbours. The final section is the conclusion.

## **2. ECONOMIC STRUCTURE, SOCIAL DEVELOPMENT AND POVERTY IN FIJI**

Recognition of individual capability is essential, but where nations are constrained by extant social, political and economic circumstances the poor are affected the most by losing their livelihood. In this regard the state and markets should be complements. It is desirable to combine extensive use of markets with the creation of social opportunities. Sen's capabilities approach has sought to nudge the development economics literature in a new direction for poverty alleviation (Sen, 1999). The efforts of developing nations in reducing poverty may start by focussing attention on just what human development should be conceived to be, and just what is the relationship between individual agency and social circumstances. Tisdell (2000) points out that human resources are central to economic development and can be increased in value and productivity in human beings, e.g. in their education and health. Therefore, greater equality in the distribution of human resource capital and the basic needs approach would make a considerable contribution to sustainable development. Fundamentally, politics and economics jointly attempt to complete the needs of the people and it is not one or the other. Given this view, the economic and social structures are examined next.

### ***Economic and Social Structures***

Fiji's open island economy consists of an urban-based population engaged in business and paid employment and the rural-based economy based on agriculture and subsistence farming that characterize different tiers of income earnings. The nation experienced a modest economic growth rate in most of the pre-1987 coup period but the events of political turmoil led to it encountering serious economic and social poverty problems. The government set in place strategies and activities for reducing poverty through a Poverty Task Force in 1991. With the assistance of various domestic and international institutions, poverty alleviation programmes were to provide income-earning opportunities, assist the poor and develop new basic need

strategies. As the growth targets were to address the problems of poverty, the relevance of making conclusions about the welfare effects become vital.

The development structures were affected by political instability and economic uncertainties resulting in low productivity and growth that affected social development.<sup>4</sup> Failure of basic security provisions and public services, segmentation of economic and social structures, and lack of policy implementation further caused hardships for Fiji's people as per capita income rose very slowly in the recent decades. The Asian Development Bank (ADB) study on participatory assessment, hardship and poverty in Fiji notes 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, p.3). Fiji's social indicators signifying harmful effects include a rise in crime rates, poor health and housing conditions, increased squatter settlement, and high drop out rates in the primary and secondary education (mainly due to inability to meet the cost for books, fees, transportation to school). The gravest impact of the crises has 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.

The circumstances by which the households in Fiji become abruptly impoverished relate to their low earning opportunities and poor skills. The wage rates have remained very low in the last two decades and it is found that 55 percent of Fiji's wage earners are paid below the poverty-line wages (Barr, 2003, Narsey, 2006). Other factors include "inherent insecurity of many households and the inadequacy of existing safety nets. Misfortunes such as illness/disability of a family member, particularly an adult; marriage break-up or single motherhood, and the inability of a custodial parent to collect maintenance payments from their ex-partner; and old age are becoming more common" (UNDP and Govt. of Fiji, 1997, p. 3). Public expenditure ratios (Table 1) show considerable fluctuation in government spending, and increases in public expenditure have mainly gone in wage increases for politicians and civil servants. The major sources of income are the causal and permanent wages, agriculture and commercial business and other income components with a large number of the households depending on subsistence production and consumption.

As for the allocation of funds to the social sectors, the growth in social allocation ratios and social priority ratios have been lower than for public expenditure ratios. Primary education expenditure increased in the 1990s. However, other social expenditures were almost unchanged or displayed marginal increases in some areas. There is also a link between low education of adults, their insecure employment status, and their low incomes (*ibid*, 1997). With a smaller amount of funds allocated to social priority areas (i.e. primary education, rural and public health and rural water supplies), several social services are limited. For example, ADB notes that only about 50 percent of the population has access to safe water and proper sanitation, i.e. access to sanitation is 75 percent for urban areas and 12 percent for rural areas (ABD, 2004), and school drop out rates have been high.

**Table 1: Government Spending on Social Services, 1985–2003, Fiji Islands**

	1985	1990	1991	1992	1993	1995	2000	2001	2003
Population ('000)	697	736	745	752	760	770	812	817	835
GDP per capita (constant F\$)	2,306	2,446	2,349	2,469	2,511	2,667	2,794	2,852	3,050
Total govt. expenditure (F\$m)	412.5	597.2	669.4	723.2	815.3	796.6	1114.5	1222.2	1304.6
Public expenditure ratio <sup>1</sup>	35.0	33.0	30.7	30.8	37.4	33.6	36.5	37.0	36.4
Social allocation ratio <sup>2</sup>	32.5	29.5	29.5	30.9	30.0	32.6	25.6	25.4	29.1
Social priority ratio <sup>3</sup>	32.9	31.5	29.9	26.4	27.9	29.4	21.0	22.4	25.3
Total social expenditure (F\$m)	143.3	175.9	197.9	223.8	244.6	260.1	285.5	310.7	390.6
Rural services (F\$m)	1.6	1.7	1.6	2.9	2.3	1.8	1.4	2.4	1.3
Water supplies (F\$m)	11.7	16.8	19.7	21.6	22.9	30.2	42.3	50.8	80.5
Education (F\$m)	83.4	109.1	119.4	130.7	127.4	150.3	151.9	162.5	193.4
Social welfare (F\$m)	2.1	2.5	3.2	3.6	4.0	4.0	2.41	2.63	3.38
Health (F\$m)	33.3	45.3	49.3	59.5	65.6	70.4	82.3	89.8	108.0
Housing (F\$m)	2.1	0.6	0.8	1.6	2.3	1.5	1.4	1.6	2.0
Poverty Alleviation Fund (F\$m)	0	0	0	0.3	0.5	7.0	43	48	54
Aid (% of GNI)	3	4	3	4	4	4	2	2	3
Aid per capita (constant (US\$))	46	69	61	85	81	58	36	32	61

Notes: <sup>1</sup> Public expenditure ratio is the ratio of total government expenditure to GDP. <sup>2</sup> Social allocation ratio is the ratio of total social expenditure to total government expenditure. <sup>3</sup> 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) and UNDP and Government of Fiji (1997), Government of Republic of Fiji (various).

The rural services, social welfare and housing sectors expenditures have not increased sufficiently to address the deepening poverty problems. The education, health and water supply categories of the social expenditure increased substantially and have been largely supported by the aid program. The foreign aid flows are generally allocated via government's public expenditure. In terms of per capita aid, it is high by international standards but it may not directly be part of the poverty alleviation programs except for donor assistance through the NGOs. 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 can not afford a welfare state nor wants to create a "handout" mentality" (UNDP and Govt. of Fiji, 1997, p. 3). Government policies in the medium term aim to reduce poverty and provide a safety net to those who experience severe deprivation. Narsey (2006) notes that thousands of people are living below the poverty line because the government machinery responsible for ensuring the minimum wages of workers are set at fair levels has failed to perform in the last 35 years. Ratu Joni Madraiwiwi (Vice President of Fiji) points out that a large number of workers are covered by the Wage Council, but the poor performance of its wage guidelines have increased poverty levels nationally (Madraiwiwi, Ratu Jone www.sun.com.fj/News/Fiji\_Sun\_News5.htm, 18 July 2006).

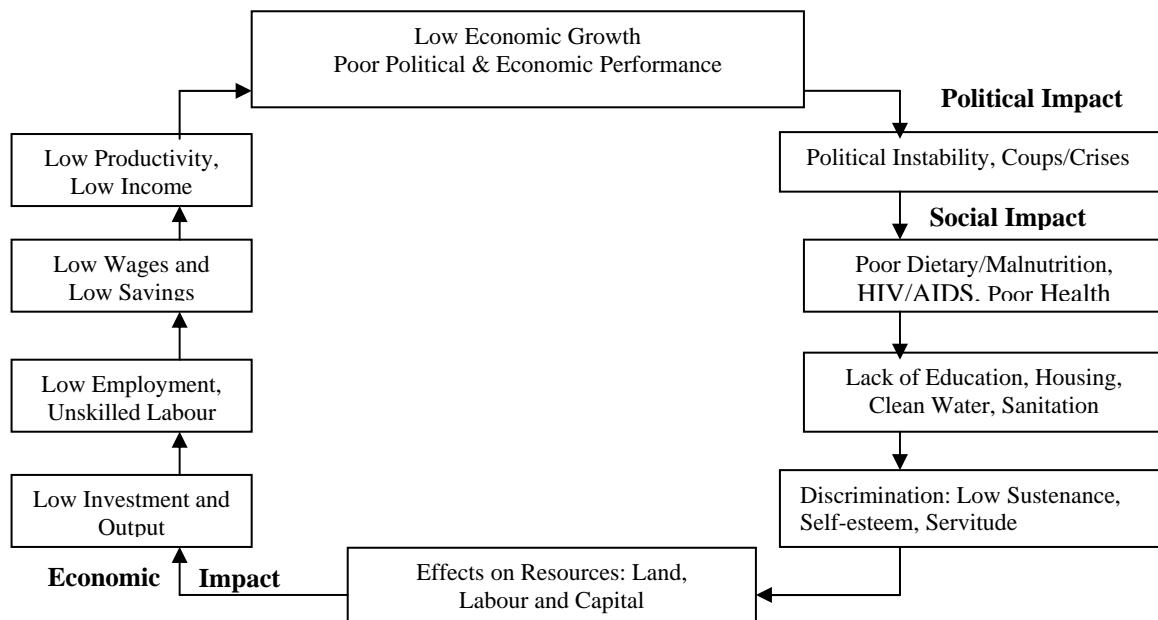
## ***Dimensions and Incidence of Poverty in Fiji***

The dimensions of the vicious cycle of poverty and the incidence of poverty are considered here.<sup>5</sup> A poverty alleviation fund was set up in 1992 to provide income-earning opportunities for the poor, to promote capacity building, to enhance their participation in income earning activities, and to have social safety net for those who are unable to support themselves (Govt. of Republic of Fiji, 1993, 2002). One of the major problems facing Fiji is that its Human Poverty Index ranking slipped from 41<sup>st</sup> in 2001 to 49<sup>th</sup>, amongst developing countries in 2003 due to a rise in its poverty levels. Impact of political instability, land issues and economic crises had adverse impacts on this rise in poverty. A key objective of Fiji's public policy has been to tackle poverty.<sup>6</sup> The objective of reducing poverty levels by 5 percent per annum has been initiated through various government ministries. It involves improving squatter settlements and housing, rental subsidy, infrastructure and subdivisions; microfinance; farming assistance and infrastructure development; remission of fees, building grant, compulsory education and tuition fee-free education; grants to volunteer organisations, family assistance, care and protection allowance (Govt. of Republic of Fiji, 2002, 2004).

Poverty, which was basically a rural problem in Fiji, has become an urban problem as well since the overwhelming majority of the poor are migrating to urban areas. Economic decline, employment contraction and loss of livelihood have affected the lives of many people and increased their social vulnerabilities. This has been accompanied by falling income, rising malnutrition, poor health, a drop in public services, increased pressure on women and violence. Signs of rising poverty include an increased number of street people, such as beggars, street kids, wheel-barrow boys, prostitutes and squatters in urban and peri-urban areas (Govt. of Republic of Fiji, 2002). Political failures and economic and social crises have caused hardships and destitution. As poverty has become a massive problem since the post-2000 crises in Fiji, its sustained reduction will be vital in achieving the MDGs of Fiji.

Figure 1 presents various elements in the dimensions of poverty in Fiji. The political aspects resulted in poor governance, poor policies and discrimination; dampened cultural identity; the benefits of growth did not trickle down to the poor – they were left to struggle with the multi-dimensional problems of poverty. Coups and political instability affected the business sector, i.e. closure of many businesses, people losing jobs, lower wage rates, and lack of economic activities. Inadequate wage policy led to low-paid workers and the jobless could not find opportunities for employment, nor was their income sufficient to meet their basic needs and get out of poverty.<sup>7</sup> The present Fijian generations, squabbling over and squandering the resources, are depriving future generations of growth, harmony and better human and economic development. Adverse linkages identified between political factors and economic development could further result in low standard of living. “The role of the government was critical because it is the Government that everyone looks to for the provision of equity and fairness” (Madraiwiwi, Ratu Joni [www.sun.com.fj/News/FijiSun\\_News5.htm](http://www.sun.com.fj/News/FijiSun_News5.htm), 18 July 2006). Poor governance and coups in Fiji led to several social impacts that led to other causal effects affecting the poor through the lack of provision of social services (with impacts on education, health, HIV/AIDS, housing, clean water and sanitation), and have led to low skilled manpower and discrimination. Such circumstances impact on people's self-esteem. Lack of human development and hardships have resulted in economic decline in Fiji.

**Figure 1: Political, Social, Economic Dimensions of Vicious Cycle of Poverty in Fiji**



The adverse political and social developments in Fiji had detrimental economic impacts causing slow economic progress due to lack of resources (i.e. land, skilled labour and capital).<sup>8</sup> Political instability and uncertainty contributed to the problems of low availability of economic and financial resources thereby adversely affecting economic output.<sup>9</sup> This has been a major detriment in boosting capital accumulation. As productivity and output declined, low income caused low savings and due to a deficiency in investment, it contributed to low employment creation, low wage rates that led to low income per capita causing poverty. Low economic activities affected the working age population (15 to 64 years) where Fiji's working age population comprises of 64 percent of the total population however employs around 55 percent of this population. The level of high unemployment increased in the post-2000 coup period pushing more people into poverty translating into poor dietary consumption with inadequate nutrition and health problems. In addition, high level of school drop out rates and less likely of adults obtaining employment perpetuate to poverty cycle. The poor political, social and economic linkages contributed to vicious cycle of poverty affecting the standard of living and increasing the number of people in poverty in the 1990-2000 period.

The characteristics of household in long-term poverty are their insecure means of livelihood, their limited skills which place them at the bottom of the job market, restricted access to land and sea resources, and the additional economic and social barriers that women-headed household face. Since 1987, sharp declines in urban employment growth have affected unskilled non-union wages (income differentials widened between union, non-union works and wage earners in agriculture and non-agriculture), and wage and salary earners. It has also been noted that rise in poverty resulted from increase in redundancies, increase of work sharing, decreased wage rates and reduced access to land (Stavenuiter, 1983, Bienefeld, 1984, Cameron, 1987, Overton, 1989, Ahlburg, 1995). Public and private sector retrenchments and pay cuts have affected all, and particularly woman, as they have been afflicted with additional household burdens.<sup>10</sup> In addition, children have become the victims of increasing poverty.<sup>11</sup> Political crises posed challenges for poverty eradication strategies, policies and programmes.

Fiji's incidence of poverty for 1977 and 1990/91 is shown in Table 2. Between the 1977 and 1990/91 HIES, the incidence of absolute poverty increased by 10.2 percentage points. In 1977, 15 percent of Fijian households lived in absolute poverty and this ratio increased to 25.2 percent in 1990/91. Poverty increased faster in the urban areas (+21 percentage points) compared to settlements (+9 percentage points) and rural areas (+2 percentage points). The differences between these categories reflect the economic changes that have occurred in Fiji since 1977. Table 2 shows a 60 percent increase in poverty for the period 1977 to 1990-91. The cost of closing the widespread and deeper poverty gap has also escalated from 1.9 percent of GDP in 1977 to 5.4 per cent of GDP in 1991-by 1990-1991, one in four households in Fiji were living in poverty (UNDP and Govt. of Fiji, 1997). The fact that only 20 percent of the urban employed can afford government-subsidised homes, 30 percent of the urban youth are unemployed, and that 50,000 children do not attend school, supports the view that Fiji's urban and peri-urban households are slipping increasingly into poverty (Bryant, 1993, p. 74).

**Table 2: Incidence of Poverty in Fiji 1977 and 1991 and Various Poverty Line 1991**

Incidence of Poverty	1977 Poverty Income Level (F\$)	% of population in poverty 1977	1991 Poverty Income Level (F\$)	Population in poverty, 1991 (%)	Change in poverty (percent -age points)	Increase in Poverty 1977 to 1991 (%)
National	28.0	15.0	84.9	25.2	+10.2	60
Urban	34.0	11.6	102.5	32.8	+21.2	150
Rural	25.0	21.4	77.6	23.1	+1.8	40
Settlement	29.0	19.6	86.0	29.0	+9.4	5
Various Poverty Line	Relative Poverty 1991		Food Poverty 1991		Basic Needs Poverty 1991	
	% population based on household income	% population based on per Capita house-hold income	Weekly gross cost of basic diet (F\$)	Percentage of Household	Minimum household income required to meet basic needs (F\$)	% population earning less than the poverty line
National	32.7	37.6	54.55	9.9	83.00	25.5
Urban	29.0	31.2	54.99	7.9	100.08	27.6
Rural	35.2	43.6	57.15	12.2	75.44	22.4
Settlement	34.9	39.7	53.91	10.2	84.10	26.2

Source: UNDP and Government of Fiji (1997).

The gravest feature of Fiji's incidence of poverty is that essentially incomes rose less than the cost of food. By 1990-91, average household income had grown 2.6 times compared to its 1977 level, however the cost of basic food had tripled. The growth in urban income fell further behind the rise in food costs than did village or settlement incomes. As a result, urban poverty accelerated most. The decline in agriculture shifted unskilled labour to the urban areas increasing the level of urban poverty. The urban poor mostly live in informal or squatter settlements in densely populated, low-cost housing developments and in some urban villages (Government of Fiji, 1994). The sharp rise in rural-urban migration, inadequate social and economic infrastructures and loss of jobs and income may not sustain the number of people coming to urban centres. It also means that the number of people in need of social security and assistance will increase. The cost of closing the poverty gap of \$666 in 1977 would have been \$11.5 million per annum. In 1991, the cost of closing the poverty gap of \$1,377 would have been \$45.9 million per annum (UNDP and Govt. of Fiji, 1997, p. 43). The cost of closing the

widespread and deeper poverty gap in Fiji escalated from 1.9 percent in 1977 to 5.4 percent of its GDP in 1991.

Table 3 indicates the ethnic and rural-urban incidence of poverty estimated for 2002-03 and the changes in poverty between 1977-2002-03, and 1991-2002-03. The poverty estimates of HIES 2002-03 indicate 34.4 percent of Fiji's population now living in poverty (Ministry of Finance and Planning, 2006).<sup>12</sup> The level of poverty increased significantly from 25.2 percent in 1991 to 34.4 percent in 2002-03 indicating a 9.2 percentage point rise between this period, and a 19.4 percentage point increase between 1977 and 2002-03. The incidence of poverty in the rural areas increased substantially to 31.8 percent of the population, poverty rose by 15 percentage point between 1991 and 2002-03 and 18.5 percentage point rise between 1977 and 2002-03. The poverty gap almost doubled from \$1,377 in 1991 to \$2,616 in 2002-03. The 2002-03 poverty gap (is the difference between national poverty line (estimated at \$8062 in 2002) and the average income of a poor household (i.e. \$5,445 per year)) indicates the depth of poverty (Ministry of Finance and Planning, 2006, p.7). Rural poverty worsened as a result of lower incomes since the sugar industry did not prosper and many land leases were not renewed or farmers could not afford the higher premiums of the land leases. Poverty amongst the Indian communities is the highest in both the rural and urban areas. Urban poverty is highest in the settlements, squatter and urban village. The extent of increase in the basic needs poverty is of serious concern as there is poor dietary, malnutrition and poor housing while low income would not meet that expenditure that also affects health and education.

**Table 3 Households in Basic Needs Poverty, 2002-03**

	Rural			Urban			Total
	Fijians	Indians	Others	Fijians	Indians	Others	
Percentage of population in poverty 2002-03	38.0	43.1	41.3	27.2	29.1	17.3	34.4
Incidence of Poverty	Population in poverty 1991 (%)		Population in poverty, 2002-03 (%)		Change in poverty 1991 to 2002-03 (percentage points)	Change in Poverty 1977 to 2002-03 (percentage point)	
National	25.2		34.4		+9.2	+19.4	
Urban	32.8		31.8		-1.0	+20.2	
Rural	23.1		38.1		+15.0	+18.5	

Source: Ministry of Finance and Planning (2006).

The United Nations Economic and Social Commission for Asia and the Pacific (2002) Report points out that Fiji's squatter settlements are not temporary and include residents from urban and rural areas living in the same community for over 10 years. Their numbers have risen significantly as a result of the non-renewal of sugar cane farm leases. This study notes that most households are living on low to extremely low incomes, the majority living on or below Fiji's poverty line of \$100 per week. The increase in food cost, low employment and wage rates affected consumption demand in the post-2000 coup period (Reserve Bank of Fiji, 2001). The 2002-03 HIES results for the urban households indicate that 25 percent of the household sources of income depend on loans, savings, welfare payments and remittances. In addition, over a quarter of the households had a subsistence income and received goods in cash or in-kind (Fiji Islands Bureau of Statistics, 2003). Given that a large proportion of Fiji's urban

population (over 50 percent) earns low income, substantial increases in income (i.e. higher wages in the service sector) are needed to close the poverty gap.

There has been a growing demand for social security grants by the poor (Table 4). The rate of increase in social security grants shows a particularly large increase in the post-1987 coup period as more people have been placed below the poverty line. The number of recipients of the family assistance allowance (FAA) increased from 5,166 to 9,245 in 1995 and the average Family Assistance Allowance (FAA) weekly rose from \$4.65 in 1991 to \$7.25 in 1995 (UNDP and Govt. of Fiji, 1997, p. 95). With the increase of government allocations for FAA and the number of recipients “some people have to keep their application in abeyance or, more recently, the allowance has been temporarily reduced in order to share more widely” (*ibid*, p. 93). While these people heavily rely on informal activities for income such as gardening, fishing and selling of foodstuff, income from these activities are insufficient to provide them with a basic nutritious diet let alone pay for formal rented housing, and pay for school fees and books. There is a greater need for larger social security or safety nets for these people to fall back on. The demand for social welfare grants, rose substantially as the number of applicants for the government family scheme increased from 11,813 in 1999 to 13,443 in 2000 to 20,333 in 2003 to 22,670 in 2005 (Ministry of Finance and National Planning, 2004, 2006). The number of people requiring the FAA more than doubled between 1995 and 2003 (i.e. 9,245 in 1995 to 20,333 in 2003). The rise in social security and grants suggests that people living in poverty also could have doubled, i.e. it could be up to 50 percent of the population, a rise from 25 percent in 1991.

**Table 4 Social Security Benefits and Grants (F\$ million), 1977 to 2005, Fiji Islands**

<b>Year</b>	<b>1977</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>
Social Security & Grants	3.5	6.6	7.9	10.7	11.4	13.6	18.0	18.0	27.4
<b>Year</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
Social Security & Grants	25.0	22.3	29.7	30.5	33.9	36.4	40.4	41.4	43.8
<b>Year</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Social Security & Grants	36.3	46.8	47.0	54.0	57.3	58.4	59.5	82.8	na

Notes: na – not available.

Source: Fiji Islands Bureau of Statistics (various).

To keep families out of poverty would mean increasing welfare assistance otherwise these people might remain in poverty forever. The Fiji Government, in tackling the incidence of poverty, has implemented macroeconomic and development policies, however, the government's initiatives through several policies did not eventuate in lowering poverty levels. Prasad and Asafu-Adjaye (1998) have evaluated the relationship between macroeconomic policy and poverty and noted the deterioration in macroeconomic policy performance for the period 1977–1990 on the one hand, and the deterioration in poverty and income inequality on the other. They also note that while government policy may have improved the welfare of some sections of the population, it failed to improve the living conditions of the urban poor. Recent exchange rate devaluations have had a negative impact on urban dwellers as they depend heavily on imported goods and services which become more expensive.<sup>13</sup> As unemployment levels in Fiji are likely to remain high due to a shortage of income-earning opportunities, the combination of urban drift and an ageing population will add to urban poverty in the coming years. The resolution of land leases could improve agriculture output, increase productivity and support a large number of people in the agricultural sector. To meet the MDG targets, action

from the government, international organisations and NGOs are required if policies are to benefit all. The ADB (2004) through its Alternative Livelihood Development Project has a partnership with Fiji government to reduce poverty that complies with the UN's MDG (Goal 8) to develop a global partnership for development in order to address Fiji's special needs.

The importance of quality policies in reducing poverty and consideration of how pro-poor initiatives can in turn propel economic growth is vital.<sup>14</sup> For the elimination of poverty, pro-poor policies could include greater sharing and redistribution of income, education and technical improvements in resource productivity and land reforms. Various strategies to counter poverty in the 1997 Poverty Report include policies via taxation, employment, education, health, housing, social welfare and women's policy. Better low-cost education is also essential to give everyone a better life. This means that children may escape from the drudgery of labouring or subsistence farming and offers a prospect for jobs and wealth.<sup>15</sup> Poverty alleviation programs should be operated in a transparent, accountable, and effective manner in order to increase the capacity of vulnerable households to escape from poverty or avoid falling into poverty.

### **3. LIVELIHOOD STRATEGIES AND ACTIVITIES: VISIBLE AND INCLUSIVE HUMAN GOALS**

"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). This situation around the world is no different to experiences of the people in Fiji. Naidu (2005), Barr (2005), Narsey (2006, 2004) and Naidu *et al.*, (1999) point to various situations of poverty where aid, trade, good governance, wage increases, basic needs and growth approaches can make a radical attack on poverty. Addressing poverty should start by providing the basics for human development through growth. The emphasis should not only be on economic opportunities but should include the expansion of political, social and cultural opportunities. The key to the results framework is the linkage between livelihoods activities and those of the housing, health and education programs for human development. Implementation of several of the proposed medium to longer term livelihood activities will require a certain amount of stability being assured by the establishment of long-term programs for the poor and the vulnerable. It is also assumed that livelihood programs will support education and health outcomes to improve the standard of living and alleviate poverty. These may be implemented by the government, international agencies, bilateral donors and NGOs projects. Foreign aid can supplement domestic resources to provide livelihood programs to combat poverty. Strategies outlined next provide some means to tackle poverty.

### ***Income-earning capacity of vulnerable households***

Five 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; and access to land in the agricultural livelihood programmes for the displaced households.<sup>16</sup> Policies to enable output growth and provide essential services are vital to support livelihood programs across all communities. Provision of skills training, especially in (projected) high-demand functional areas such as carpentry, production of household goods (baskets, mats) and clothing, etc. using cash for training would encourage youngsters and reduce criminal activities and prostitution. Assistance to households and communities through a community mobilization process to maximize income-earning opportunities via various production systems based on market demands and also encourage community development and civic education. Education programs should help to mitigate livelihood/income stresses by meeting the cost of fees and books and establishing school health and nutrition programs over years may help to reduce child exploitation.

### ***Business in poverty reduction***

Chronic poverty is bad for business and of concern to business people. Businesses, in order to prosper, need customers' purchasing power and a way 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. Business companies could play a role in poverty reduction through job creation, sale of good quality but cheaper products, sourcing locally and encouraging small-holder 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. A company, therefore, in increasing its own production of local craft and expanding business will also be assisting the people to learn and improve craftsmanship and boost the incomes of the people surrounding its factory. As higher levels of the population are falling into poverty, company workers could also be better off than many others by earning above the statutory minimum wage. Such schemes and contributions may be small but a business' initiative is put together with that of other businesses and NGOs, a tremendous impact may be made on poverty reduction.

To most companies, being socially responsible means just giving *ad hoc* charitable donations but to have maximum effects, corporate schemes should focus on the poor in urban and rural areas. Businesses can assist in reducing poverty through the Chamber of Commerce, asking government to waive income tax (to a level) on donations made by businesses for poverty alleviation programs. Fiji's *Strategic Development Plan 2003-2005* notes that government policies are aimed at helping people to get into small and micro-businesses. However, the growth of these has not been sufficient to provide enough jobs nor have efforts to assist the development of small and micro-business been adequate, given the scale of poverty (Ministry of Finance and National Planning, 2004, p. 52). In such circumstances, the government can closely collaborate with businesses and play a vital role in curbing poverty.

### ***Entrepreneurs, consumers and profits***

Lifting the poor from low levels of living and giving them the opportunity to be entrepreneurs and consumers can reduce poverty. Understanding business possibilities in assisting the poor while giving them economic opportunity is crucial in eradicating poverty through profit. Prahalad (2005) in his study, *The Fortune at the Bottom of the Pyramid*, points out that if we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up. He notes that profits for corporations and growing prosperity for the poor by lifting the bulk of the population into the middle class as the traditional development strategies carried out by governments have been ineffective in alleviating large-scale poverty. The business systems of the developed nations have not engaged the poor in a sustained manner and the poorest pay a premium for basic products and services and pervasive poverty remains as large a problem as ever.

Companies need to allow people to be consumers, and engage the lower socio-economic group in market access, availability and affordability. It is important to provide services to all customers in order not to create two levels of people. An assessment of poverty and hardship study in Fiji found that lack of income-earning opportunities is one of the critical issues identified by all communities facing hardship as a result poor households could not afford a minimum nutritious diet (ADB, 2002). Consumerism and small and medium enterprises should include poor people in their market strategies and create inclusive capitalism. The interest of the company is to look for growth opportunities, to pursue the interests of shareholders who want value creation, and to develop consumerism. Market strategies should include all people to sustain business.

Half of Fiji's total population still lives in rural areas and despite rapid urbanization, it is estimated that 50 percent of its people will still be in rural areas in 2015. Income and livelihoods of the bulk of the rural population depend primarily on agriculture, which employs 90 percent of the rural labour force and nearly 50 percent of the total labour force. In addition, a significant proportion of non-farm urban employment is linked to agriculture. This is more so in the informal sector, such as agricultural commodity marketing and processing, as well as in food preparation and retailing. As the urban poor spend 60 to 70 percent of their budget on food, urban and rural livelihoods are interconnected through linkages between agriculture and the urban economy of goods and services. Urban poverty generally feeds on rural poverty through rural-urban migration. Low capacity to consume in Fiji has been due to an inappropriate wage level. Policy needs to increase the capacity of the poor to buy goods. Small and medium enterprises can include skills and knowledge in the generation of ideas and products; can incorporate local customs/values in the creation of new ideas and products; and better understand how ideas and products affect the outcomes for enterprises. Businesses can contribute positively towards sustainable livelihood in a variety of ways and promote their activities and the capabilities.

### ***Agriculture transformation***

Increases in agricultural and rural incomes raise growth multipliers, hence each additional dollar of rural income would yield another increment in total income, mainly through expenditure and consumption linkages between agriculture and other sectors of the whole

economy. Increasing the productivity and competitiveness of agriculture is vital to improving the livelihoods and the overall income of the majority of Fijian households. Devising meaningful innovations to transform agriculture first requires innovation in the conceptual and analytical framework. Fiji needs to diversify its agriculture. In addition, greater attention needs to be given to value adding to agricultural products. This requires attention to manufacturing and generally going beyond the primary sector to take account of the whole economic system (i.e. physical production, transformation stages) aiming to maximize productivity, efficiency, and minimize costs.<sup>17</sup> This broadens the framework to include farming innovations, agro-industrial and the agribusiness services sectors. This should improve livelihoods by reducing poverty through broad-based economic growth, enhancing food security, creating employment and generating value-added products and wealth across the farming and non-farming sectors.<sup>18</sup>

### ***Private investment***

Private investment in farming is inhibited by the lack of sustainable financial structures, land problems and the demands of rural areas. Growing informal demand for food and agricultural products in Fiji tends to be mostly met by imports that result in private investment in sectors other than agriculture.<sup>19</sup> Fiji is faced with the following major challenges: commodity price volatility and finding affordable price stabilization policies, declining commodity prices and the challenge of diversification, productivity, value-addition in agriculture; protectionist (tariff/non-tariff) policies, domestic agricultural support, export subsidies and competitiveness in international markets; and trade reforms and addressing the related risks for agriculture. Public awareness of the poverty problems has grown recently. Lack of income in Fiji has inhibited both the fulfilment of basic needs and innovation to develop new livelihoods. Private investment through political, economic and social systems can be undertaken to modernize the economy to increase its wealth creation. It can be enhanced by establishing enabling policies and appropriate institutional environments.

### ***Institutions***

Improved institutions are required to ensure that poor actually benefit from government policies. Institutional monitoring and information technology (cell phone/computers) gives hope to citizens to eradicate poverty via livelihood activities. Government needs to maintain the type of flexibility required to ensure that critical needs of individual households are met and at the same time, ensure there is a supporting policy environment. The policies vital in the alleviation of poverty could take three-way simultaneous implementation as follows: targeting income generation activities, capacity building to enhance their participation in a diverse range of income-earning activities, and at the same time provision of safety net for the most vulnerable. As majority of the poor are landless and reside in the rural areas besides those in the urban squatter settlements the institutions involved with poverty and livelihood programs could initiate: a) access to land and help facilitate land leases in partnership with relevant authorities; and b) provide assistance to vulnerable families that may have difficulty in obtaining government compensation for rebuilding of their homes as well as assisting those who receive government social security grants. 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 related to the changing life-circumstances of households and groups, on the other hand. Social exclusion of some households or groups can adversely affect their well-being, social integration and rights.

### ***Regional integration through provision of services***

Actions through the Pacific Plan present the possibility for a new regionalism in the context of Australia's and New Zealand's commitment to strengthen their economic relationships with Fiji. The goal of the Pacific Plan is to "enhance and stimulate economic growth, sustainable development ...through regionalism" (Pacific Islands Forum Secretariat, 2005, p. 3). Within the sustainable development objective one of the three pillars of social development is poverty eradication. Foreign aid is a crucial component for this. The next section presents a detailed discussion of this. Nonetheless, a scheme noted in the Pacific Plan is temporary labour mobility that can be a central way to reducing poverty. Labour mobility can be a potential source of increasing the income of those who do not have income-earning opportunities in the immediate future and are in poverty. Temporary labour mobility/seasonal worker schemes in the agriculture and horticulture sectors can be a significant part of the solution to labour shortage faced by Australia and New Zealand and at the same time reduce poverty in Fiji. Income earned from this scheme may also encourage the poor to operate their own businesses which involves the livelihood scheme noted in the role of business in poverty reduction via consumerism, the development of small and medium enterprises, agricultural transformation and private investment. Regional integration of services can thus be the important step in meeting the goal of poverty reduction in Fiji.

The number of people falling below the poverty line is increasing in Fiji and a reason for this is mainly due to lack of income-earning opportunities. The people have the initiatives and agricultural capability and would leap to an opportunity to better themselves. An approach to better the lives of those in poverty is like sending peace keepers to conflict zones to assist people save their lives – except that with labour mobility the labour gets an opportunity to improve their lives themselves and at the same time, the host nations improve their own output and growth. Regional integration schemes can provide this opportunity to lift people, in the Pacific islands, out of poverty. The benefit is not only to the poor islanders but also to the host country itself. Under the temporary labour mobility scheme, Australia and New Zealand will assist their own business first by economically increasing profits, increased market integration - larger output and investment, and income gain for the domestic regions. The scheme will assist Fiji in reducing poverty to meet its MDG, and also at the same time enable the hosts to be good international citizens.<sup>20</sup> Concerns for overstay and some related issues have been noted by Australia and New Zealand but such a scheme can be monitored in the case of educational scholarship schemes. Here the role of the employer will be greater as the work scheme comes to the close. For example, the last part of salary/wage payments can be made through a transfer directly to the worker's bank in Fiji after they have left the host country. Such agreements and regulations can be stipulated in the labour contract.

Through the Pacific partnership strategies, Australia and New Zealand can fill the urgent need of labour shortage in the agricultural sector besides maintaining national interest. MacKay (2006) points out that labour mobility from the Pacific is an option for the future demand for the New Zealand industries. Thus, under the Pacific Plan the concept of regionalism, can be seen as providing employment opportunities that would contribute to Fiji's economic and social goals and meet its social objective to eradicate poverty. Trade in services by temporary movement of labour meets the goal and objective to enhance and stimulate economic growth, sustainable development and security in the region through regionalism. The scheme of a Trade

and Technical Training Institute to develop capacity building is vital to address employment issues, building more industries etc., but it is more of a benefit seen in the long term. This scheme will not be able to address the MDG challenge of halving the population in poverty in the short term, particularly when Fiji is falling deeper in poverty. Assistance through regionalism is an important aspect within the Pacific Plan framework to build labour capacity for economic growth and development in Fiji. Such actions are necessary to address the living standards of those in poverty.

In considering the livelihood strategies, activities and humanitarian goals above, the basic discussion hinges on the idea of viewing human development and poverty eradication as an expansion of people's capabilities, choices, awareness and the development of inclusive and visible policies and institutions. Before Fiji's independence while problems of poverty were not known, use of resources by the poor and uneducated people could in fact create income rather than create the groups of helpless people. There has been slow acceptance of market economics. Fiji needs to create and sustain an environment conducive to wealth creation which requires free enterprise, secure property rights, contract enforcement and the rule of law. These attributes are somewhat lacking in Fiji and none of these will be helped if foreign aid is ineffective. Good governance and quality policies are vital and could affect the volume and efficiency of new investment and free market. Fiji needs potential investors, wage reforms, a stable macroeconomic environment and policies more reliable for human development. Democracy is as relevant to the public sector as it is to the private sector and combined with economic efficiency and quality labour laws, can reduce poverty and increase growth.<sup>21</sup>

Social inclusion and anti-poverty strategies are needed to foster agriculture and manufacturing in achieving domestic-market oriented and export-oriented developments. The Wages Council is a powerful mechanism to ensure that larger numbers of workers and their families in formal employment do not fall below the poverty line (Madraiwiwi, Ratu Jone [www.sun.com.fj/News/Fiji\\_Sun\\_News5.htm](http://www.sun.com.fj/News/Fiji_Sun_News5.htm), 18 July 2006). Fiji requires quality institutions that embrace societal policies for human and economic development that improve socio-economic performance and resource management and result in higher growth. A lack of these severely damages a myriad of economic, social and political outcomes that undermine well-being. "People-centred" and "institution-centred" policies are vital for an inclusive approach to increase welfare and reduce poverty (see International Labour Organisation, 1996).

#### **4. FOREIGN AID AND POVERTY ALLEVIATION PROGRAM**

For many small island countries, overseas aid has become crucial and the only source of external financing, it represents a very significant part of their national income. In the context of declining aid flows worldwide, it is more important than ever for the island nations to create the domestic environment that encourages private flows and also use this limited aid most effectively. The positive effect of aid on developing countries in assisting with capital accumulation to spur economic growth has been noted in the aid-growth literature (see Gounder, 2001, and the literature cited therein). In Fiji, international and bilateral donor agencies have played an important role in providing funds for capital accumulation. Political instability in Fiji reduced aid flows and various cancelled projects have not been restored. An

important source of assistance towards poverty alleviation is to meet resource needs in various social projects and also to ensure that the government in its economic and social programmes reaches the poor. Fiji receives a high level of per capita aid as shown in Table 1. Substantial amounts of foreign aid to Fiji have been provided by Australia, Japan and New Zealand with the ADB, World Bank and UNDP also undertaking various projects since the inception of aid.

Fiji implemented structural adjustment programs to address its domestic problems and its poor economic growth by raising external finance from various aid agencies but its poverty programmes 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 to reach the poverty targets of the government and its MDGs. Thus the government needs to maintain the effectiveness of aid utilisation with the assistance of the donors as bilateral aid constitutes the bulk of aid flows with a smaller proportion in the form of loans. Changing the level of aid to reach those living below the poverty line can be through direct effect of the increase in aid and the increase in government budget allocation for those social and economic poverty reduction projects. A public-private partnership is an important way to strengthen a community's stake in projects and improve the standard of living in the squatter settlements and rural areas.

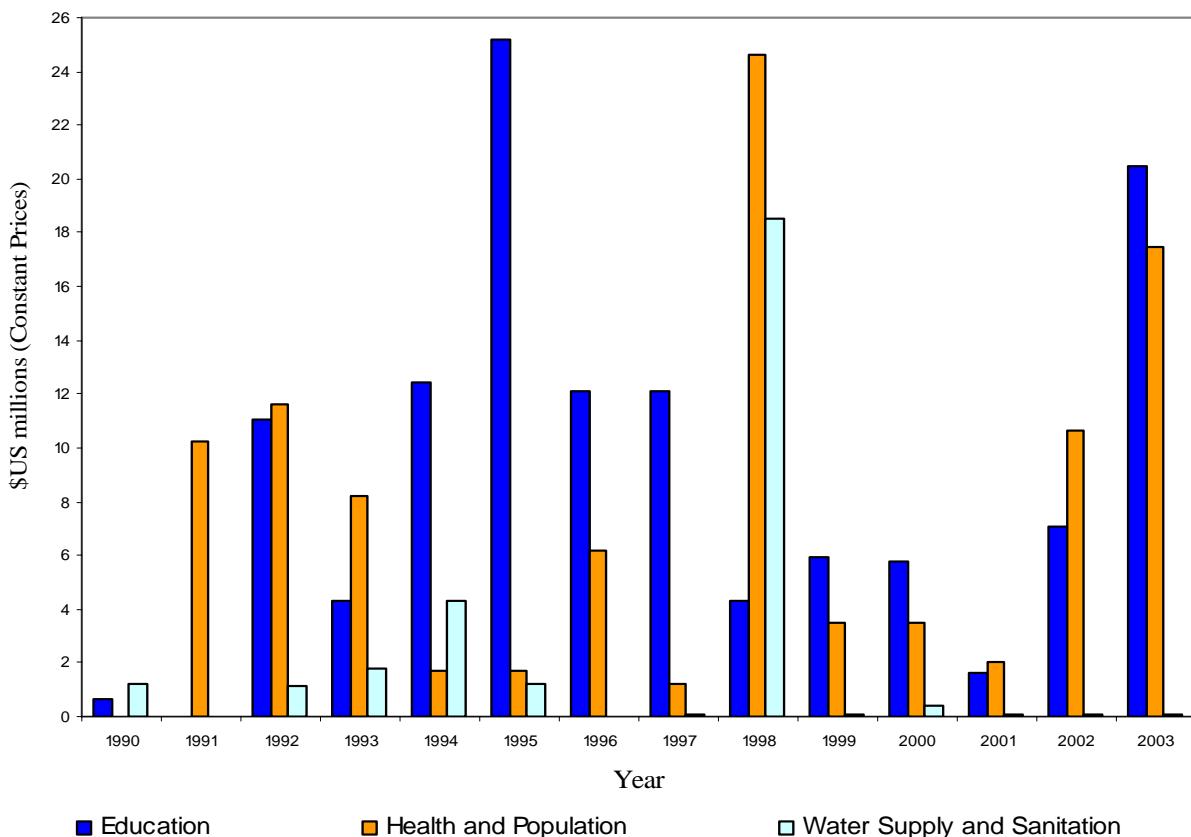
Fiji's aid allocations by sectors are presented in Table 5. From the 1980s, the main focus of bilateral assistance to Fiji has been towards the provision of social infrastructure. A substantial amount of bilateral aid between 1975 and 1980 was allocated to improve economic infrastructures such as roads and other economic infrastructures. 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 to social infrastructure development has taken priority since 1981 with a 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 (Figure 2). An increased share of aid has been concentrated on health and primary education, especially in the rural areas in the post-2000 period. Law and justice, and industrial development sectors have received aid. 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.

**Table 5: Bilateral Official Development Assistance Commitments by Sectors, Fiji (\$USM constant prices), 1975-2003**

Year	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: OECD (2005).

**Figure 2 Foreign Aid Flows to Social Sectors, 1990-2003**



Source: OECD (2005).

Foreign aid flows to social sectors and welfare payments are critical in assisting the very poor, while aid and poverty alleviation programs can be implemented through an increase in public investment in socio-economic development. The public expenditure in Fiji crowds in private investment that leads to higher growth in output in the long run (see Gounder 2005b, Narayan 2004).<sup>22</sup> Private capital accumulation is crucial for growth but Fiji is adversely affected by low levels of private investment due to the uncertain political and economic climate. Stable environments are needed to raise private investment to increase the demand for educated labour. Public investment can be allocated across all sectors to raise efficiency in educated labour and productivity. With higher domestic output and real disposable income poverty rates can be lowered through economic growth. Foreign capital and aid can encourage the development of the private sector and at the same time provide aid to those who are poor and impoverished.

## **5. CONCLUSION**

This study analysed poverty issues in Fiji and its dimensions, livelihood strategies, activities and foreign aid as a means for poverty eradication. Three household income and expenditure surveys for 1977, 1990/91 and 2002-03 have been used in this study to analyse the extent of poverty. While the Fijian economy grew approximately by 25 percent over last three decades, the proportion of people living in poverty increased by 60 percent between 1977 and 1991. Recent estimates indicate that poverty rose significantly in the late 1990s and in the post-2000 coup period with an increase in number of people requiring family assistance allowance, a high unemployment rate, lower wages and income, a higher cost of basic needs, and more people in squatter settlements. The increase in population living in basic needs poverty to 34.4 percent suggests that while low income would not meet that expenditure social problems will rise as the lack of skills and education will further raise hardships. The dimensions of poverty in Fiji suggest it has become harder to get out of poverty cycle. Concerns for poverty eradication, meeting the Millennium Development Goal target and the persistence of socioeconomic crises demand new approaches and activities to respond more effectively to resolve these crises.

Two main notions for addressing poverty in the immediate future are through economic means, involving livelihood activities, and through social development. The economic means include public and private investment to stimulate growth. Fiji requires a greater growth effort to reduce its poverty. The ability of the businesses to be part of poverty reduction programs and the poor to be part of consumerism will enhance poverty reduction. Immediate concern for the government and the businesses will require re-evaluating wage rates. More importantly wage rates in the services have to be well above poverty-line rates. Output-export-price-performance relationships for products and services, income-earning activities, and distributive small-scale operations with skill improvements and capabilities need to be taken into account. Low-income groups can rise to new challenges to improve their lives by becoming involved in the production and distribution of services in a profitable way. Addressing education and health as key components of human capital and as means to expand capabilities will meet the critical development objectives. Livelihood activities and actions are necessary and require sufficient conditions to lift the poor out of poverty based on mutual obligations of individuals, government and regionalism to benefit the nation, neighbours and the world. Directions of policies need to include quality institutions; political stability; economic opportunities; pro-poor growth policies; a reduction in rural-urban drift; wage reforms and employment generation; and the provision of infrastructure facilities to assist squatter settlements. Domestic and foreign resources are vital to effectively enhance the economic and social prospects for Fiji's economic growth and for its poverty alleviation programs.

## Notes

1. The World Bank 2000/01 Report on *Attacking Poverty* notes that in 1990-98 alone the number of people in extreme poverty fell by 78 million (World Bank, 2000, p. vi).
2. There exist a voluminous literature and empirical studies on these issues by various institutions such as the World Bank, International Monetary Fund, United Nations organisations, regional organisations in the Asia, Africa and Latin America, World Health Organisation, Food and Agriculture organisation, aid donor studies besides the academics in the field of economics, sociology, anthropology etc based on country-specific and regional effects of poverty.
3. However, there has been a claim by the non-government organisations that in 1997 some 30 to 40 percent of the population actually lived in poverty in Fiji (*Review*, October, 1997). Subramani *et al.*, (2003) have noted increasing levels of poverty in Fiji.
4. Prolonged poor economic performance caused weak governance and various dimensions of political, economic and social dimensions of conflicts (Gounder, 2005a).
5. In this study absolute poverty is used, defined by calculating the minimum income a household needs to provide for its basic needs; a lower income defines that household as being in absolute poverty in the context of living standards in Fiji. Several measures of poverty have been discussed in the literature, a common measure relates to head count index, which measures the share of the population below the pre-determined poverty line. Grootaert and Kanbur (1990) provide an extensive discussion on different measures of poverty, the focus on the number of poor and the depth of poverty.
6. This can be cited in every *Development Plan, Strategic Development Plan, Affirmative Action Plans, Nine Point Plan, Ten-Year Plan for Fijian Participation in Business, Budget Address, Strategic Plan Mid-Term Reviews*, etc., since independent in 1970.
7. Barr points out that “the wages stipulated in the Wages Council Orders for 2002 were absolutely appalling and totally inadequate” (Barr, 2003, p. 200). He further notes that this situation was little different from 1991 when some 25% of the people were in poverty and most of them were employed.
8. Gounder (1999, 2002) finds a statistically significant inverse relationship between political instability and economic growth, the direct impact of political instability decreased economic growth by decreasing long-run capital accumulation and productivity. Other factors necessary for growth that were affected include terms of trade, decline in capital (investment) and imports, high interest rates, real exchange rate misalignment, decline in aid flows, large external/internal debt and low exports, wage rates and outflow of skilled labour.
9. Essentially, the lack of capital accumulation suggests that technological progress can not be maintained to increase productivity in the associated sectors as imports of machinery and equipments have also declined due to low demand and a weak economy.

10. Bain notes that ‘for low paid families, stretching a limited budget to meet the food and other basic requirements of family welfare is hard at the best of times. Since the collapse of the economy, however, this responsibility has become more burdensome. The number of destitute families has increased so drastically that the Social Welfare Department has had to turn away the families seeking assistance. These cases are, thus, denied even the partly government destitute allowance of between \$18 and \$40 per month (Bain, 1988, p. 29).
11. 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 percent 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.
12. This figure may not reflect the actual level of poverty given the survey periods and rural-urban migration thus raising some estimation problems. Kubuabola (2005) in his Budget Speech reported an estimate of 28 percent in the 2005 however this was grossly underestimated given the revised data. The incidence of poverty could be higher given the increase in the people living in squatter settlements, increase in the government allocation of social security benefits and grants, increase in number of recipients of family assistance allowance, NGOs support in terms of cash-in-kind and food supplies and support for poor people through remittances. The estimates by Narain (2004) indicate that over 40 percent of Fiji’s households live in poverty following the May 2000 coup.
13. In 1987 the currency has been devalued by 33 percent. While devaluation is regarded to increase competitiveness, in turn leading to an increase in production and employment, however the short-run direct impact affected the poor in terms of higher prices.
14. Various studies point out that there is a close link between poverty reduction and macroeconomic policy (Sarris, 1994; Dorosh and Sahn, 1993; Ravallion and Huppi, 1991; Demery and Squaire, 1996; World Bank, 1994, 1996, 2000).
15. “Educate a part of a community and the whole of it benefits. Basic learning drives economic growth: think of Japan after war. It has lowers fertility rates: see Bangladesh in the past 20 years. It helps women to raise healthy children and farmers to reap bigger crops. If enough people learn to read and write, the economy will improve and everybody can get more out of life” (Sen, A. Cited in *Economists*, March 27 1999, p. 75). See also Sen (1999).
16. Such activities can be addressed through provision of a range of short and medium term strategies of income-earning opportunities for vulnerable households and strengthening the local service sector (e.g. village shops, crafts).
17. Issue to be noted include research, technology generation and diffusion; input production and delivery; farm-level production; commodity processing, conditioning, and handling (including storage); and product transport, marketing and trade.

18. Agriculture in Fiji has, for more about two decades, suffered from a lack of consistency in the degree and the course of priority given to the development of the sector. As a result of this severe under-capitalization, the rural landscape is still marked by subsistence farms, low technology and weak knowledge-based agricultural production systems, owing to the lack of development and widespread use of appropriate technologies and to extreme paucity in basic support infrastructure. Input and product markets are incomplete, endowed with insufficient quality infrastructure and support services such as information and communication, and poorly integrated at the national, sub-regional and regional levels. Land issues have severely affected agriculture output and productivity.
19. The combined effects of these features include stagnating or declining agricultural and non agricultural productivity, weak backward and forward linkages between agriculture and other sectors, loss of competitiveness in world markets, and environmental degradation. Ineffective or misguided policies; inadequate development/ management of natural resources (especially land and water); poor production and market infrastructure; poor access to financing and insufficient investment; ineffective institutional and legal frameworks for governing transactions; weak integration of commodity chains at the national and regional levels; and poor access to improved/modern technologies affect growth and thus increase the number of poor in the urban and rural areas.
20. Both Australia and New Zealand face labour shortages in the agriculture and horticulture and these nations already allow backpackers each year from North American and European countries to fill that labour gap in various areas.
21. In this study of Fiji Gounder (2002) .notes that good governance, economic efficiency, free markets and quality policies are crucial for higher economic performance.
22. Gounder (2005b) study shows that private investment has a larger impact on growth than public investment and consistently contributes to growth in both the short-run and long run and that public investment crowds in private investment under various specifications of conditioning factors such as policy, impact of military coups and/or natural disasters. The study by Narayan (2004) on whether public investment crowded out or crowded in private investment in the case of Fiji notes that government investment has crowded in private investment for the period 1950-1975 and the relationship between government and private investment is weak in the period 1975-2001.

## REFERENCES

- Ahlburg, D.A. (1995) *Income Distribution and Poverty in Fiji*, Suva: United Nations Development Programme.
- Asian Development Bank (2004) *Country Strategy and Program Update 2005-2007, Republic of the Fiji Islands*, August 2004, Manila: Asian Development Bank.
- \_\_\_\_ (2002) *Preparation of National Poverty Reduction Strategies in Pacific Member Countries*, Manila: Asian Development Bank.
- Bain, A. (1988) “Fiji’s Coup: Women in the Wake”, in Satendra Prasad (ed.) (1988) *Coup and Crises: Fiji – A year Later*, Suva: Arena Publications.
- Barr, K.J. (2005) *Making Poverty History, Different Approaches to Addressing Issues of Poverty and Development*, Suva: Ecumenical Centre for Research Education & Advocacy.
- \_\_\_\_ (2003) “Wages Council and Just Wages in Fiji”, *Fijian Studies*, Vol. 1, No.1, pp. 199-208.
- \_\_\_\_ (1990) *Poverty in Fiji*, Suva: Fiji Forum of Justice and the Integrity of Creation.
- Bienefeld, M. (1984) *Fiji Employment and Development Mission*, Suva: Government Printer.
- Bryant, J.J. (1993) *Urban Poverty and the Environment in the South Pacific*, Armidale: University of New England.
- Cameroon, (1987) “Assessing the Quality of Life for Women and Men in Fiji Using Active Profile Analysis”, *Journal of Pacific Studies*, Vol. 13, pp. 80-93.
- Demery, L. and Squire, L. (1996) “Macroeconomic Adjustment and Poverty in Africa: An Emerging Picture”, *The World Bank Economic Observer*, Vol. 11 (1), pp. 39-59.
- Dorosh, P.A. and Sahn, D.E. (1993) *A General Equilibrium Analysis of the Effect of Macroeconomic Adjustment on Poverty in Africa*, New York: Cornell University and Nutrition Policy Program, Ithaca.
- Fiji Islands Bureau of Statistics (2003) *Urban Household Income and Expenditure Survey 2002-03, Provisional Results*, No. 70, Suva.
- \_\_\_\_ (1991) *Household Income and Expenditure Survey 1990/91*, Suva: Bureau of Statistics.
- \_\_\_\_ (various) *Current Economics Statistics*, Suva: Bureau of Statistics.
- Gounder, R. (2005a) “Neglected Dimensions of Development: Inequality, Conflict and Aid”, *International Journal of Social Economics*, Vol. 32 (1/2), pp.60-76.
- \_\_\_\_ (2005b) “Fiji’s Public-Private Sector Investment, Policy, Institutions and Economic Growth: Evidence from Time Series Data.” *Journal of Fijian Studies*, Vol.3, pp. 87-110.

- \_\_\_\_ (2002) “Democracy, Economic Freedom, Fiscal Policy and Growth: Findings and Reflections for Fiji”, *Contemporary Economic Policy*, Vol. 20, pp. 234-45.
- \_\_\_\_ (2001) “Aid-Growth Nexus: Empirical Evidence from Fiji”, *Applied Economics*, Vol. 33 (8), pp. 1009-19.
- \_\_\_\_ R. (1999) “The Political Economy of Development: Empirical Results from Fiji, *Economic Analysis and Policy*, Vol. 29, pp. 133-50.
- Government of Republic of Fiji (2002) *Rebuilding Confidence for Stability and Growth for a Peaceful, Prosperous Fiji Strategic Development: 2003-2005*, Parliamentary Paper No. 72, Suva: Government of Republic of Fiji.
- \_\_\_\_ (1994) *The Alleviation of Poverty – Supplement to the 1994 Budget Address*, Suva.
- \_\_\_\_ (1993) *Opportunities for Growth Policies and Strategies For Fiji in the Medium Term*, Suva: Government of Fiji.
- \_\_\_\_ (various) *Budget Estimates*, Suva: Government of Republic of Fiji.
- Grootaert, C and Kanbur, R. (1990) *Policy – Oriented Analysis of Poverty and the Social Dimensions of Structural Adjustment*, SDA Working Paper Series, Washington, D.C.: World Bank.
- International Labour Organisation (1996) *Social Exclusion and Anti-Poverty Strategies*, Geneva: International Labour Organisation – International Institute of Labour Studies.
- Kubuabola, J. (2005) *2006 Budget Address*, Suva: Ministry of Finance.
- MacKay, P (2006) “Labour for the Horticulture and Viticulture Industries: Options for the Future”, Paper presented at *The Future of the Pacific Market Conference*, Wellington, 29-30 June.
- Madraiwiwi, Ratu Joni (2006) “Poor Wages Lead to Poverty”, ([www.sun.com.fj/Tuesday/News/Fiji\\_Sun\\_News5.htm](http://www.sun.com.fj/Tuesday/News/Fiji_Sun_News5.htm) (18 July 2006).
- Ministry of Finance and National Planning (2006) *Strategic Development Plan 2007-2011*, Suva: National Planning Office (June 2006).
- Ministry of Finance and National Planning (2004) *Strategic Development Plan 2003-2005, Mid Term Review*, Suva: National Planning Office (November 2004).
- Naidu, V. (2005) Breaking Out of Poverty: Pacific Perspective, Parkinson Memorial Lecture, Suva, University of the South Pacific, (October 2005).
- Naidu, V., Lee, R., Seniloli, K. (1999) *Opening Doors to an Inclusive Society – Fiji’s Poverty Alleviation and Eradication Strategy Framework*, Suva: UNDP and Ministry of National Planning.
- Narain, D. (2002) Poverty, A rising Social Ill, *mimeo*. See also [www.fijilive.com/news.php3](http://www.fijilive.com/news.php3), May 22.

- Narayan, P.K. (2004) ‘Do Public Investments Crows Out Private Investment? Fresh Evidence From Fiji’, *Journal of Policy Modeling*, 26: 747-53.
- Narsey, W. (2006) *Just Wages for Fiji: Lifting Workers Out of Poverty*, Suva: Ecumenical Centre for Research Education and Advocacy.
- Narsey, W. (2004) *To Level the Playing Fields – Developing our Small People*, Suva: Vanuavou Publications.
- Organization for Economic Cooperation and Development (2005) *Geographical Distribution of Financial Flows to Developing Countries*, Paris: OECD.
- Overton, J. (1989) *Land and Differentiation in Rural Fiji*, Australian National University: National Centre for Development Studies, Research School of Asia and Pacific Studies.
- Pacific Islands Forum Secretariat (2005) *The Pacific Plan For Strengthening Regional Cooperation and Integration*, Suva: Pacific Islands Forum Secretariat, October 2005.
- Prahalaad, C.K. (2005) *The Fortunes of the Bottom of the Pyramid*, New Jersey: Wharton School Publishing and Pearson Education.
- Prasad, B.C. and Asafu-Adjaye (1998) “Macroeconomic Policy and Poverty in Fiji”, *Pacific Economic Bulletin*, Vol. 13 (1), pp. 47-56.
- Ravallion, M. and Hupi, M. (1991) “Measuring Changes in Poverty: A Methodological Case Study of Indonesia during an Adjustment Period”, *The World Bank Economic Review*, Vol. 5 (1), pp. 57-84.
- Reserve Bank of Fiji (2001) *Quarterly Review*, September 2001, Suva: Reserve Bank of Fiji.
- Sachs, J. (2005) *The End of Poverty*, London: Penguin.
- Sarris, (1994) “Household Welfare during Crisis and Adjustment in Ghana”, *Journal of African Economics*, Vol. 2 No.2, pp. 195-237.
- Sen, A. (1999) *Development As Freedom*, New York: Knopf.
- Subramani, et al., (2003) *Poverty in Indian and Minority Communities in Fiji*, Report Submitted to the National Advisory Council, Suva.
- Stavenquier, S. (1983) *Income Distribution in Fiji: An Analysis of Various Dimensions with Implications for Future Employment, Basic Needs and Income Policies*, Suva: Central Planning Office.
- Tisdell, C. (2000) “Sustainable Development and Human Resource Capital”, *Social Economics, Policy and Development Working Paper No 12*, The University of Queensland, Brisbane, Australia.
- United Nations Development Programme (2005) *Human Development Report 2005*, New York: Oxford University Press.

- \_\_\_\_ (2003) *Human Development Report 2003*, New York: Oxford University Press.
- \_\_\_\_ (2001) *Human Development Report 2001*, New York: Oxford University Press.
- United Nations Development Programme and Government of Fiji (1997) *Fiji Poverty Report*, Suva: United Nations Development Programme and Government of Fiji.
- United Nations Economic and Social Commission for Asia and the Pacific (2002) *Advisory Service to Nasinu Town Council: Squatter Settlement Assessment Nasinu Phase II Report*, Port Vila: UNESCAP, November 2002.
- World Bank (2000) *World Development Report 2000/01*, Washington D.C.: World Bank
- \_\_\_\_ (1996) *Trends in Developing Economies*, Washington D.C.: World Bank.
- \_\_\_\_ (1994) *Adjustment in Africa: Reforms, Results and the Road Ahead*. A World Bank Policy Research Report, New York: Oxford University Press.

## LIST OF RECENT DISCUSSION PAPERS

- 05.08 S. Richardson, *To Subsidise or Not to Subsidise: A Game Theory Explanation for the Subsidisation of Sports Events and Facilities*, September 2005.
- 05.09 R. Gounder and V. Xayavong, *Conditional Distribution of Growth in Sub-Saharan Africa: A Quantile Regression Approach*, October 2005.
- 05.10 S. Shakur and A.N. Rae, *Trade Reforms in South Asia*, December 2005.
- 06.01 H.-J. Engelbrecht, *Happiness and Economic Production Through ‘Social Sharing’ in the Internet Age: Some Results from SETI@HOME*, January 2006.
- 06.02 Jen-Je Su, *The Use of Subsample Values for estimating a General Statistic from integrated Time Series*, February 2006.
- 06.03 Jen-Je Su, *Spurious Regressions between Stationary Series: Some Further Investigations*, February 2006.
- 06.04 Srikanta Chatterjee, Allan Rae, Ranjan Ray, *Food Consumption, Trade Reforms and Trade Patterns in Contemporary India: How do Australia and New Zealand Fit In?*, March 2006.
- 06.05 James Obben and Vilaphonh Xayavong, *Analysis of the Aid, Fiscal Response and Growth Relationship in Ghana: A Cointegrating Var Approach*, March 2006.
- 06.06 James E. Alvey, *The ‘New View’ of Adam Smith and the Development of his View over Time*, April 2006
- 06.07 James Obben, *Does Central Bank Independence really offer a ‘Free Lunch’ to Countries?* April 2006.
- 06.08 James Obben, Andrew Pech & Shamim Shakur, *Analysis of the Relationship between the Share Market Performance and Exchange Rates in New Zealand: A cointegrating var approach*, July 2006
- 06.09 Neil Campbell, *Corruption, Extortion, Reputation and Assymmetric Information*, August 2006.
- 06.10 Kim Hang Pham Do, Henk Folmer & Henk Norde, *Fishery Management Games: How to Reduce Efforts and Admittance of New Members*, November 2006.
- 06.11 Kim Hang Pham Do & Henk Folmer, *Free Riding Problems and Feasible Allocations for Regional Fishery Management Organisations*, November 2006