

*National Council for Building
A Better Fiji*

CONSULTATION DOCUMENT

for the Preparation of the

STATE OF THE NATION AND ECONOMY REPORT

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Preamble

This document provides background information on the current state of the nation and the economy, and some thoughts about the causes of Fiji's persisting, deep-rooted problems. It also focuses on issues that need to be addressed to build a better Fiji.

The information contained in this document, and the preliminary analysis, are provided to facilitate more detailed investigation and discussion by the public as part of the process of preparing the draft State of the Nation and Economy (SNE) Report.

It is hoped and expected that the various ideas and proposals mentioned in this Consultation Document will be discussed fully by as many people as possible during the course of the nation-wide consultations which are now under way. The public are encouraged to add their own ideas, especially on any points or issues that they think, may have been overlooked.

This is a **Consultation Document**. This means that the statistical facts included in the Document are as accurate as the Technical Secretariat (TASS) can establish at the time of writing, and also, that the analysis and thinking put forward, are tentative and preliminary, pending feedback from various participants and stakeholders in the nation-wide consultation process. This process will either confirm or amend the preliminary analysis and the views expressed in this document. The purpose of the consultation process is not to impose anyone's agenda, but to widen and deepen our individual and collective understanding of the problems facing Fiji and of the fundamental reform steps required to address these problems.

Non-governmental organisations, community groups, private sector firms or individuals wishing to provide feedback or otherwise express a view on any of the issues covered by this document are encouraged to do so by either:
writing to the Secretariat at:

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STATE OF THE NATION AND THE ECONOMY

INTRODUCTION

Fiji attained its independence on 10 October 1970. Beginning that day, all of Fiji's people set out, with high hopes, on a road to build a new nation that would be peaceful, tolerant, culturally vibrant, and provide a prosperous future for each of its citizens; a country that would not only be an integral part of the international family of nations but also demonstrate "the way the world should be".

Today, thirty-seven years later, many of these hopes have been shattered. Fiji's people are, by and large, disappointed and disenchanted. The dream of a tolerant, united and prosperous nation has been replaced by a different reality: a reality characterised by political instability, repeated coups, economic stagnation, increasing religious and racial intolerance, a rising tide of crime and violence, widespread poverty, the emigration of many talented citizens and, for many, hopelessness and despair.

What has gone wrong? And why?

What is evident, generally, is that, clearly, not much has gone right. It is therefore time to pause, to reflect, to re-think, about where Fiji has been going. It is time to begin the move in a new direction: as one people, as one nation, towards a shared destiny.

This draft Consultation Document looks at:

- the current state of the nation;
- causes of the problems which Fiji faces; and
- the issues and problems that all the people of Fiji need to think about, hard, seriously, and clearly: to chart the way forward to build a better Fiji for all.

PART 1

THE CURRENT STATE OF THE NATION

Political instability, and in recent years, deteriorating governance, have been major problems for Fiji since its independence in 1970. In the wake of the coups since 1987, Fiji today has the reputation internationally of being a country with a “coup culture”. Fiji is widely seen as a country in which unconstitutional activities are all too readily advocated by small irresponsible groups discontented with their current government.

In circumstances where the Constitution is not respected by a significant part of the population, the credibility and legitimacy of the Constitution is badly weakened. One reason for this situation is that few citizens seem to understand the fundamental principles underlying the Constitution.

The Fundamental Principles of the Constitution of Fiji

The Constitution of Fiji provides a general framework for a system of government and the protection of human rights. Fiji’s Constitution does not seek equality of results, but equality of opportunity is presupposed as a basic human right. More specifically, its intentions are to:

- Commit individuals to live in harmony and unity, promoting social justice and the economic and social advancement of all communities, respecting their rights and interests and strengthening institutions of government; and
- Reaffirm the recognition of human rights and the fundamental freedoms of all individuals and groups, safeguarded by adherence to the rule of law, and our respect for human dignity and for the importance of the family.

The above are expected to harness the resources of the nation, promote national prosperity and an efficient, dynamic, self-reliant economy and control of national economy in such a manner as to secure the maximum welfare, freedom, and happiness of every citizen on the basis of social justice and equality of status and opportunity.

Source: *Constitution of Fiji*

Fiji's Constitution has lost some of its credibility. For a large part this is because of its race-based architecture and electoral system. Fiji has, at least on three occasions, failed to sustain a system of democratic governance, as provided for under the Constitution and the laws of the country. For a number of reasons, the country has failed to maintain representative democracy. Fiji's current electoral system is a contributing factor. Attempts to solve perceived differences between the communities, through the electoral system, resulted in a change to Fiji's voting system. However with the retention of separate communal constituencies and voter rolls under a single member electoral system, the three general elections conducted under the Alternative Vote system adopted under the 1997 Constitution only heightened the communal differences.

Moreover, the ongoing political impasse over the entrenched provisions of the Constitution relating to the leasing of agricultural native land, which the normal political processes in Fiji have proved incapable of solving, is now a major national issue. As a consequence, many leases were not renewed and many tenants were forced to leave their homes and move into squatter settlements. These displaced people face difficulty in finding other jobs. Some of the formerly leased lands lie idle. This means everyone is poorer, not only the tenants but also the owners of land, who now no longer earn anything from their land. Fijian landowners express increasing dissatisfaction with the way the Native Land Trust Board takes decisions about their land. There has also been a lack of appreciation and effective leadership by the Great Council of Chiefs in addressing the problems of the country as a whole.

The successive constitutions since 1970 have all preserved a communal approach to electoral representation with separate Fijian Communal, Indian Communal, and General Elector rolls. Members of Parliament elected from communal-roll seats have no incentive to take account of, or care about, the concerns of other communities. This has encouraged some politicians to exaggerate communal and religious differences for their own narrow political purposes. The end result for Fiji, as a nation, is a lessening of trust between communities, and to increasing religious and racial intolerance, even hatred. Following the 1987 and 2000 coups,

temples, mosques and churches were burned, the holy books of Hinduism and Islam were desecrated, and Hindu priests insulted. After the attempted coup of 2000, shops were looted, homes burned, cattle killed and people were driven illegally from their farms, all targeted on the basis of ethnicity or race. The impracticality of the constitutional provisions on a multi-party Cabinet came to light following the elections of 2001.

It is noteworthy, however, that notwithstanding these violent incidents, there has always been a strong sense of goodwill and understanding among Fiji's diverse communities in most parts of the country.

General awareness of criminal activities has increased markedly since the late 1980s. Although the overall statistics on reported crime have fallen in recent years, there has been an increase in serious offending. This may in part reflect the increased prevalence of unemployment and poverty, especially among young men, but it is also a consequence of the growing activities of transnational criminal groups in Fiji. These are involved in money laundering, drug production and distribution, illegal migration, gambling and prostitution. The prison population has increased, straining the available prison facilities to the limit. It is a serious concern that the bulk of the prison population are young alienated indigenous Fijians. In response to these developments, over the years, ordinary private citizens have increasingly barricaded their homes and barred their windows. Crime is now a persistent presence in our communities, leading to a constant sense of fear and intimidation which has reduced the quality and enjoyment of our lives.

Since 1987, following each coup, there has been a wave of emigration. Significant numbers of people have shown that they are not prepared to live under the existing political and constitutional arrangements in Fiji. As a result, Fiji has lost many of its most skilled and talented workers and managers. Fiji is now much worse off because it does not have sufficient of the skilled workers and managers needed to operate, manage or expand the businesses that could provide more jobs for Fiji's people.

The persistence of political instability, incidents of inter-communal violence, and crime has added to the country's economic problems. Investors, both local and foreign, seek stability and certainty because these reduce the risks for their investment decisions. Political instability scares investors



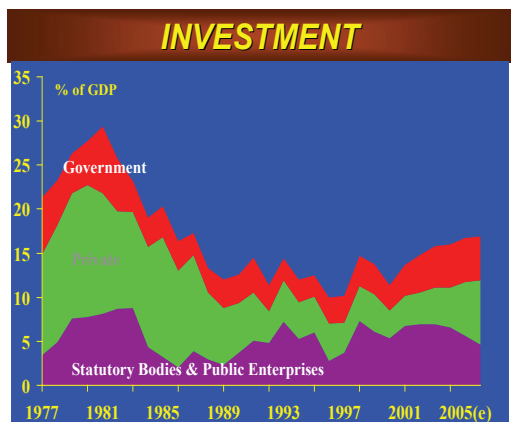
away. This, in turn, is one of the reasons why Fiji's economic growth rate is so low: there has not been enough capital investment to generate the new jobs needed by the growing number of people, especially school leavers, looking for work. Annex 1 provides key economic and social indicators.

In fact, the economic growth rate in Fiji has been in long-term decline since independence – and the rate of decline is getting faster: in 2007 the economy produced about 5 per cent less than in 2006. This is reflected in declining real incomes, increased lay-offs, and wage cuts. While other countries in the Asia-Pacific region are progressing steadily on per capita income, Fiji's performance has been much slower.

Productivity, i.e. producing more with less, is important in order for people to enjoy higher incomes and to prosper.

In Fiji, productivity has not been improving. This is another fundamental factor explaining Fiji's poor economic performance and the increase in the incidence of poverty.

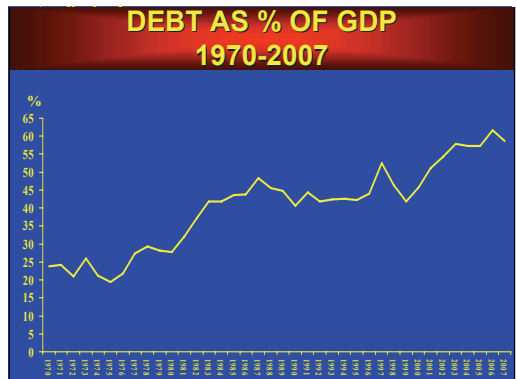
It is easier to raise productivity if the investment rate is high. But investment levels in recent



years, of between 14-16 percent of GDP, have been well below the average levels of 22 percent in the 1970s and 25 percent in the years before the 1987 coup.

There have also been problems with economic management. In recent years, government continued to spend much more than it received in taxes and other revenues. The budget deficits between 2001 and 2003 averaged 6.5 per cent of GDP, largely reflecting an expansion in government operating expenditures. Budget deficits have to be funded by borrowing. This adds to the government's debt. As the debt increases the government must pay a bigger interest bill, which means there is less and less money available for other expenditure programmes, in areas such as health and education.

More importantly, big budget deficits add to the overall level of consumption in the economy. Because many of the things we consume are imported, importers need foreign exchange to pay their bills. The total amount of foreign exchange being demanded each year is more than the value of Fiji's



annual exports and other foreign exchange receipts. While the increase in remittances to the country in recent years has cushioned this disparity, Fiji's trade deficit has continued to widen to almost \$2 billion (around one third of GDP). That is why the Reserve Bank of Fiji has to maintain foreign exchange controls. But foreign exchange controls can make it difficult for business people to get the foreign exchange they need to buy machinery, spare parts and risk management products (like insurance and forward foreign exchange contracts) that they need to manage their businesses properly. In short, bad economic policies by the government make it more difficult for businesses to expand and create more jobs.

As a result, unemployment and underemployment have emerged as major problems. The Employment and Unemployment Survey Report 2004-05 estimated that the national unemployment rate was 4.6 percent. However, the same Report highlighted the widespread nature of underemployment in Fiji's labour market at around 22.5 percent. At present about 16,000 new job seekers enter the labour market each year but only 7,000 new jobs are created.

Interest rates on people's savings accounts with the commercial banking system have been so low their real value has declined over most of the post-independence period (because the rate of inflation has been higher than the nominal interest rate on savings accounts). This discourages people from saving and is another factor explaining the country's poor growth performance.

In recent years Fiji has lost its preferential access for garments to the United States and its access to the European Union for sugar is being phased out. This has undoubtedly added to the problems facing the country. However, all exporting countries face problems with fluctuating world prices for commodities and changing rules for market access. The issue is how quickly countries can adapt by changing markets or changing the pattern of exports. Fiji has proved to be a "slow adapter" and this has incurred high social costs.

The sustainability of Fiji's environment is also of increasing concern. A growing population in urban areas, and industrial, agricultural, tourism and other economic development have placed increasing pressure on coastal zones leading to loss of habitat and affecting ecological processes. This is a result of coastal development, pollution, and increased water demand from freshwater lenses, and the over exploitation of resources. The absence of consistent monitoring of development within coastal zone development makes it difficult to assess the extent and seriousness of damage and degradation in coastal zones of Fiji.

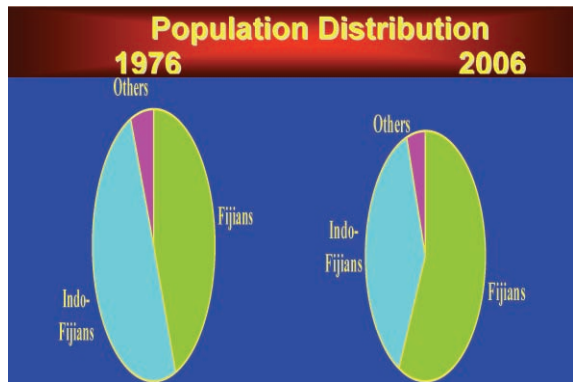
The discharge of untreated or inadequately treated wastewater from the industrial and agricultural sectors, and increased sewage discharge

are causing harmful effects to the environment and to human health. The impacts of these result in changes to the ecosystems, reduction in economic value of resources, aesthetic damage, and poses human health risks. Contaminants of concern that are present in wastewater include pathogens (micro-organisms), nutrients, heavy metals, hazardous chemicals, suspended solids, and oil and grease. The high rate of agricultural activities on marginal land compounded with poor farm husbandry practices is also a major cause of coastal destruction.

Many of the social indicators have worsened in Fiji in recent years. The Human Development Index (HDI) is a widely accepted measure of a country’s progress in attaining satisfactory levels of education, health and income. Fiji’s ranking was 42 in 1975 but dropped to 61 in 1997. Its position has further eroded over the late 1990s. Based on the 2005 UNDP Human Development Report, it currently stands at 92nd out of 177.

Population Distribution

There have been considerable changes in the demographic structure of Fiji’s population since 1987. The total population has increased from 715,375 in 1986, to 775,077 in 1996 and 827,900 in 2007. Notably there has also been a significant increase in the



urban population and a reduction in the overall Indo-Fijian population, particularly in the rural areas. The increase in urban population will increase the pressures on basic infrastructure such as water, roads and electricity provision. When compared to the 1996 Census, the 2007 Census provisional results indicate that the indigenous Fijian population in the urban areas had increased by 49,427; population of the Northern and Eastern division decreased by 8,909 and 1,696 respectively; the Indo-Fijian population in the rural areas decreased by 36,708; and the

population of the central and western division increased by 43,236 and 20,192 respectively.

A higher level of urbanisation has been accompanied by rising poverty. Statistics collected from various Household Income and Expenditure Surveys tell us that:

- In 1977, some 9 percent of our population was living below the poverty line;
- In 1990-91, 29 percent were living below the poverty line;
- In 2002-03, about 34.4 percent were living below the poverty line;
- Most people in poverty live in rural areas, particularly those from the Indo-Fijian farming community.

Table 1: Ethnic and Rural – Urban Distribution of Incidence of Poverty

	Rural			Urban			Total
	Fijians	Indo-Fijians	Others	Fijians	Indo-Fijian	Others	
Percent of population in poverty	38.0	43.1	41.3	27.2	29.1	17.3	34.4

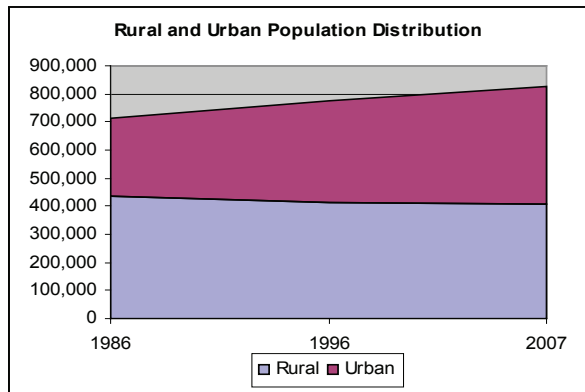
Source: 2002/03 HIES Report

There is a growing disparity between richer and poorer regions of the country, which is clearly shown by the higher levels of poverty in rural areas and in the outer islands when compared to urban areas. The lack of opportunities in rural areas is an important cause of dissatisfaction which in turn promotes rural-urban migration, leading to pressure on the already constrained urban infrastructure and services. This can be seen in the high number of squatters and unemployed in urban areas. It is estimated that there are close to 100,000 people living in about 200 squatter settlements

scattered throughout Fiji with about 82,350 people in 182 settlements located along the Suva-Nausori corridor.

The HIES measures income poverty but this is only one aspect of poverty. The 2003 Assessment of Poverty and Hardship indicated

that most of Fiji’s communities faced varying degrees of hardship based on their lack of access to basic services such as primary health care, education and potable water; a lack of opportunity to participate fully in the socio-economic life of the community; and a lack of basic resources (including cash) to meet the basic needs of the household or the customary obligations to the extended family, village community and/or the church.



Despite Fiji being on track to meet the United Nation’s Millennium Development Goal 2, - achieving universal primary education - primary school and net enrolment rates have decreased since 2000, and this trend is more prevalent among the indigenous Fijian community. The 2004/2005 Employment and Unemployment Survey found that 10% of children aged 5-14 years were not attending school. This may be due to the financial burden experienced by parents in sending their children to school, as well as the reduced incentive to do so as many school leavers cannot find jobs or do not have the appropriate skills. While enrolments in secondary school have been increasing (and higher for girls), unemployment of school leavers is likely to result given the low employment prospects currently present in the labour market.

Women tend to face a higher risk of poverty and destitution due to labour force discrimination, as well as increased divorce and separation rates and the related problems in collecting maintenance payments from ex-spouses. This reality is reflected in the fact that women constitute the

majority of beneficiaries under the Social Welfare Department's Family Assistance Scheme.

Further, few women own land because of the inheritance practices present in both major ethnic groups, which usually exclude women from inheriting land or other fixed assets.

Discrimination against women, people with disabilities and ethnic minorities has been common in Fiji. This discrimination is a serious breach of the human rights of these groups.

Many people in Fiji live in low cost housing or poor housing and around 12% of the population live in squatter settlements. This is despite the fact that there is plenty of land that could be available for housing development.

Shortages of all types of housing have inflated house prices across the board such that few middle income earners are able to afford decent housing as they could in the past. Public sector housing providers such as the Housing Authority and PRB have failed to fulfill their mandates to provide low cost housing due to a variety of reasons including the need to service high debt levels.

A lack of basic infrastructure (roads, potable water, electricity, telecommunication services) aggravates the poor living conditions of many in Fiji. The provision of modern utilities is an essential precondition for the diffusion of economic opportunities throughout the different regions of the country. In particular, the adequate provision of ports, jetties and regular inter-island shipping services is a major concern to those living in the outer islands.

Despite many decades of development of the health services, the health of the Fiji population has not improved as expected. Life expectancy has fallen from 69.6 years in 2000 to 68.5 years in 2005. Rising HIV and AIDS infections are a significant threat to the nation's health. The actions needed to reduce infections are well known but insufficient resources have been allocated to meet the threat and there is a low level of public

awareness, in part because of cultural and religious barriers to open discussion of sexual practices.

The following information provides some further dimensions of the current situation:

- The national poverty line for 2002 was \$8062.6 or about \$155.00 per week;
- In 2002, 55 percent of those in full-time employment were earning wages below the poverty line (Narsey, 2006);
- 12.5 percent of the population is living in squatter settlements;
- 22,670 were receiving Family Assistance Scheme payments in 2005 (at a minimum of \$60 a month and a maximum of \$120 a month);
- 13,000 land leases have expired and many more will expire within the next 10 years. For every land lease that expires and is not renewed at least five households (with an average of five members) are displaced. Those who worked on the land as canecutters are some of the poorest people in Fiji.
- A study by Save the Children (Fiji) found that 66 percent of those who drop out of school do so for reasons connected with poverty.

Source: *Poverty in Fiji Today*, Kevin J Barr (ECEA)

The creation of more sustainable, secure employment opportunities with better wages is the surest mechanism for moving people out of poverty. However, because the current problems with governance and political instability have led to economic stagnation, there are few job opportunities and inadequate support for the poor to enable them to take greater advantage of existing opportunities. To make matters even worse, it appears that there has been a weakening of the traditional support system, resulting in more people needing to seek welfare assistance, particularly among the elderly.

All this has left many people in Fiji feeling humiliated, lonely, and worthless. Their feelings of dependency and powerlessness lead to hopelessness and despair. For example, the suicide rate among Indo-

Fijian women is now the third highest in the world.

Despite the severity of the problems facing so many people in Fiji, there remains a remarkable degree of inner strength and goodness in people which provides a firm basis for hope that with appropriate guidance and leadership the country can be returned to a more peaceful and progressive path.

Taken as a whole, however, this portrait of Fiji as it is now, contrasts starkly with the dreams of the people of Fiji at independence in 1970.

PART 2

THE CAUSES OF FIJI'S PROBLEMS – SOME CRITICAL QUESTIONS

- There is often a range of causes accounting for social and economic problems. These range from the most immediate (the doctor didn't turn up) through intermediate causes (she didn't turn up because she couldn't get access to transport) to the more fundamental causes (there are not enough fully trained doctors with the resources they need to cope with the total national demand for health services). At an even more fundamental level, there may be other subtle but very important factors (and often factors with an influence in many sectors) blocking social and economic development. These must be identified and fully understood if reform is to be successful and sustainable. The following paragraphs are an attempt to identify the most deep-seated and fundamental factors that might be contributing – often in cumulative and self-reinforcing ways – to the many problems currently confronting Fiji. The problems identified are posed as questions below:

Weaknesses in Parliamentary democracy, particularly as a result of Constitutional provisions and intransigent political attitudes.

- Do you think that existing Constitutional arrangements (especially for communal voting rolls and the mandatory multi party system of government) may have aggravated communal and religious conflicts, especially at the political level? How can greater incentive be given to politicians to work together to represent and to progress Fiji's overall national interests as opposed to just focusing on furthering particular ethnic interests?

- Do you think that political, ethnic and religious tensions, especially since 1987, have reduced the general level of trust between the main communities? Do you agree that the alternative voting system, combined with the communal boundary system, tends to favour extremist parties (because moderate political parties do not give their first preference to

other moderate parties that compete most closely with them for votes)?

- Should the current electoral system be changed to make it fairer (and so as to reflect the number of votes each party received)? What are the options (including proportional representation) that should be considered?

- The power sharing arrangements under the Constitution under which the government has been intended to be constituted have not proved to be effective. Do you agree?

- Accountability mechanisms have been criticised as inadequate. The ability of democratic institutions like Parliament, the Judiciary and other independent constitutional offices like the Auditor-General to effectively perform their roles and functions has also been highlighted. Issues of integrity across all sectors in particular the enforcement of ethical standards to regulate the conduct of public officials like Members of Parliament, Judges and Magistrates, constitutional office holders and senior civil servants have resulted in a loss of respect for and trust in the institutions they serve. Are more effective measures needed to strengthen the transparency and accountability of state institutions and public officials?

- How does Fiji overcome weaknesses in political and public sector leadership, including improper use of office to pursue patronage and opportunities for corruption? The public perception is that more effective measures are needed to combat corruption. To-date the criminal justice system has been ineffective in dealing with issues of corruption when one notes the failure to prevent the National Bank of Fiji financial crisis in the 1990s and the delays in prosecuting the Agricultural Scam prior to the 2001 general elections. The Fiji Independent Commission Against Corruption has only recently been established. Are further measures needed to strengthen the legitimacy, role and functions of FICAC? Are further legislative reforms needed to combat corruption in all sectors?

- How can the role of the free press in supporting democracy and free speech be fostered? What can be done to improve the quality of reporting by the media?
- Do you think factionalism within the indigenous Fijian community has lessened levels of trust within this community? Do you think the low levels of trust between communities, the increased factionalism, intolerance and political infighting has reduced the country's ability to agree upon the measures necessary to halt Fiji's decline, in its overall governance and the economy, and in its worsening social situation?
- The need for effective application of human rights principles that promote the active participation of civil society in the decision making process, namely freedom of association and expression to ensure greater tolerance of opposing views, is considered an essential element of good governance. Is this needed in Fiji? Is there a need for more focus on general principles of human rights to promote and sustain democracy?

Citizenship, National Identity, Human Rights and Civil Society

- Fiji does not have a strong sense of national identity that should be evident in the various communities feeling of belonging to Fiji as a country. Racial compartmentalisation in institutions such as schools, the communal electoral system, ethnic political parties, differences in religions and culture have tended to reinforce differences rather than commonality of interests, needs, and sense of place and identity. The failure to identify with the national name "Fiji Islander" introduced in the 1997 Constitution is a symptom of the weakness of national identity.
- This weakness is complicated by the strong sense of ethnic and national identity of the indigenous Fijians who believe that because of their indigenous status the land and the nation of Fiji belong to them first. Therefore they have prior rights and paramountcy of interest over other communities in Fiji. This belief translates into the idea of paramountcy of political power – that indigenous Fijians must be guaranteed political leadership in the State. Underlying this belief is a feeling of insecurity

and fear of others, such as the Indo-Fijian community, taking over their land and depriving them of development opportunities.

- The aspirations of indigenous Fijians for economic and social development and effective participation in business and the professions, is reflected in the SDL-led Government's "50/50 by 2020" Plan. The Fiji Human Rights Commission, in a report to the Government in 2006, criticised aspects of this programme as not consistent with the requirements of the Constitution and the Social Justice Act that provide the legal framework for affirmative action for "groups and categories of persons". Other communities generally feel that the programme excludes them. However, indigenous Fijians strongly believe that sustained long term programmes of affirmative action to meet their aspirations are justified under the Constitution and are in the national interest for peace, security and justice. Should there be a review and discussion, leading to the development of a broad consensus amongst all communities, on the way forward for all affirmative action programmes?

- Indo-Fijians believe that they are regarded as foreigners in the land of their birth and that they are second class citizens in Fiji. Their sense of insecurity is reinforced by their lack of ownership of, or secure access to, land, which drives them to focus on education and commercial opportunities as well as emigration to other countries. Do you agree?

- Religious intolerance as evident in the burning of temples, mosques and churches and other religious symbols, has increased in the last twenty years. The lack of condemnation of such criminal activities from political and religious leaders of other communities reinforced the belief that the religions of the Indo-Fijian and minority communities are not respected and that intolerance is silently supported.

- The four coups and a mutiny that have occurred in Fiji since 1987 have encouraged emigration of mostly Indo-Fijian citizens leading to the loss of skills and experience and the decline of their population from a majority in the 1980s to minority status in the 21st century.

- Minority communities in Fiji also have their own insecurities and share in the sense of lack of identity and belongingness. For example, the communities of Solomon Islands, Vanuatu, Tongan and Samoan origin who used to be identified with the indigenous Fijians before 1987 have since the 1990 Constitution been lumped with others or “General Electors” and ethnic minorities. The part-European community who are mainly of indigenous Fijian ancestry and who share Fijian customs and culture, are still identified as a separate ethnic group.
- What needs to be done to develop a stronger and overarching sense of national identity and to tackle the insecurities that a lack of national identity is creating for all communities in Fiji?
- The emergence of a strong advocacy civil society sector on issues of good governance, democracy, human rights, security, environment, and social and economic development has been a significant development in Fiji. The removal of the Government by the RFMF in December 2006 resulted in strong criticisms from some civil society leaders and the subsequent response of the security forces had attracted wide and persistent critical domestic and international reaction. In a pluralistic society, freedom of expression and association is important to good governance. A culture of acceptance of the role of civil society organizations as advocates, critics and participants in public policy making should be strengthened. This may require updating the laws that govern the activities of civil society so that they can effectively participate in the decision making process on national development. Do you agree?

Weak institutions and “rules of the game”

- Every society has a set of rules for governing its social arrangements. These include the constitutional arrangements for electing governments, the rules established by the judicial system, and the rules surrounding the operation of markets (e.g. stock exchange rules, commercial law, banking practices, consumer protection law and government regulations such as price controls and town planning regulations). These “rules of the game” have a powerful and pervasive influence on social and

economic behaviour. Taken as a whole, they determine the willingness of businesses to take risks and make new investments. If businesses fail, they also determine how the losses are allocated. Good rules encourage entrepreneurial behaviour and risk taking while also providing support to workers who lose their jobs (“social safety nets”) if and when businesses do fail.

- There is strong evidence that many institutional arrangements in Fiji operate in ways that make it difficult for entrepreneurs to access all the assets they need to conduct a successful business e.g. access to capital, skilled labour, land, foreign exchange, and risk management products such as insurance or forward foreign exchange contracts. Poor people have even greater difficulty in accessing the assets they need such as micro-credit facilities, knowledge about new markets or new agricultural techniques or products into which they could diversify, second chance educational opportunities and, for many poor people of both communities, adequate land for their livelihoods. This all detracts from economic performance and social equity. Do you agree?

- The extensive range of laws that have been developed over the years to govern Fiji do not provide a coherent, consistent, readily available and well understood framework for governing the country. What needs to be done to ensure that the legal framework facilitates economic and social transactions rather than hinders them? Can the role that the courts play in interpreting and enforcing this framework be enhanced?

- The “rules of the game” created by, for example, the VAT and income tax schedule and the legislative provisions governing the allocation of land rents by the Native Lands Trust Board also govern the way in which income is distributed in Fiji. Recent research has highlighted the positive relationship between and the equity of income distribution and level of generalised trust in any society. Trust is a value expressing the belief that others are part of your moral community and this is what creates the basis for cooperation with strangers. Societies with a high level of generalised trust tend to have a more equitable income distribution. The research demonstrates that a breakdown in the level of generalised trust

within any society tends to be accompanied by an increase in corruption and greater income inequality (because the ruling elite do not regard the poor as being part of their moral community). Do you think that income distribution in Fiji is too unequal and that a fairer income distribution might reduce tensions and increase the level of trust within society?

The over-dominant role of Government in Fiji

- The government should focus on things only the government should do, and do these well. Do you broadly agree that the government needs to redefine its role and refocus on the things that only the government can do and then ensure that it does these things well?
- In the economic area, the appropriate role for a government is to specify property rights (that is, decide who can own or lease land and other things), ensure that there are sensible regulations to, for example, limit monopoly powers and maintain fair wages, and provide public goods such as the Military and the Police (and merit goods like education) that only a government can provide. Government also has a responsibility to maintain an equitable income distribution, to safeguard gender equity and human rights and to ensure the sustainability of current activities so as to protect the environment for future generations. Other activities are usually best left to the private sector and civil society organisations. At present, the Fiji government is involved in many activities that would be better left to the private sector. It is because the government has so much of its money currently “locked up” in what are essentially private sector activities (such as telecommunications, power generation, etc.) that it does not have enough funding for additional infrastructure such as roads, schools and hospitals.
- On the other hand, Government has neglected some of the areas in which it should be engaged. The most significant deficiency is its inability to define property rights covering 90% of Fiji’s land. Fiji has a major property rights problem. The problem does not lie with the ownership of the land, which will remain indigenous Fijian. It lies in the inability to apply normal market mechanisms to the leasehold interests in the land

and to make more land available both for economic and social purposes (such as social housing). Because land is such an important input to most economic activities in Fiji, this is now a major impediment to growth.

- Problems in other areas include poorly designed regulation. The legal framework for business is weak. It operates under very dated laws that need modernising. This increases the cost of conducting a business
- There are inadequate opportunities for skills upgrading. The decision to stop apprenticeship schemes needs to be reviewed and the technical and vocational training in schools should be more closely aligned to industry's needs. There needs to be a rationalisation of the roles of FIT and TPAF. The current pool of skilled labour in Fiji must be increased. Do you agree that a lack of basic skills e.g. carpentry, engineering, computer literacy, business knowledge/qualifications, and professional skills, such as doctors, accountants, many of whom are attracted to work overseas, is one of the causes of Fiji's relatively slow growth rate and needs to be addressed through improved education and vocational training programmes?
- In the national security field, what is the institutional framework that is needed to best protect national security, uphold the Constitution and enforce the laws of Fiji? What action is needed to eliminate a coup culture? In particular, what should be the future role of the Fiji Military Forces? What should be the role of the Police Force? What coordinating and oversight mechanisms are needed in respect of national security? What roles need to be played by different institutions of governance (eg. courts, military, police, and prisons) so as to improve the law and order situation and law enforcement in Fiji? What are the roles of the communities as they work in partnership with the security forces to ensure a just and peaceful Fiji?
- How can the ongoing agenda for privatization and public enterprise reform be best advanced? Are there particular organizations that should be given high priority for institutional reform? What are your views on privatisation?

- Is there scope for civil society to play a greater role in respect of some functions now performed by the Government? How can this be effectively facilitated?
- While there has been good progress made both in financial management and public service reform, there have been some issues raised regarding the harmonization and the sequencing of reform. There have also been some concerns expressed regarding the overall size, and uneven areas of performance, of the Public Service. What action is needed to improve performance management in the Public Service? How can the overall management framework for the Public Service be enhanced? Is there scope for further improvements in budgetary and financial management? Is rightsizing an option that needs to be considered? What should be the next steps in implementing the various reform agenda relating to the Public Service? What suggestions do you have for improving the motivation and morale of public servants?
- How can access to, and the quality of public services, be improved? What changes are needed to improve service delivery at a local level? Are there particular services that should be given priority in making service improvement (e.g. health care, water supply).

Inappropriate and/or inconsistent policies

The business environment is strongly influenced by macroeconomic policies.

- From late 2001, the government increased the budget deficit in a deliberate attempt to “kick-start” the economy and replace the reduced level of private sector investment with public investment. While not doubting the good intentions underlying this policy, it is now clear that this approach was only partially successful. It did help to maintain the level of economic activity, especially consumption, in the immediate post-coup period but it did not lead to an increase in investment. The government’s ability to invest is constrained by the size of its wages and

salary bill. It can only allocate additional funds for capital expenditure to the extent that it can reduce the size (or average wage and salary levels) of the government workforce. Expenditure controls have been unequal to this task.

- The expansionary fiscal stance (with fiscal deficits averaging 6.5% of GDP between 2001 and 2003) was maintained for too long, in large part because it has been so easy for government to effectively borrow FNNF funds to finance its annual deficits. This has created three undesirable consequences. Public debt has increased from 44% of GDP in 2001 to 52% of GDP in 2006 with a consequential increase in the annual debt servicing burden; FNNF investors have been denied the opportunity to acquire a more diversified (and hence less risky) portfolio; and more importantly still, the fiscal expansion was inconsistent with maintaining a balanced external account. The additional consumption expenditure placed an unsustainable strain on the balance of payments. By mid-2005 the government announced a change of strategy: it would henceforth focus on fiscal consolidation and export promotion. More recently, in early 2007, the Reserve Bank of Fiji tightened foreign exchange controls to protect the country's foreign exchange reserves. A credit ceiling was also imposed on commercial bank lending to the private sector.

- Monetary conditions were also deliberately loosened in the years immediately following the 2000 coup to help boost economic activity. Monetary policy was subsequently tightened, in large part to offset the expansionary influence of fiscal policy. In short, fiscal and monetary policies were inconsistent with each other for much of this period.

- The fixed exchange rate makes the economy more vulnerable to external shocks. A floating exchange rate – even though this could not be introduced overnight – would diffuse the incentives to take account of foreign exchange costs throughout the economy and make everyone more responsive to changes in the cost of foreign exchange.

- Fiji maintains foreign exchange controls as an adjunct to the fixed exchange rate - but this limits the access of entrepreneurs to the foreign

exchange and risk management products they need and severely limits the country's integration into international financial markets (which would help supply the capital Fiji needs for its development). This is another internal inconsistency within the country's macroeconomic settings. Do you agree that macroeconomic policy settings should be more internally consistent?

The ability to adapt quickly to changing external conditions is of critical importance.

- The economy has been weakened by the loss (or impending loss) of major preferential markets for garments and sugar. On the face of things this is one of the primary “causes” of Fiji's current economic problems. It is futile, however, to complain about changing external conditions. All countries face changing external conditions, such as the higher prices for petroleum products (probably a permanent structural change in relative prices as the world approaches peak oil production), cyclical highs and lows for certain other commodities, and changes in market access under the ineluctable pressure of WTO and EU rule changes that are pushing all countries towards more openness and more intensive competition.

- The real issue for all countries is how they cope with the structural changes forced upon them. The countries which can adapt quickly to new conditions have a big advantage. To date, Fiji has proved to be a “slow adapter”. The challenge for Fiji is to learn how to restructure its economy more rapidly and ensure that resources are redirected from declining industries to promising new industries. This is not only a matter of reallocating investment funds into rehabilitating the sugar mills or into new industries. It is also about extensive retraining and up-skilling of workers and about caring for those who are most severely disadvantaged by structural adjustment. Health policies have not adjusted to emerging health issues such as NCDs which are now a leading cause of death in Fiji. A lack of action on devising sound health financing policies has been a problem over many years. Housing policies have failed to provide low cost housing for the fast growing urban population leading to increasing squatter settlements.

Policies must be compatible with each other, consistent over time, and credible.

- Policies must be compatible with each other so that they mutually reinforce each other - thus helping make each other more effective. To the extent that policies are permitted to be mutually incompatible, they “fight” against each other and detract from the effectiveness of each. Policies which are mutually incompatible are likely to be, at best, only partially successful in achieving the objectives for which they were introduced and in some cases may not achieve anything at all.
- Policies must also be consistent over time. The constant chopping and changing of policy objectives and targets over time will also detract from policy effectiveness. That is because there is often quite a long time lag between the time a new policy is introduced and the time it becomes fully effective. In monetary policy, for example, an interest rate change may not be fully diffused throughout the economy until two or three years later. The time lags in education and health policies can be much longer still. Changing major policies before they have begun to exert their full impact is not only futile but also wasteful and counter-productive.
- Finally, policies must also be credible: people must believe that they will be introduced as planned, that they will have an effect and will make a difference. This is because the effectiveness of many policies depends upon changing behaviours and behaviours will not change if people generally believe that policy will be ineffective. To achieve policy credibility, governments must be careful to promise only what they can deliver and always deliver what they have promised.

The “dependency syndrome”, especially within the indigenous Fijian community

- There is a question about whether the structure and working methods of the agencies charged with the development and welfare of the indigenous Fijian community may have operated in practice, since

colonial times, to deprive indigenous Fijians of their sense of personal responsibility for displaying initiative and drive. Is it true that there is a “dependency syndrome” i.e. that “everything must be done by government”, as widely prevalent within the indigenous Fijian community? If so, is it a consequence of the way governance structures, traditional as well as national and protecting agencies have been designed? Would changes in these structures to make their decision-making more transparent and their decision-makers more accountable to their community, lead to a reduction in the prevalence of attitudes of dependency? And would this encourage greater levels of initiative from lower levels of the indigenous Fijian social hierarchy and release more energy from the community as a whole? Does the education system contribute to this problem?

Untrained leadership at all levels and in all domains of society

- Leaders need training to fulfil their functions properly. Leaders in any situation – whether in the political arena, in the public sector, private sector or civil society - must address at least three separate agendas. First they need to understand the intellectual agenda confronting their organisation (e.g. the strategic and policy issues facing it). Secondly, they must address a set of managerial issues (e.g. revenue/fundraising, efficient resource allocation and human resource management issues). Thirdly, they must know how to behave as leaders (e.g. creating a vision for their organization which includes room and scope for others; communicating this clearly; motivating and empowering others; and learning to “go first” in disclosing their values and beliefs). Leaders also need to lead others in using religion to contribute to peace building and reconciliation as well as promoting the appreciation and understanding of other religion/sects and cultures to foster unity, peace and harmony amongst our society. They also need to encourage interfaith dialogue and sharing of spiritualities for reconciliation and nation building. This is a formidable body of knowledge that most leaders are most unlikely to acquire by themselves. It is also important to realise that there is scope for leadership at every level of an organisation if it is to operate at maximum effectiveness.

- Does the country need to make leadership training more widely available? And should such training be provided to the private sector and civil society as well?
- How might leadership roles be adapted, at different levels, to play a more effective and influential part in shaping Fiji's future? For example, what role needs to be played at local government level?
- How can chiefly leadership be enhanced by making it more useful and relevant to communities? What role might be the Great Council of Chiefs usefully play?

Poor management

- Some of Fiji's poor performance can be attributed to poor management. For example, the difficulties encountered within the sugar industry in managing a smooth and timely flow of unburnt cane to the mills is essentially a managerial issue. Similarly, previous attempts to arrange a regular supply of vegetables to the major tourist hotels have foundered on the difficulties of ensuring a constant supply of high quality product. This is also a managerial problem. These are not the only examples but the two examples cited indicate the size of the opportunities foregone because of deficiencies in managerial capacity. Should there be a systematic campaign to raise the level of management competence throughout Fiji's public, private and NGO sectors?

CONCLUSION

The points listed above represent most of the fundamental factors that appear to be creating problems for Fiji's overall governance and its social and economic development. In various ways, and with some differences in their relative intensity, they cut across all sectors and all three domains of governance – the public sector, the private sector and civil society.

A key question for everyone responding to this consultation is to ask: are there any other or further factors of similar significance that should be

added to this list?

Second, because these are the fundamental factors explaining Fiji's relatively poor performance, it would be sensible to deal with each directly, to the extent that this is possible, rather than have to rely on indirect or second order approaches in individual sectors to offset or remedy the problems caused by, say, government continuing to pursue inappropriate activities, inconsistent policies, a lack of leadership skills or poor management. Another issue to consider is the way in which some of these issues might be addressed at a nation-wide level through, for example, measures to improve governance, redefine the role of the state, reduce the "dependency syndrome", introduce mechanisms at the centre of government to monitor the compatibility, consistency and credibility of policies and to provide greater opportunities for training in leadership and management.

Finally, there is a responsibility resting upon everyone involved in this very significant national initiative to overcome the "culture of silence" in Fiji and to allow critical issues to be addressed openly and with trust so that lasting solutions can be agreed, through dialogue and consensus-building. All key institutions such as religious groups, schools, and community and civil society organisations should play a catalytic and supporting role in fostering openness and trust towards one another. Only in such an environment can sensitive issues such as land use, national identity, racial discrimination, the restructuring of the Fijian Administration, the best strategy for fighting HIV/AIDS, etcetera be more honestly and constructively addressed.

Annex 1: Key Economic and Social Indicators

	(70-79)	(80-89)	90-99)	(00-06)
Economy	1970s	1980s	1990s	2000s
Real GDP growth rate	5.0	1.9	3.0	2.0
GDP per Capita F\$	975.00	1,857.00	3,327.00	5,613.84
Inflation Rate avg	9.1	7.5	4.2	2.6
Exports as % of GDP	28.3	29.3	37.5	33.2
Imports as % of GDP	51.0	46.1	53.9	61.7
Investment as % of GDP	21.8	18.8	14.6	15.1
Visitor Arrivals (average)	167,143	201,882	322,201	447,332
Government				
Debt as % of GDP	24.2	40.7	43.9	55.5
Demography	1976	1986	1996	2006
Population	588,068	715,375	775,077	827,900
- Fijian	259,932	329,305	393,575	473,983
- Indian	292,896	348,704	338,818	311,591
- Others	35,240	37,366	42,684	42,326
- Rural	369,573	436,239	415,582	406,814
- Urban	218,495	272,734	359,495	421,086
Population density (<i>persons per sq. km</i>)	---	---	42	46
Urban population % of <i>total population</i>	37.15	38.12	46.38	50.86
Health				
Life Expectancy	61.6	66.9	66.6	68.5 (2005)
Total Fertility Rate	3.5	5.1	3.3	2.7 (2000)
Infant Mortality Rate <i>per 1000 live births</i>	---	16.8 (1990)	14.7 (1995)	19.5 (2006)
Maternal Mortality Rate <i>per 100,000 live births</i>	---	41.1 (1990)	60.4 (1995)	32.6 (2006)
Education				
Net Primary Enrolment ratio	---	---	96.7 (1999)	92.9 (2003)
Teacher Pupil ratio				
- Primary	---	---	1:29 (2000)	1.28 (2007)
- Secondary	---	---	1:19 (2000)	1:19 (2007)
Labour Force				
Unemployment rate	6.7	7.5	5.8	4.6 (2004- 5)
Crime	2002	2003	2004	2005
Serious Crime Cases	4664	4467	4406	4608