

**Strategic  
Development  
Plan  
2007 - 2011**

# Contents

Chapter 1	Vision, Mission and Guiding Principles .....	1
1.1	Introduction.....	1
1.2	Vision: “A peaceful, prosperous Fiji”.....	1
1.2.1	Peace, Unity and multi-racial harmony .....	1
1.2.2	Prosperity for all .....	2
1.3	Mission and Guiding Principles.....	3
1.3.1	International Commitments .....	3
1.3.2	Consistent and Credible Policies .....	4
Chapter 2	Review of Social Development .....	5
2.1	Quality of Life.....	5
2.1.1	The Human Development Index and Millennium Development Goals .....	5
2.1.2	Global Partnership for Development .....	5
2.2	Poverty Alleviation .....	6
2.3	Social Justice and Affirmative Action .....	8
2.4	Rural and Outer Island Development .....	9
2.5	Security .....	10
2.6	Law and Justice.....	12
2.7	Environment.....	13
2.8	Housing.....	15
2.9	Urban Development .....	16
2.10	Health.....	19
2.11	Education and Training.....	22
2.12	Gender and Development .....	23
2.13	Youth and Protection of Children .....	24
2.14	Culture and Heritage.....	25
2.15	Sports Development.....	26
2.16	Disaster Mitigation and Management.....	28
Chapter 3	Review of Economic Development .....	30
3.1	Management of the Economy and Government .....	30
3.1.1	Recent Developments .....	30
3.1.2	Private Sector Requirements.....	31
3.1.3	Public Sector Challenges .....	33
3.1.4	Monetary Policy and Macroeconomic Conditions in 2006 .....	36
3.1.5	Fiscal Position in 2006.....	39
3.2	Sector Performance.....	40
3.2.1	Sectoral Challenges and Opportunities.....	40
3.2.2	Sugar .....	41
3.2.3	Agriculture and Livestock.....	43
3.2.4	Forestry .....	44
3.2.5	Marine Resources.....	46
3.2.6	Mineral and Groundwater Resources.....	48
3.2.7	Land Resource Development and Management .....	49
3.2.8	Tourism.....	51
3.2.9	Manufacturing and Commerce .....	52
3.2.10	Information and Telecommunications .....	54
3.2.11	Financial Services .....	55
3.2.12	Micro, Small and Medium Enterprises .....	57

3.2.13	Transport .....	58
3.2.14	Energy .....	61
3.2.15	Water and Sewerage .....	62
3.2.16	Foreign Affairs and External Trade .....	63
3.2.17	Employment, Productivity and the Labour Market .....	64
Chapter 4	Medium Term Strategy : Maintaining Stability and Sustaining Growth	66
4.1	Strategic Priorities .....	66
4.2	Maintaining Stability .....	68
4.2.1	Promoting peace and harmony .....	68
4.2.2	Enhancing security, law and order .....	69
4.2.3	Alleviating poverty .....	69
4.2.4	Strengthening good governance .....	70
4.2.5	Reviewing the Constitution .....	70
4.2.6	Resolving the agricultural land lease issue .....	70
4.2.7	Implementing affirmative action .....	71
4.3	Sustaining Growth .....	71
4.3.1	Macro-economic stability .....	72
4.3.2	Restructuring to promote competition and efficiency .....	72
4.3.3	Raising Export Earnings .....	73
4.3.4	Raising investment levels for jobs and growth .....	73
4.3.5	Rural and outer island development .....	74
4.4	Development Programmes and Donor Coordination .....	75
Chapter 5	Macroeconomic Management .....	77
5.1	Monetary Policy .....	77
5.2	Fiscal Policy .....	77
5.3	Summary and Key Performance Indicators .....	79
Chapter 6	Restructuring the Public Sector .....	81
6.1	The Need for Restructuring .....	81
6.1.1	Civil Service .....	81
6.1.2	Public Enterprises .....	82
6.2	Restructuring Principles .....	83
6.3	Public Sector Structures .....	84
6.3.1	Reorganisation .....	84
6.3.2	Public Private Partnerships .....	84
6.3.3	Privatisation .....	85
6.3.4	Public Sector Investment Programme .....	86
6.4	Accelerated Restructuring Programme .....	86
6.5	Public Sector Restructuring Plan .....	87
Chapter 7	Social Development .....	89
7.1	Poverty Alleviation .....	89
7.2	Social Justice and Affirmative Action .....	90
7.3	Rural and Outer Island Development .....	92
7.4	Security .....	93
7.5	Law and Justice .....	94
7.6	Environmental Sustainability .....	96
7.7	Housing .....	97
7.8	Urban Development .....	98
7.9	Health .....	99
7.10	Education and Training .....	101
7.11	Gender Equality and Women in Development .....	102

7.12	Children and Youth.....	103
7.13	Culture and Heritage.....	104
7.14	Sports Development.....	106
7.15	Disaster Risk Reduction and Disaster Management.....	107
Chapter 8	Economic Development.....	109
8.1	Sugar.....	109
8.2	Agriculture and Livestock.....	110
8.3	Forestry.....	111
8.4	Marine Resources.....	112
8.5	Mineral and Groundwater Resources.....	113
8.6	Land Resource Development and Management.....	114
8.7	Tourism.....	115
8.8	Manufacturing and Commerce.....	117
8.9	Information and Telecommunications.....	118
8.10	Financial Services.....	120
8.11	Micro, Small and Medium Enterprises.....	121
8.12	Transport.....	123
8.13	Energy.....	125
8.14	Water and Sewerage.....	127
8.15	Foreign Affairs and External Trade.....	128
8.16	Employment and Labour Market.....	130
Chapter 9	Implementation, Monitoring and Evaluation.....	132
9.1	Purpose.....	132
9.2	Vertical Coordination.....	132
9.3	Horizontal Coordination.....	133
9.4	Monitoring and Evaluation System.....	134
9.4.1	Monitoring the Key Performance Indicators.....	134
9.5	Timeline for Coordination.....	135

# **Part 1**

## **National Vision**

SDP for NES

# **Chapter 1 Vision, Mission and Guiding Principles**

## **1.1 Introduction**

The Strategic Development Plan (SDP) 2007-2011 for Fiji is the culmination of consultations with a wide range of stakeholders in the private sector, non-government organisations and Government. The plan draws extensively on the Manifesto of the Soqosoqo Duavata ni Lewenivanua Party and consensus reached with the Fiji Labour Party on issues of national importance to the achievement of the Vision of a Peaceful and Prosperous Fiji. Lessons learnt from the mid-term Review of the Strategic Development Plan 2003-2005, planning document released in November 2004, has contributed to Government's decision on this Strategic Development Plan for 2007 to 2011.

The Vision which drives the Plan is described in this chapter, together with the Mission and Guiding Principles that Government will follow in implementing policies. The Vision is a statement of how Government would like Fiji to be. The Mission and Guiding Principles summarise the approach and philosophy that Government will take in designing and implementing policies to achieve the Vision. The Vision and Guiding Principles continue as in the Strategic Development Plan 2003-2005.

The mix of policies needed to steer the country towards that Vision is dependant on the current political, economic and social situation and trends. The second and third chapters highlight the country's present social and economic situation and the development challenges that the country faces.

Government's Medium Term Strategy is outlined in the fourth chapter and sets the framework for the plans for the future presented in the succeeding chapters. The strategy, which can be summarised as Maintaining Stability and Sustaining Growth, identifies the Strategic Priorities on which Government must concentrate during the next 5 years. The Strategic Priorities are a blend of policy objectives to address the identified development challenges. Effective implementation of these Strategic Priorities will put us on a path to reach our Vision.

Chapters five and six then address the macroeconomic management and restructuring of the public sector. Chapters seven and eight then outline the policies and strategies for individual sectors and those which address major cross-cutting issues, such as poverty and affirmative action. These chapters describe the detailed policies and strategies that will be used to guide sector stakeholders and the output oriented key performance indicators (KPI). The policies are consistent with the Strategic Priorities in the Medium Term Strategy.

## **1.2 Vision: "A peaceful, prosperous Fiji"**

The objective of the Plan is to identify and implement policies to take us forward to our vision of a peaceful and prosperous Fiji. We believe that this vision is one that should be shared by all citizens of Fiji.

### **1.2.1 Peace, Unity and multi-racial harmony**

Government believes in the principles of peace, security and harmonizing co-existence of all sections of our communities. This has brought into focus the need to

maintain stability and to allow people to go about their daily lives with a feeling of peace and security.

Achieving peace and security in our multi-racial country is a long term commitment that must be vigorously pursued through building understanding, as well as through recognising and appreciating the contribution by the different communities, to nation building.

However, peace can only come about when the underprivileged sections of our communities feel that their fundamental interests are protected and that they do not feel “left out” of national development. Affirmative action is therefore an essential ingredient for building peace and security.

Of particular importance is to ensure that women have not only the maximum protection of the law, but also the opportunity to be fully involved in the process of development. The review of the affirmative action program reflects Government’s effort to foster and involve those who are disadvantaged in the nation’s development. The Review recommendations will assist in mapping out the Government’s affirmative action programme for the Plan period.

The guarantee of fundamental rights and freedoms for every citizen of Fiji and their equal protection under the law, are also an essential part of our vision for a peaceful Fiji. A feeling of personal security and of group security, comes about only when people have confidence that breaches of rights and freedoms will be dealt with impartially and speedily.

Respect for the rights of others is a critical component of our freedoms guaranteed under the Constitution. This is essential for peaceful co-existence in our multi-cultural society. Of particular importance is the freedom for every citizen to practice the religion of his or her choice.

### **1.2.2 Prosperity for all**

This Government firmly believes that it has a social responsibility to its citizens to put in place policies that will achieve prosperity, especially for the poorest, disadvantaged and most vulnerable citizens. Prosperity and decent living standards can only be achieved when the economy is growing.

Narrowing the income and opportunity disparities that exist in society will also contribute to a greater sense of national identity and national cohesion. This is important in achieving stability and peace in the country. Peace, stability and a feeling of security are also essential to achieve sustained high economic growth. Growth requires investment and investors are reluctant to spend when they do not have confidence in the stability of a country.

It is only through sustained high economic growth that we will be able to provide good jobs for our young people, increase living standards for the working population and their families and make social services available for the young and old alike.

Prosperity also means making sure that all people share in the benefits of growth and in the opportunities which it generates for improving living standards. This means

paying particular attention to the poorest members of our society. Government has a social responsibility to provide a safety net as well as to ensure the poor are equipped with a good education and are in good health, in order to benefit from income earning opportunities.

Government firmly believes that a sound education is the key to ensuring that everyone has the opportunity to share in our nation's prosperity.

In sharing the benefits of growth, we must ensure that development does not impact negatively on the environment in order that our future generations may also enjoy the benefits of our natural resources.

### **1.3 Mission and Guiding Principles**

Government's **Mission** is to develop and implement the best political, social and economic policies in order to advance the goals of Peace and Prosperity. Government has consulted widely with the private sector and with non-government organisations to identify the policies appropriate to the current social and economic situation in Fiji.

Policies and priorities in the Plan build upon the national consensus represented in by the Multi Party Government and policy statements in the Manifesto of the Soqosoqo Duavata ni Lewenivanua Party and consensus reached with the Fiji Labour Party. Based upon these shared priorities, the Plan will best serve the needs of national unity, peace and harmony.

In pursuing its Mission, Government will abide by a number of **Guiding Principles**. These are:

- Good governance, including the need for consistent and credible policies
- Environmental sustainability
- Respect for the Vanua and for the cultures and traditions of the indigenous Fijians and Rotumans
- Respect for the cultures and traditions of other communities in Fiji
- Recognition of the paramountcy of indigenous Fijian and Rotuman interests as proclaimed in the Constitution
- Respect for legal authority and law and order
- Respect for human and group rights
- Honesty, integrity, transparency and accountability in public life and general standards of conduct which reflect our fundamental beliefs

#### **1.3.1 International Commitments**

Fiji is part of the global community and has made commitments within global bodies such as the United Nations, the World Trade Organisation, the European Union and the Commonwealth, as well as to regional bodies such as the Pacific Islands Forum. Government will pursue these commitments in the interest of Fiji and its citizens. Of particular importance, is the commitment of Government to the United Nations Millennium Declaration that was adopted by the UN General Assembly in 2000. The Declaration establishes eight goals to which the international community will commit its resources. The Millennium Development Goals are:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a Global Partnership for Development

Government is committed to achieving these Goals and gives assurance that the policies in this Plan are consistent with the Millennium Development Goals (MDGs). Targets and Indicators for the achievement of the MDGs, which have been developed by the various UN departments, the World Bank, the International Monetary Fund (IMF), and the Organisation for Economic Cooperation and Development (OECD), and the relevant MDG indicators are incorporated as Key Performance Indicators in Part 3.

### **1.3.2 Consistent and Credible Policies**

Government believes that consistent and credible policies that are vigorously implemented, are essential for the successful achievement of the National Vision. Credible policies are ones that are well thought out, contribute effectively to overcoming social and economic problems and are widely supported.

This Plan is the first to be prepared in the context of the Financial Management Act 2004 (FMA), which changes planning responsibilities for inputs, outputs, and outcomes: (i) Government defines the priority policy **objectives and outcomes** for the whole government in the Strategic Development Plan, facilitated by National Planning, and these are updated and refined in the three year, rolling Strategic Policy Statement (SPS) of the Minister of Finance; (ii) delivery of **outputs** is assigned to agencies' Annual Corporate Plans (ACP); and (iii) **inputs** are set by agencies' ACP proposals and approvals by the Ministry of Finance and the Public Service Commission.

## **Part 2**

# **Development Status: Opportunities and Challenges**

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## **Chapter 2      Review of Social Development**

### **2.1      *Quality of Life***

#### **2.1.1    The Human Development Index and Millennium Development Goals**

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 61<sup>st</sup> in 1997, but its position steadily eroded over the late 1990s and based on the 2005 UNDP's Human Development Report, it currently stands at 92<sup>nd</sup> out of 177

The ranking is based on the value of the Human Development Index, which is a weighted average of life expectancy, adult literacy and GDP per head. Fiji is included in the Medium Human Development countries category. Although Fiji's ranking has dropped, it remains above the average HDI value for all Medium Human Development countries and well above the average HDI for Low Human Development countries.

The Millennium Development Goals (MDGs) and their associated targets and indicators, which were endorsed by most governments in 2000, provide a recognised set of indicators that can be used to judge the key elements of social progress. Many of the MDG indicators are included as Key Performance Indicators in the relevant chapters and links to MDG indicators are stated.

#### **2.1.2    Global Partnership for Development**

The Millennium Development Goals, specifically through Goal 8, call for a Global Partnership for Development. The focus of the targets and indicators under this Goal relate to the amount and thrust of developed countries' aid to developing countries. Development assistance to Fiji is important and development partners continue to work with Government to improve the livelihoods of people in Fiji. However, aid donor grants are not large and represented around 1.3 % of Fiji's GDP in 2003.

Donor grants fell in 2000, as most development assistance was withdrawn following the May 2000 crisis. Donor funds increased in 2001 and were restored to more normal levels in 2002. Estimates for 2004 and 2005 show that donor grants more than doubled compared to 2002 as the Australian programme expanded and the EU programme was re-established. Loan finance is also available through the Asian Development Bank.

Donor programmes are well-aligned to the areas covered by the MDGs. Education is a major area of intervention with AusAID and the EU supporting Lautoka Teachers' College, and the provision of scholarships through AusAID and NZAID. Rural education will be supported through a major EU intervention. Health projects include the upgrading of health facilities and services in Taveuni, major initiatives to improve the management and service delivery by the Ministry of Health, the establishment of the new Pharmaceutical Centre and the expansion of the Fiji School of Medicine. Environmental health is supported through the Naboro Landfill Project, the Kinoya Outfall Project and the Suva-Nausori Water and Sewerage Project, funded with assistance from an ADB loan.

Whilst the level of Government-Donor engagement is relatively significant during the review period, the lack of proper framework to guide this engagement was an issue of concern. Donor coordination needs to be strengthened. To this end Government aims to improve its coordinating mechanisms, using proper guidelines and procedures whereby government and donors will work together to ensure that Government's priorities are addressed for sustainable development.

## 2.2 Poverty Alleviation

The first MDG concerns the eradication of extreme poverty and hunger. Two targets are specified which call for a halving (between 1990 and 2015) of the proportion of people living on less than one US\$ per day, and a halving of the number of people who suffer from hunger. Indicators for these targets cover the proportion of those in poverty, the poverty gap ratio (which indicates the depth of poverty), the share of consumption going to the poorest 20 %, the prevalence of under-weight children, and the proportion who are receiving less than the minimum dietary needs.

A comprehensive view of income inequalities and the state of poverty in the country as a whole is available only from national household income and expenditure surveys. Government recognises the need for up-to-date information and a household survey was conducted in 2002/03. Results of the survey indicated that 34.4% of the population lived below the basic needs poverty line (BNPL) , indicating a 5% increase from the 1990-91 Household Income Expenditure Survey (HIES). Most of those in poverty are people living in rural areas, particularly those from the Indian community.

**Figure 1: Ethnic and Rural – Urban Distribution of Incidence of Poverty**

	Rural			Urban			Total
	Fijians	Indian	Others	Fijians	Indian	Others	
% of population in poverty	38.0	43.1	41.3	27.2	29.1	17.3	34.4

Source: 2002/03 HIES Draft Report

The methodology for measuring poverty should be encouraged. The HIES focuses on measuring income poverty but this is just one aspect of poverty or hardship. In 2003, ADB assisted the Government of Fiji to conduct a Participatory Assessment on Poverty and Hardship. The Assessment indicated that most of Fiji's communities faced varying degrees of "hardships", based on lack of access to opportunities.

Other evidence of increasing hardship is found in the increasing number of families receiving Family Assistance Scheme benefits, although this increase is largely a result of Government allocating substantially more funds for the scheme. Additional factors are the increasing numbers displaced from the sugar industry and the continuing rise of urban migration. This in turn is contributing to a large number living in low-standard housing without basic utilities, particularly in urban squatter settlements.

The 2003 Participatory Assessment of Poverty and Hardship identified limited employment and other income generating opportunities as one of the critical issues for all communities suffering hardship. The lack of adequate basic services, including clean water, was also identified as an important cause of hardship in both rural and urban communities.

On the basis of the 2002/03 Household Survey, the poverty gap is estimated to have been \$2,616.64 per year for an average household. The gap is the difference between the national poverty line (estimated at \$8062.6 in 2002), and the average income of a poor household (\$5,445.96 per year). This indicates the depth of poverty.

Subsistence workers are prevalent in the country. The 2002/03 HIES revealed that some 61% of all rural Fijians stated they were subsistence workers, while 37% of rural Indians also stated to be engaged in subsistence. Even in urban areas, some 25% of Fijians and 14% Indians were engaged in subsistence.

There has been an overall improvement in the economic welfare of the people, particularly the Indigenous Fijians where their share of total household income has increased from 45 % in 1991 to 51 % in 2002.

Poverty has many dimensions, one of which is the extent to which people have sufficient food. In the MDGs, this issue is measured by the prevalence of under-weight children, and the proportion of the population who are receiving less than the minimum level of dietary intake. The most recent national figures were collected by the 1993 National Food and Nutrition Survey. The survey found a low incidence of child malnutrition. At a national level, the incidence of under-weight children was 15%, varying from 5% for indigenous Fijians to 19% for Indians. The UNDP 1996 Poverty Report indicated that almost 10% of households could not afford a minimum nutritious diet.

Government has a number of poverty alleviation programmes in place. In 2005, \$62.7 million was allocated for poverty alleviation programmes such as upgrading of squatter settlements, micro-finance schemes and the Family Assistance Scheme. Applications for Government's Family Assistance Scheme have increased over the years, from 13,443 in 2000 to 22,670 in 2005. While the overall Budget for the scheme has doubled since 2000, there are many pending applications awaiting funding.

Government's continued assistance toward poverty alleviation focused on ensuring that the poor and disadvantaged have better access to education and training, finance and credit on more affordable terms, and improved social and physical infrastructure. Since 2001, Government has allocated about \$284 million for social safety nets.

Coordination and monitoring of all poverty alleviation programmes is essential. A special Unit needs to be established in government to coordinate all poverty alleviation programmes and to implement the National Integrated Poverty Eradication Programme Framework in order to achieve Government's policy target of annual reduction of poverty by 5%. Government remains committed to funding ongoing poverty alleviation programmes such as assistance for housing and squatter upgrading, microfinance, education assistance and safety net programmes. This is evident in the increase of the minimum monthly Family Assistance allowance of \$30 to \$60. The Alternative Livelihood Project as well as the proposed Rural and Outer Island Development Project will supplement existing government initiatives towards poverty alleviation.

## **Development constraints and challenges**

The creation of more sustainable, secure employment opportunities with better wages, is the long-term mechanism for moving people out of poverty. However, even at current high levels of economic growth, there are restricted job opportunities and inadequate support for the poor to enable them to take greater advantage of existing opportunities.

A central challenge to be addressed is the weakening of the traditional support system, resulting in more people seeking welfare assistance, particularly the elderly.

One of the major drawbacks in the analysis of the nature of poverty in Fiji has been the lack of appropriate, comprehensive and timely data and analysis on which to assess the actual and nature of the problem, and sound policy measures required to tackle it. Welfare services for the very poor or destitute are provided by several government agencies as well as by NGOs, but there are very few well-coordinated reporting systems.

### **2.3 Social Justice and Affirmative Action**

The enactment of the Social Justice Act in 2001 has created special recognition for the disadvantaged in society. Since the implementation of this legislation in 2001, Government has allocated substantial financial resources for the various disadvantaged groups targeted in the 29 affirmative action programmes under the Social Justice Act.

The programmes aim to address disadvantage existing in all communities in the areas of education and training, land and housing, and participation in commerce and in all levels and branches of state service. Each program has specific goals and target beneficiaries, means of assistance, performance indicators and criteria for selecting members of the target group. The criteria for selection include race, gender, economic status, disability and physical location. Of the 29 Affirmative Action programmes, 17 benefit all communities, 10 benefit Fijians and Rotumans as a target group and 2 are specifically for Indians and minority communities.

Two detailed reports on the implementation of the Affirmative Action Programmes have been tabled in the House of Representatives in 2004 and 2005 respectively. These reports noted the extent to which the objectives of the programmes have been achieved in improving and enhancing opportunities for the target groups. In the Small and Micro-Enterprise development programme for instance, about 90 % of beneficiaries are women. The vocational programmes administered by the Ministry of Education, Youth and Sports have enabled unemployed youths to acquire training and skills in various trade. Around 76 % of youth trained are able to secure some form of employment

A major component of Government's Affirmative Action policy is the implementation of the Twenty Year Development Plan (2001-2020) for the enhancement of participation of indigenous Fijians and Rotumans in the socio-economic development of Fiji. Areas of focus include education and training, resource-based industries, tourism, commerce and finance, and rural development.

The Fiji Human Rights Commission has released a report on Government's affirmative action programmes, 2020 Plan for Indigenous Fijians and Rotumans and the Blue Print. The report measures current affirmative action policy, programmes and legislation against the Fiji Constitution, other relevant laws of Fiji and international law relating to affirmative action. Some of the issues raised in the report would be addressed in a comprehensive review to be undertaken by Government on all its affirmative action policies and programmes.

A Cabinet Sub-Committee on Equal Opportunities and Human Rights has been established to oversee the review process that will involve wide consultations throughout the country. The final review report will be presented to the House of Representatives and the public will also be invited to make their views known on the findings.

Government is committed to addressing issues relating to the disabled in society. As a member of the United Nations Economic and Social Commission for Asia and the Pacific, Fiji has adopted the Biwako Millennium Framework for action towards an inclusive, barrier free and rights-based society for persons with disabilities. The Framework calls for the formulation of a national 5-year Plan of Action on disability. The Ministry of Labour and Industrial Relations is currently working towards Fiji's ratification of the ILO Convention 159, on vocational rehabilitation and employment for Disabled Persons, with a view to ensuring equality of opportunity and treatment for all categories of disabled persons.

#### **Development constraints and challenges**

A major constraint to the implementation of the Social Justice and Affirmative Action programmes is the lack of regular surveys and monitoring by the various implementing agencies. This has made it difficult to gauge the extent to which the goals and objectives of the programmes have been achieved. Reporting systems need to be improved to ensure that complete and coherent data is made available for more comprehensive and holistic reporting. The needs of disadvantaged groups can only be effectively tackled if Ministries/Departments regularly review their programmes so they remain consistent with the needs of those who deserve to be assisted.

The 20 Year Development Plan for the Enhancement of Participation of Indigenous Fijians and Rotumans in Socio-Economic Development is into its fifth year of implementation. There is an urgent need for an effective monitoring mechanism to be established so that beneficiaries of the Plan are well targeted and its goals achieved.

### **2.4 Rural and Outer Island Development**

The rural areas continue to be the home of the majority (52%) of Fiji's population, down by 2% from 1999. Urbanisation remains the dominant contributing factor to this decline. However, Fiji's key exports are rural based, providing the greatest potential for future development and prosperity, particularly in the tourism, agriculture, forestry and fisheries sectors.

The rural sector contributed around 39% of domestic exports in 2003 and 43% in 2004, up from 30% in 1999. Rural exports include sugar and molasses, gold, timber, fish, fruit and vegetables, dalo, yaqona and mineral water. Production and exports have been constrained by poor market access, lack of support infrastructure and technical expertise and a lack of a consistent supply of high-quality local produce.

Government will continue to improve access to basic services and increase the number of economic activities through development of rural business in the rural areas. A total of 922 rural electrification projects have been installed since the project started in 1994. With an annual budgetary provision of \$6 million since 2003, a total of 357 schemes have been implemented till 2005.

Education remains critical for the development of the rural areas. Building the capacity of the rural population will be facilitated greatly by the EU-funded rural education project over the next five years, covering both the formal and non-formal sectors.

The establishment of rural fisheries centres and rural collection centres will enhance income-earning opportunities to these communities. The Agricultural Marketing Authority (AMA) is intended to facilitate marketing agricultural fresh produce and processed products from remote areas which are not served by private sector traders, though there are concerns as to its effectiveness (3.2.3). The establishment of telecentres has also strengthened the community capacity to generate income.

The implementation of the recommendations of the Review of Fijian Administration, which commenced with the merger of the Ministry of Fijian Affairs and the Ministry of Regional Development in 2004, is anticipated to improve the delivery of services to rural areas. Administrative boundaries have been realigned along the provincial lines and sectoral agencies are gradually moving to this new arrangement for integrated provincial development. Increased resources are being provided to assist with faster implementation of development projects.

Under the new structure, the Fijian Affairs Board will continue to oversee the work of Provincial Councils, while Provincial Development Committees (PDCs) will replace Divisional and District development Committees. PDCs will coordinate capital development activities in the field. The members of PDC will consist of nominees from Provincial Council, District Advisory Council, Rural local authorities and representatives from relevant Government agencies. The Divisional Commissioners will continue to chair these development fora and coordinate projects and programs at Divisional level. The Divisional Commissioners will be retained to coordinate and oversee planning of projects and programmes at Divisional level.

### **Development Constraints and Challenges**

The major development challenges for rural development are to:

- provide basic services such as water, sanitation, electricity and telecommunications to the rural communities;
- A water needs assessment survey needs to be conducted to determine the water supply requirements of rural areas, to ensure safe drinking water is provided to all communities and to better address drought problems.
- develop rural businesses and commercialise agriculture; and
- planning and coordination of rural development initiatives.

## **2.5 Security**

Security is the basic platform upon which the nation's existence, sovereignty, stability and growth are based. It needs to be sound as well as resilient. The continuous

strengthening of the pillars of security is critical. The cord that binds these pillars is the enforcement of law and order. Essentially the functions of security agencies are interlinked.

The National Security and Defence Review were completed in 2004, and implementation of some of the review recommendations had already started. Activities of terrorists recognise no borders. Countries are used as launching platforms for operations and/or sleepers for operatives. Fiji is not immune to these usages. The strengthening of assessment and response capabilities is the nation's insurance policy.

Fiji is the gateway to a number of regional countries. As the hub, it presents the ideal point where migrants seek access to other destinations. The completion of the independent assessment survey of the border management systems and supported by the new immigration legislations provide the platform for structured improvement. The pursuing of current reform programmes to completion with the remaining recommendations of the independent survey report during the next three years requires priority attention.

On a broader perspective, the Ministry of Home Affairs formulates and implements policies relating to the nation's security in the areas of counter terrorism, border control, emergency management, defence, and law and order. Its agencies consist of the Republic of Fiji Military Forces (RFMF), Fiji Police Force, and Immigration Department and Department of Emergency Management. The Department of Emergency Management is responsible for the management of manmade hazards that impinge on national security. Counter terrorism activities have become a permanent feature of global, regional and national consideration. The management of this combination of threats to Fiji's sovereignty and security are central to the Ministry for Home Affairs & Immigration's *raison d'eter*.

The RFMF is primarily responsible for defence. It has a supportive role to the Police on internal security. In pursuing its foreign policy Government has engaged the RFMF and the Police on international peacekeeping duties, while the RFMF has been engaged in subsidiary roles such as nation building, youth training & infrastructure development in rural areas, protection of Fiji's 200 mile Exclusive Economic Zone (EEZ), support operations during disasters, emergencies and maritime research and rescue. The Immigration Department is responsible for the security of Fiji's border, administer citizenship, facilitation of migration and border management and control functions at the major ports and airports of Fiji. Following the 9/11 event, and the rapid increase in people and drug trafficking, identity fraud, money laundering, prostitution, and illegal immigrants, there is an urgent need to strengthen the capabilities of the Department to ensure that it performs its core roles and functions effectively. The Department has shown also that it is a revenue generation agency. The basis of this work is strong intelligence and to which the intelligence gathering and analysis capability is a key focus of the Ministry.

### **Development Constraints and Challenges**

The major challenge is how to collaborate effectively with other law enforcement agencies nationally, regionally, and internationally in order to combat terrorist, criminal and economic threats to Fiji

## **2.6 Law and Justice**

Law and justice are essential in any community. Crime transcends and affects the daily activities of a society and can threaten its sources of livelihood. Fiji relies heavily on tourism and overseas investments and a stable law and order environment is fundamental and creates a catalyst for economic and social prosperity.

The causal factors of crime are often socio-economic in nature, including unemployment, high rural-urban migration, breakdown in families and traditional systems of social control and the effects of alcohol and drugs. These factors are too broad and intertwined for a specific law and justice agency to control and agencies have been working more closely together in the past few years to address these issues.

The Fiji Police Force had established the Fiji Police Intelligence Bureau, in 2005, which has now been renamed as the National Intelligence Service. This unit will be closely working with the Financial Intelligence Unit (FIU) that is based at the Reserve Bank of Fiji. The Police Department is responsible for the maintenance of law and order, preservation of peace, protection of life and property, the prevention and detection of crime and the enforcement of all laws it is directly charged with. The Force is currently undertaking 46 major projects for reform and modernization, in particular with the CID, Police Tactical Response Unit, Fiji Police Academy, and Community Policing initiatives. This is an initiative taken to revamp the Fiji Police Force for an effective and efficient police organization. More so, Government had committed to better equip the Police with additional financial and other resources to fight against crime.

The Office of the Solicitor General is responsible for providing quality legal advice to all ministries and departments; drafting Government bills and subsidiary legislations through the Office of the First Parliamentary Counsel; undertaking Statutory Law Revision; and ensuring the effective administration of legal registries. The Fiji Law Revision office set up in 2003 with the appointment of a Law Revision Commission is currently revising and consolidating the laws of Fiji in accordance with the Revised Edition of the Laws Act to provide a more current authoritative version of the laws of Fiji. The Law Reform Commission established under the Fiji Law Revision Commission Act is responsible to keep under review all the laws applicable to Fiji, with a view to their development and reform. The Commission is currently undertaking a holistic review of the Penal Code and focusing on offences, penalties/punishment sentencing jurisdiction and criminal procedures. The Legal Aid Commission established under the Legal Aid Act is charged with providing legal assistance to impoverished persons in proceedings relating to family and criminal law through legal advice and representation.

In effort to fight corruption, the Government will introduce a Code of Conduct Bill for all public office holders including Government ministers and Members of Parliament. The legislation will demand exacting standards of integrity. A new legislation to combat bribery and corruption as recommended by the Fiji Law Reform Commission is being finalised.

The Ministry of Justice comprises Justice as the core department, the Judicial and the Prisons Department. Judicial is responsible for enhancing the quality of justice in the community by ensuring an effective and accessible Court System and as cornerstone

of Justice; the court system will uphold the principles of equality, fairness and access while protecting the dignity and rights of all members of the community. The Fiji Prisons Service is responsible for the safe, secure and humane treatment of persons in custody by providing opportunities to correct offending behaviour, develop work and life skills and perform community service. They also work towards enhancing the quality of custodial responsibilities, improve inmate rehabilitation programs, develop human resources and modernize the service.

The New Prisons and Corrections Act, passed in Parliament in March 2006, is still awaiting enforcement upon the Minister of Justice directive. The Act provides a shift in policy focus from 'containment' to 'correction' with a view to rehabilitation, human rights and access to health and justice. A major recommendation is the establishment of a parole board that is expected to be operating in 2008, and for the Commissioner of Prisons to have responsibility for the post release supervision of prisoners on parole. These legislative initiatives should provide the platform for an expansion of sentencing and rehabilitation

The creation of a National Prosecution Service has seen the transfer of 90 police positions to the Office of the Director of Public Prosecutions and the establishment of a police and DPP steering group to guide the implementation. With adequate resourcing facilitating improved management, coordination and training, the standard of prosecuting in the criminal courts particularly in the magistrates' court, is expected to be significantly enhanced.

An AusAid-funded Fiji Law and Justice Sector Programme, equivalent to \$A17 million over a period of three years, commenced in May 2003. It provides technical support to ten government departments and liaises with relevant non government organizations. The objective of the programme is to ensure a 'whole-of justice' sector approach, linking the agencies of the criminal justice system cohesively

### **Development Constraints and Challenges**

The following constraints and challenges in the law and justice sector include:

- bureaucratic inertia in some areas of the Fiji public service,
- lack of organizational and individual capability to drive and manage critical reforms without ongoing Fiji Law and Justice Sector program support,
- lack of government resources (human, equipment and financial) to support initiatives in the long term,
- transfer or resignation of key champions who are currently driving reforms in the sector and,
- an imbalance in funding across the sector – increased effectiveness of police will place greater pressure on the courts, prison and public advocacy services.

## **2.7 Environment**

"Ensuring environmental sustainability" is the seventh MDG, which provides a framework for integrating the principles of Sustainable Development into national policies, availability of safe drinking water and improving sanitation, and reducing the number of squatter dwellers.

Achieving sustainable development, while overcoming environmental challenges such as land degradation, watersheds and marine fisheries, deforestation, waste

management and pollution control, and climate change, is a central challenge to governments of small island states such as Fiji.

Increasing population, urbanization, industrial and economic development have placed increasing pressure on coastal resources leading to loss of habitat, as a result of coastal development, pollution, increase water demand from freshwater lenses and depleted fisheries. Causes of degradation of coastal habitats include inappropriate agricultural activities, extensive mining, sewage pollution, inappropriate solid waste disposal, fishing activities, use of destructive fishing practices, beach sand mining, building of jetties, commercial harvesting of coral, soil erosion and siltation, improper disposal of industrial waste, and natural hazards such as climate change and sea level rise and hurricanes. The absence of consistent monitoring of the coastal zone development makes it difficult to assess the extent and seriousness of pollution and degradation in Fiji.

The discharge of untreated or inadequately treated wastewater from the industrial and agricultural sectors, and sewage causes pollution or harmful effects to the environment and to human health. The impacts of which 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, biological oxygen demand, and oil and grease.

Ministry of Environment in partnership with NGOs, and through donor funding has implemented various environment programs throughout Fiji such as Environment Management Act (EMA) 2005, National Land Use Policy (2005) will also provide a framework for sustainable management of land resources.

The key features of the EMA 2005 are:

- The setting up of a National Environment Council (NEC) to coordinate the formulation of environment related policies and plans;
- Permits to discharge waste and pollutants into the environment;
- The requirement for Environment Impact Assessments to be binding on all parties including government;
- Declarations, enforcement orders, stop work notices will ensure environmental compliance according to the laws.

Government has endorsed the Fiji Biodiversity Strategy Action Plan, with implementation being ongoing through various government ministries and departments and NGO programmes. The Ministry of Tourism, in collaboration with civil society, is conducting research programmes to identify areas of high biodiversity, which could be recommended as Marine Protected Areas (MPA) as identified by the Tourism Development Plan. It is envisaged that these areas will be added attractions, as they convert to marine parks bringing economic benefit to the resource-owners, whilst conserving the natural heritage and habitat. In Fiji, 177 out of 189 sites have been identified as MPA (area coverage of 7000 sq. meters of Qoliqoli area). Kadavu is legally gazetted while the rest have traditional ban (Taboo) imposed.

Solid and Liquid Waste Management strategies has also been developed. The extension of urban boundaries and the incorporation of new towns had seen an

increasing demand for waste management in urban areas. Since the Naboro Landfill caters for Suva-Nausori area, rural areas have no proper waste management systems. They either use their backyards or mangroves as dumpsites. A rural waste management policy is being developed under the International Waters Program. As part of the policy an economic evaluation research is being done to estimate the economic costs of the current, liquid and solid waste management systems in the Rewa Province, including health and amenity costs and to identify and evaluate alternative waste management options for households in rural areas. MoE has worked the squatter waste management in the Wailea Squatter Settlement and hopes to replicate the best practices to other squatters in Fiji.

### **Development Challenges and Constraints**

The major environmental problems include: land degradation, air and water pollution, refuse disposal, climate change and sea-level rise, outdated legislations and its inadequate enforcement of legislation, and limited public awareness. It is hoped that the implementation of the Environment Management Act and allocation of adequate resources will assist in addressing some of these issues.

The challenges that will be faced while implementing EMA include the absence of accredited laboratories in the country. Currently only one Lab has been accredited which is the Institute of Applied Sciences of USP. The accreditation is only for certain parameters. There is an urgent need to address this gap in country. Accredited labs will enable better environmental monitoring and enforcement.

### **2.8 Housing**

Housing is a priority area that government would focus as most of the population lives in cities, towns and in peri-urban areas. The rural urban drift, expiry of land leases, creation and extension of new towns and boundaries, and natural increase left people to squatter. The lack of affordable housing has seen a substantial rise in the number of people living in squatter settlements. It is anticipated that in next five years about 70 % of people will be residing in urban areas, as urban areas are centres for employment, education, better sporting facilities and availability of improved health care system.

Rapid growth has increased the demand for quality and reasonable housing at affordable prices. However, the internal migration has put increasing pressure on urban centres and their environment as well as on urban infrastructure and has given rise to social problems including squatter housing, over utilized infrastructure, congestion, pollution and increase in crime rates.

Standards are generally observed in the development of formal urban infrastructure but the challenge lies in the application of appropriate standards for land development for low-income earners and squatter settlement upgrading. Squatter Resettlement Unit is established that carries out development in all aspects i.e. topographical survey, scheme plan engineering, drawings and physical development. It also supervises earth works, sewerage installation, water reticulation, power supply, telephone and land transfer. The units main functions are to administer, manage and squatter resettlement programme and its implementation, carry out sub-divisional project planning, identify squatter upgrading and carry out socio economic surveys of squatter areas.

Government and housing agencies, such as the Housing Authority (HA), Public Rental Board (PRB) and NGOs, continues to play important roles in working towards

the sector goal by providing housing to low and middle-income earners. The HA dropped its interest rate to 3.99 %. In addition, \$1m grant is given to the HA to provide affordable housing in terms of paying interest subsidy to tenant who earn below \$6500. HA has introduced a grant of \$5,000 to those affected by job loss, medical conditions, old age or retirement, to promote home retention and has acquired 182 acres of land in Khalsa Road. In 2005 interest subsidies were paid to 381 individual clients and 3507 Mataqali members under Village Housing Scheme. 63 clients were assisted under Home Retention facility. A \$1m allocation is provided to PRB for lower income groups earning \$125/week. Currently, 1700 families benefit from subsidy scheme. The additional \$2m request will cater for the acquisition of land (any land identified) and carry out planned subdivision together with supporting infrastructures and construction of new homes in the Greater Suva, Lautoka, Ba, Tavua, Savusavu, Labasa, and Nadi. PRB will borrow capital to construct new homes. There are about 3,600 potential clients that can afford rental for new homes. Recently, a 27 Flat Complex is opened at Kia Street in Raiwai.

NGOs continue to play a major part in providing housing for the poor. Government provides an annual grant of \$1 million to the Housing Assistance Relief Trust (HART) and works closely with Habitat for Community and Rota Homes. HART provides shelter for destitute and near destitute families. HART has a total of 655 flats, 15 community halls, 3 Kindergartens and 2 Nursing Homes.

The Ministry of Women, Social Welfare, Poverty Alleviation and Housing estimated that approximately more than 90000 people are living in squatter settlements. Government has continued to inject resources to upgrade squatter settlements and provide affordable accommodation to the needy but more effort is required to better meet the growing demand. Government has acquired native land for resettlement of squatters. NLTB has given 1000 acres of land of which 45 units were taken by squatter settlement at Valelevu and 65 % is at the planning stage. NLTB has also given another 500 acres of land in Koroniva, Nausori for the development of squatter settlement. In addition, the government has increased the squatter funding to \$5m to address this problem.

### **Development Constraints and Challenges**

Development constraints and challenges include:

- insufficient funds allocated to squatter upgrading and resettlement
- rising levels of urban poverty, linked to the increase in squatter settlements;

## **2.9 Urban Development**

Fiji is an urbanising society. More than half of the population currently lives in cities and towns and many others in surrounding peri-urban areas, taking advantage of urban services, employment and social opportunities. And it is inevitable that cities and towns will continue to grow through the extension of town boundaries, creation of new towns, and on-going rural-urban migration. Urban areas support not only much of Fiji's population, but also a significant component of the economy, with 60 % of the country's GDP produced in urban areas. For this role to evolve between 2007 and 2011, effective and efficient municipal (local government) management, strategic vision and planning for the management of growth and stronger relationships between urban and rural areas are critically important to Fiji's future prosperity.

To address urbanisation issues the Government with assistance from the Asian Development Bank (ADB) prepared an Urban Policy Action Plan (UPAP), following wide consultations with all stakeholders and in-depth studies of key urban issues in 2003/2004. The Plan identifies priorities for action to improve all aspects of urban management.

The overall goal of the UPAP is to assist in achieving an efficient, effective and sustainable urban sector that can make an optimal contribution to the social, economic and environmental development of Fiji. Its objectives are:

- The expanded capacity of local and central government in meeting mandates and stakeholders needs
- Improved urban infrastructure and services including affordable land supply
- Responsive institutional, regulatory and policy frameworks for management of urban development

The UPAP identifies five (5) overarching issues, the resolution of which is fundamental to improving the efficiency and effectiveness of the urban sector in Fiji:

- Haphazard urban growth contributing to sub-optimal economic growth and continued urbanisation of poverty
- Limited local government capacity to address their urban development mandates which is required to foster urban economic growth and alleviate urban poverty
- Inadequate provision affordable formal new housing lot sub-divisions pushing people into informality and squatting
- Rapidly growing squatter and other informal settlement areas with no secure land tenure, services and poor housing
- Under serviced peri-urban areas, which contain 30% of the urban population and no formal integration strategy for incorporation

The four key strategic implementation components identified to ensure the effective implementation of the UPAP are:

- Strategic Urban Development Programme, involving the design of a national implementation strategy
- Devolution and realignment of the Ministry of Local Government and Urban Development
- Challenge Fund for Municipal development. A matching fund facility for councils to draw on for specific capacity works for the upgrading of squatter settlements and the orderly extension of municipal boundaries, financed with government on a shared basis.
- Local Government capacity building to ensure it can meet its expanded mandate including any roles and responsibilities devolved from central government and practice participatory approaches to urban governance

This background information provides the basis for the preparation of these policy objectives and the identification of the key performance indicators in line with the approach taken in the previous Strategic Development Plan. The UPAP identifies various weaknesses in the current systems that have been taken into consideration. Some examples are:

- No clear mechanism exists for integrating urban development planning at the national, regional and local levels. There is an absence of a strategic vision of where urban development in Fiji should be in terms of outcomes to be achieved at

the national, regional and local levels and the process by which these should be achieved and monitored.

- Limited effectiveness of the current urban servicing process in facilitating the provision of land for development.
- There is lack of coordination between environmental planning, urban planning and infrastructure development planning in areas outside the approved town planning scheme boundaries.

We are also taking a longer-term view of urban development, hence the emphasis on urban governance. Good governance including the support for the growth of local government should be considered a crucial part of the national economic development process. The international community looks towards the partnership between central and local governments as necessary if the Millennium Development Goals (MDGs) are to be achieved.

For a meaningful approach to sustainable development immediate action should be taken to reassessing our current approach to physical planning and development. The low-density development of our urban areas is creating urban sprawl especially in the Greater Suva Area. Some of its adverse impacts are: uneconomical use of land resources; costly provision of infrastructure; spreading of pollution through space; traffic congestion etc. We are introducing a platform to discuss these critical issues during this planning period.

### **Development Constraints and Challenges**

In summary, some of the development constraints and challenges include:

- Cities and towns are suffering from urban sprawl, including premature and ad hoc development in peri-urban and rural areas:
  - Need for intensification of land use within urban boundaries.
  - Need for growth management of peri-urban areas and boundaries.
- Developing urban and peri-urban areas lack services because of lack of coordination among infrastructure providers to service developing urban areas in a timely manner.
- Tension between urban and rural/regional areas, competing for investment and population:
  - Need for an agreed national framework for growth and development, integrating needs and aspirations of urban and regional areas.
- Sustainable development and management of resources is hampered by a lack of integration of urban and regional development strategies.
- Orderly and sustainable development of urban areas and regions is hampered by an outdated legislative framework for planning and development.
  - Need to facilitate current development trends
  - Need to support investors with significant and complex developments
- Rural-urban drift exacerbates the population and problems of poorly serviced squatter settlements, particularly in peri-urban areas.
- Local government is best placed to identify and respond to local issues, but current legislation and structures do not resource local governments well.
- Municipal governments do not currently have the capacity or resources to effectively manage their own issues and area:
  - Need to develop understanding and skills of people in municipal councils

- Need to devolve power and resources to local authorities.
- Good governance depends on people having the opportunity and capacity to participate in an informed way in decision-making:
  - Need for capacity building of local government on the principles of good governance
  - Need for public awareness about local governments
  - Need for greater public awareness about planning and development
- Opportunities exist for resources to be used more efficiently by collaboration between Government departments, and the formulation of public-private partnerships.
- Need for protection of national interests through planning system, including preservation of good agricultural land and natural environment and systems, and attraction of investment.
- As well as managing negative impacts of development, planning guidelines can facilitate development with positive impacts to enhance liveability of urban areas and viability of regional areas.

## 2.10 Health

Fiji has achieved considerable success in improving health outcomes. Life Expectancy at Birth increased from 67 years in 1986 to 69 years in 2000. The major challenges are to combat HIV/AIDS and to reduce the incidence of life-style and non-communicable diseases such as diabetes.

Three of the eight MDGs concern health issues. These cover child mortality, maternal health and combating HIV/AIDS and other diseases. MDG indicators for **child mortality** show that Fiji already has low rates of mortality. Under-five mortality has remained steady over the past decade with a rate of 22.4 deaths per 1000 live births in 2002. Fiji's infant mortality rate is low, hovering around 16 for every 1000 live births.

Immunisation against common childhood infectious diseases is an essential component in improving child health and mortality. The relevant MDG indicator is the proportion of one-year-old children immunised against measles. Latest data show that coverage was 76 %, which is generally high, as are other infant immunisation coverage rates. These reflect the Ministry of Health's comprehensive immunisation programme through the primary health care clinics and rural nursing stations.

MDG 5 calls for an improvement in **Maternal Health**, indicated by the maternal mortality rate and the proportion of live births attended by skilled health personnel. Maternal mortality is low in Fiji at around 35 per 100,000 live births, which meant 6 pregnancy-related deaths in the country in 2002). As numbers are low, the maternal mortality rate fluctuates widely. Almost all women now receive pre-natal and post-natal care and a doctor, nurse or trained birth attendant attends almost all births.

Improvements in child and maternal health are also a result of continuing investment in water and sanitation infrastructure. Results of the urban component of the 2002 Household Income and Expenditure Survey showed that 96 % of urban dwellers had a safe water supply and 79 % of urban households had flush toilets.

HIV/AIDS continues to be a growing threat to Fiji's social and economic development. MDG Goal 6 is to **combat HIV/AIDS** and other major diseases such as

tuberculosis. The number of people infected with HIV/AIDS was 200 as at September 2005. Fiji has passed the initial stages of the epidemic and is now in the explosive stage. If the HIV infection rate continues at the current pace, it is projected that 6,500 people will have HIV/AIDS in 2015. Government has developed, and is supporting a Plan to prevent, manage and control the spread of HIV/AIDS.

'Life-style', or Non Communicable Diseases (NCDs), such as diabetes and cardiovascular conditions such as heart diseases, cancer, hypertension and strokes, continue to be a major challenge. Changing lifestyles and diet, obesity, declining physical activity, increasing tobacco consumption are some of the main reasons for these diseases.

The integrated Public Health System comprises Clinical and Primary and Preventive Health Services. These services are provided through base hospitals in three geographic divisions supported by area and sub-divisional hospitals, health centres and nursing stations in the subdivisions.

Fiji has achieved considerable success in improving health outcomes as described in chapter 2. Maternal & Child morbidity and mortality are both low, and almost all women now receive pre-natal and post-natal care, there are generally high infant immunisation coverage rates. The major challenges are to address Communicable Diseases in particular to combat HIV/AIDS and to reduce the incidence of Non-Communicable and life-style diseases.

While there is adequate provision of primary and preventative health services, curative health services require further attention. With increased service provision and the availability of international standard private hospital facilities, healthy-life-years is expected to increase.

With increasing international demand for health care professionals, intakes at Fiji School of Medicine (FSMed) and Fiji School of Nursing (FSN) have been increased in order to maintain and meet the delivery of health services. Continued human resource development and changes to work conditions are an integral component to maintaining human resources in the health sector.

Progress has been made in the maintenance and development of health facilities, including the extension of Labasa Hospital, new mental hospital, Nausori and Ba hospital and new government pharmacy. The whole thrust of any development priority will be to ensure greater health benefits are achieved.

The Taveuni Community Health Project was an effort to enhance the participation of private and traditional health care providers. It was a five-year bilateral project between the Government of Fiji and the Government of Australia. A similar participatory approach will be encouraged in other communities for comparable health development programmes.

Non-Communicable Diseases (NCDs) such as diabetes, hypertension including strokes, heart diseases, cancers and accidents & injuries are the commonest cause of morbidity and mortality in Fiji. NCD risk factors including smoking, improper nutrition and eating the wrong type of food, excessive alcohol and drug consumption

and physical inactivity are the precursors to non-communicable diseases. A Fiji Stepwise Non-Communicable Diseases Prevalence and Risk Factor Survey (Fiji NCD-Steps) were completed in 2004. The Survey identified that the prevalence of Diabetes in Fiji is 16% and Hypertension 18% respectively. It also revealed other significant levels of behavioural, physical and biochemical risk factors for NCDs in many sectors of Fiji's population. A focus for Public Health Divisions in the coming years is to strengthen implementation of health promotion activities and intervention strategies that specifically target at-risk populations for developing these major NCDs. This calls for strengthening health promotion teams in the districts in terms of strategic directions for evidence-based practices to reduce those major NCD risk factors, utilizing the healthy island settings approach. Reducing these major NCD risk factors would eventually lead to a reduction of the life-threatening NCDs.

The increasing number of HIV/AIDS cases continues to be an ongoing national challenge with current number stands at 205. A Strategic Development Plan 2007-2011 to prevent, manage and control the spread and impact of HIV/AIDS and STIs has been developed providing the road map for Fiji.

Following the establishment of Hub Centres for HIV ARV treatment and addressing other reproductive and sexual health issues in the three main geographical health divisions, the up scaling of HIV clinical management to strengthen STI/HIV control activities to facilitate universal access to prevention, Voluntary Counselling and Confidential Testing (VCCT), treatment and continuum of care services for STI/HIV and AIDS. The strengthening of the recently established Communicable Disease Surveillance System for the control of communicable diseases following the availability of HIV confirmatory testing in Fiji is also of public health importance in Fiji. Other notable areas of CD strategic development include the operationalisation of the National Public Health Emergency and Disaster Management (PHEDM) Plan, Fiji Pandemic Influenza Plan, the Fiji Communicable Disease Surveillance & Outbreak Response Plan at national, divisional and sub divisional levels. The implementation of the International Health Regulation 2005 (IHR) and the finalization processes of the new and existing health legislations such as the Public Health Act, Public Hospital & Dispensary Act, Mental Treatment Act and others need to be fast tracked and facilitated.

Other important component under Family Health that is related to meeting the Millennium Development Goals (MDGs) include the strengthening of adolescent reproductive health programmes that is targeted towards reducing teenage pregnancies and STI/HIV rates amongst young people. For the MDG related to childhood morbidity and mortality, programmes to strengthen provision of services to reduce the burden of childhood illnesses include Integrated Management of Childhood Illnesses (IMCI), Baby Friendly Hospital Initiatives (BFHI), and the Prevention of Maternal To Child Transmission (PMTCT) of STI/HIV. For improvement of maternal reproductive health, the continuing clinical training of primary health care providers and the provision of trained health professionals in all health care settings is an ongoing focus for the MOH.

A five-year Fiji Health Sector Improvement Programme (2004-2008), funded by Government and AusAID, aims to support the Ministry of Health in achieving its goal of providing quality, affordable and efficient health services for all the people of Fiji,

through an integrated and decentralised health system which fosters good health and well-being.

Financing an adequate health care system in Fiji, which already has a significant number of private providers and health insurers, is a major priority in the medium term. The Ministry of Health together with World Health Organisation (WHO) conducted an initial feasibility study on a social health insurance system of health financing, in 2004. Sharing experiences across countries and regions in order to develop feasible networking, identifying best practices, information and knowledge will be the key to a successful health financing system.

### **Development constraints and challenges**

Development constraints and challenges include: the increasing number of HIV/AIDS and STIs cases; the emigration of skilled health care professionals; limited capacity at FSMED the increasing demand and cost for health care; limited resources; and the need for health financing reform. The aim is to increase health budget from the current 2.92% to at least 5% of GDP by 2011.

### **2.11 Education and Training**

Fiji is on target with MDG 2 “to achieve universal primary education”. Fiji has attained near universal primary education, but primary school enrolment and net enrolment rates have decreased since 2000. There is concern about the growing number of drop-outs from primary school. The percentage of pupils starting Class 1 who reach Class 5 has fallen from 91% in 1996 to 88% in 2002. Class 5 survival ratios stood at 95.2%, indicating that more effort needs to be made to keep students at primary school. Some parents cannot afford school costs, particularly in rural areas.

Access to secondary education is increasing with net enrolments standing at 71% in 2000. Enrolments have been higher for girls (74%). There is concern however, that secondary students have difficulty in getting jobs. The 2002 HIES showed that most of the unemployed population (77.2%) had secondary education.

Ethnic differences are still a concern in terms of examination performance. Indigenous Fijian students lag behind other ethnic groups in major external examinations results such as FJC, FSLC and FSFE. Similar gaps are also evident between rural and urban schools.

A well-educated society is able to better contribute towards a wealthy nation. Education remains a major spending priority for Government. Total primary school enrolment has increased from 144,284 in 1999 to 152,426 in 2004. During this period, access to secondary education has also been increasing. Pre-school enrolment increased from 6508 in 2000 to 9197 in 2003, an increase of 41.3%. However, enrolments are still low, with only 16% of the relevant age group in pre-school.

The teacher:pupil ratio has improved slightly and stands at 1:28 for primary education and at 1:19 for secondary education. While actual ratios are higher for urban schools than rural schools, it is important that this disparity be narrowed. Evidences suggest that the quality of teacher and time spent per student are most important factors influencing the quality of student learning outcomes.

Upgrading of rural schools and facilities is being boosted through European Union (EU) funding of approximately \$9 million per year for the next four years from 2005. There is also support of the same nature by JICA. These programmes provide infrastructural support to 300 schools, capacity building for teachers and Ministry personnel, teaching and learning resources for 600 schools and supporting systems and policy development. The AusAID funded Fiji Education Sector Program [FESP] is also an instrumental program which contributes to strengthening the education system in Fiji.

Examination performance has been improving. It is of note that Fijian schools performed better in the 2003 external examinations compared to the 2002 results. Similar performance is noted in 2004 as compared to 2003 results, particularly in the Fiji Junior Certificate and Fiji School Leaving Certificate Examinations. However, access to Form 7 education is an area of concern since only about 30% of Form 6 students progress to Form 7. It must be noted that a substantial number of FSLC graduates take other paths including vocational studies, tertiary studies, bridging studies and Foundation studies at USP. A form seven college is also under development to cater for students who prefer to this level.

In 2003 the Ministry of Education, with AusAID support, embarked on a \$10 million three-year Fiji Education Sector Programme (FESP). The programme is assisting the Ministry in improving the delivery and quality of education, especially to children in disadvantaged, rural and remote communities.

In terms of education service delivery, the Technical and Vocational Education Training (TVET), Leadership & Management and Enterprise Education (EE) pilots have shown increased benefits to schools, students and the community at large. Such modes of education require further encouragement by having a national policy for TVET, resourcing and coordination between government and agencies with responsibility for TVET.

### **Development Challenges and Constraints**

Although the country has achieved near universal primary education, the dropout rate at primary level will continue to be an area of concern, particularly for Fijian students. A high dropout rate, as already stated is also apparent from Form 6 to Form 7. Many students face difficulty in affording education.

Ethnic differentials are still a concern in terms of Examination performance in Fiji. Fijian students lag behind other ethnic groups in percentage passes for FJC and FSLC. For instance, Fijians lag behind by 6% in FJC and 20% in FSLC in 2002. Similar gaps are evident in subject performance in the Fiji Seventh Form Examination in 2002.

### **2.12 Gender and Development**

Women comprise about 40% of the Fiji labour force, according to the 1996 Census, an increase of 4% from the 1986 census. This contribution is fairly significant when compared to an average of 30% for the Pacific region. The Government is committed to creating an enabling environment, to enable women to participate fully in the socio-economic development of the country. Much emphasis is placed on enhancing gender equality and, more importantly, in mainstreaming women's concerns in government policies and programmes.

The Government's gender policies are guided by the Women's Plan of Action 1999-2008, covering five areas of concern, which are: mainstreaming gender concerns in planning and policy; women and the law; micro-enterprise development; balancing gender in decision-making; and violence against women and children. Government is also committed to implementing relevant MDG goals which affect women.

Additional commitments were made by Government to a 10-year Commonwealth Action Plan for Women, which was launched at the 7<sup>th</sup> meeting of Commonwealth Women Ministers in Nadi in 2004. The plan covers gender equality; mainstreaming especially in power structures and decision-making bodies; eliminating violence against women; and assisting disadvantaged women.

There has been a substantial increase in the number of women accessing micro-credit assistance since the NCSMED was established in 2002. The majority of their clients are female, indicating their greater ability to participate in commercial activities for the benefit of their family and the community as a whole.

The Gender Empowerment Measure (GEM) for Fiji continues to indicate that male dominance in economic participation and decision-making is still prominent. A gender analysis carried out in 2003 showed that out of the 17,764 civil servants, 8,326 (47%) are females. However, females are under-represented at senior management level. According to the last Annual Employment Survey in 1999, only 34% of women were employed in the formal sector. In addition, women comprise only 23% of Government boards and committees. The Employment Relations Bill, provides for equal opportunities in employment by prohibiting discrimination and ensuring equal rates of pay for work of equal value. There are also provisions in the Act to address "Sexual Harassment", requiring employers to ensure that measures are taken to eliminate sexual harassment in the workplace.

### **Development constraints and challenges**

Development constraints and challenges include:

- implementation and monitoring of the EEO policy in all workplaces;
- proper implementation of provisions of the Employment Relations Bill when enacted;
- increasing incidence of domestic violence;
- the availability of resources to conduct awareness programmes for women's concerns and issues, literacy workshops, etc; and
- implementation of the Family Law Act.

### **2.13 Youth and Protection of Children**

The issues affecting children and youths are multi-faceted and need a coordinated approach. Key issues are employment, teenage pregnancy and sexual and reproductive health. Youth employment is being addressed primarily by the Youth Employment Policy Framework and the Labour Administration and Productivity Improvement Sub programme of the IHRDPEP, under the Ministry of Employment and Productivity. The major problem of unwanted teenage pregnancy is being addressed by various awareness programmes and through initiatives on reproductive health undertaken by the Ministry of Health.

Cabinet endorsed in 1993 the establishment of a national coordinating body for ensuring the development and welfare of the child in accordance with the United Nations Convention on the Rights of the Child. Fiji ratified the Convention on the Rights of the Child on 13<sup>th</sup> August 1993. The national body became the National Coordinating Committee on Children (NCCC) whose membership comprises 30 representatives from Non-government organizations, government institutions and faith-based organizations. The NCCC also encompasses the important role of child advocates. The Ministry of Women, Social Welfare and Housing is currently the Chair and Secretariat of the NCCC after Cabinet's approval of a change in such role from the Ministry of Education in September 2005. Recent developments by the NCCC include the preparation of Fiji's draft 10-year (1995-2006) implementation report on the United Nations Convention on the Rights of the Child (UN CRC).

National Youth Policy of the Fiji Islands 2004 was developed and incorporated into the 20-year plan. Some of the policies were Youth Development and Employment; Leadership and Decision Making; Physical Education, Sports and Recreation; Youth Health; Life Skills Training; Youths at Risk; Youth Networking and Partnership; Cultural, Religious, Values and Virtues; Youth Rights; and Environmental Sustainability. The Cabinet endorsed a 20-year Strategic Plan for Youth Development 2006-2025 in 2005. The plan is a coordinating mechanism for stakeholders to work together on a common platform for long-term youth development. The four focal areas of this plan that covers a wide range of issues are the Health & Social Services; Non-formal Education & Training; Employment; and Sports.

#### **Development Constraints and Challenges**

Development constraints and challenges include:

- insufficient funding for all the implementing agencies; and
- ownership of key issues is scattered across multiple agencies – Education, Fiji Law Reform Commission, Attorney General's Office, Youth and Sports, Health, Police Force, Social Welfare Department.

### **2.14 Culture and Heritage**

Fiji is a multi-racial, multi-cultural country with a multiplicity of languages, religions and ways of living. Culture refers to the diverse manifestation of human intellectual and artistic activity that is part of both culture and heritage and is the living form of cultural expression.

The Department of Culture and Heritage was established in 2000 to coordinate the activities in the cultural sector and is also responsible for administering three statutory bodies in the sector. The Fiji Museum established in 1929, aims to be dynamic institutions for the preservation of the countries national heritage. The National Trust of Fiji was established in 1970 to provide for the protection of Fijis natural and cultural heritage. The Fiji Arts Council was created in 1964 to coordinate national programs and activities for the development of visual and performing and fine arts as well as traditional and contemporary crafts.

Integral to the development of the nation is the conservation, development and promotion of the indigenous identity. One that is not mutually exclusive but recognizes that its strength and vitality comes not only from conserving the past but embracing the future in its myriad dimensions.

Tourism, as the fastest growing industry in the world, relies to a large extent on cultural heritage for its sustainability. Historic conservation and cultural activities can maintain the distinct character of communities and greatly enhance the quality of life and enhance tourism investment. Cultural & natural heritage sites and traditional arts should be conserved and protected. Due emphasis should be placed towards the listing of Fiji's Cultural and natural heritage sites in the world heritage listing and the establishment of proper heritage management system & the necessary infrastructure to enhance the product base for tourism investment on cultural resources.

Since 2005, Government has increased its allocation of capital grants for works to be carried out by the National Trust of Fiji on sites such as the Levuka Community centre, Sigatoka Sand dunes, Momi gun site, Yadua Taba Crested Iguana Sanctuary, Garrick Reserve and Kadavu Rare Bird project. Government has also continued annual operating grants to the Fiji Museum, National Trust and Fiji Arts Council. A further grant is provided to the Department for Small Grants Assistance, in programs such as community cultural development, development of dance and meke, literature and History, music, performing and touring and visual art and craft development.

The association between gender and culture needs consideration. The challenge is to develop an agenda that recognizes women as significant actors in development and as bearers and signifiers of their culture.

Culture has the potential to address the challenges faced by our youth today unemployment, poverty alleviation and job creation. A major challenge exists in their economic inclusion, civic and cultural participation, and health and education needs. Part of the answer lies in the young people themselves and partly in creating an environment to express them. The education system provides a catalyst and an opportunity for this in instilling a sense of values and cultural identity.

There is a need to think culture and its impact on the environment. Local ecological knowledge and traditional management practices, as part of the local systems of values and meanings, have proved to be environmentally sustainable. The challenge is now to translate this into practical projects and to change policies that strengthen the cultural dimensions of the relations between the environment and development.

### **2.15 Sports Development**

Sport promotes nation-building and community development by bringing people of all communities together. It moulds better citizens through the inculcation of important values such as goodwill, tolerance, understanding, teamwork and healthy living. Sport has also become a major source of employment locally and abroad and has promoted Fiji internationally. Sports Development Unit in Fiji looks after the development of sports. The objective of Sports Development Unit is to provide opportunities and facilities for the active participation of all citizens towards the fulfilment of basic social, physiological and psychological needs. The Ministry plays a major role in the promotion and development of sports in the Fiji.

Through the Sports Unit, the Ministry has four major programs to meet its objectives: i) sports grants; ii) sports outreach & talent identification program; iii) donation of sports equipment; and iv) sports field development & upgrading. Sports grants are awarded to National Sporting Bodies through FASANOC. There are four types of

grants: i) hosting of international tournaments; ii) overseas sporting tours; iii) short-term expert; and iv) sports scholarships. The Sports Outreach & Talent Identification Program is run in collaboration with respective National Sporting Bodies: Fiji Rugby Union, Fiji Netball and Fiji Volleyball. The program is conducted in various Provinces to teach basic skills of the games and to identify new talents. Donations of sports equipment are given to schools, religious organizations and registered clubs and youth groups. The Ministry only provides basic sports equipment such as netballs, basketballs, volleyballs and net, soccer and rugby balls, boxing gloves, cricket and softball bats. Sports Field Development and Upgrading program involves the development and upgrading of sports playing fields. Priority is given to schools and communities in remote areas who have limited access to proper facilities. Other programmes for the Ministry include: Inter-Ministry Sports, assist in organizing of sports tournaments upon request and coaching clinics and sports administration courses for communities and schools.

The effectiveness of Fiji's sportsmen and sportswomen has been highlighted by the achievements of 2005 namely the Rugby Sevens World Cup, International Rugby Board (IRB) 2005/2006 sevens series, and in the United States Professional Golfers Association tour. At the VII<sup>th</sup> Mini South Pacific Games in Koror, Palau, Fiji won 63 medals (23 gold, 21 silver and 10 bronze) and a bronze medal in the Rugby Sevens competition at the 2006 Melbourne Commonwealth Games. A significant number of Fiji Islanders are now making a living in various sports overseas. Players like Waisele Serevi, Vijay Singh and Ms. Vilimaina Davu are role models of the youths and children who want to make career in sports.

A significant amount of remittances from overseas is received from sports-related activities. Remittances were valued at \$297 million in 2004, increased to \$311 million in 2005 and have become Fiji's second largest income-generator for the economy, surpassing sugar and contributing around 7% of the GDP.

Following the 2003 South Pacific Games in Suva, the Fiji Sports Council (FSC) now manages sporting facilities having a net worth of approximately \$50 million. Included here are sporting facilities namely the National Indoor Stadium, National Hockey and National Aquatic Centres built with the assistance from the People's Republic of China. With these modern sporting facilities, FSC, in collaboration with the Fiji Association of Sports and National Olympic Committee (FASANOC) and the Ministry of Youth, Employment Opportunities and Sports, has embarked on a marketing plan to host international sporting meets and accommodate training of international teams at these facilities and to market elite athletes internationally.

In 2006, Melbourne hosted the Commonwealth Games, which provided an opportunity to market Fiji's world standard sporting facilities for training prior to the Games. In July 2007, the National Indoor Stadium will host the World Netball Championships (WNC), last held in Jamaica in 2003. Government is fully committed to the successful staging of the WNC. It will be an opportunity to show the World that despite our smallness and our diversity, Fiji has what it takes to host a world championship like the WNC 2007. In preparation towards the WNC, the Team Fiji has hosted the New South Wales Institute of Sports, England and South African National Teams. It is envisaged that on an annual basis, the current facilities in Fiji will host at least one international tournament, meeting or conference.

Government is fully committed to the balanced development of sports, particularly at the grassroots level. It aims to give the sport the recognition it deserves as one of the defining features of our national character. To foster partnership and ownership with stakeholders, a National Sports Summit was held in December 2003, to draft a National Sports Policy (NSP). The NSP will form the basis of an overall national approach to developing and coordinating sports in Fiji. To support private sector funding of sports, the Government has provided a 200% tax incentive for commercial sponsors of sports since 2004 which is managed by the National Sports Funding Commission (NSFC). Other funding initiatives such as gaming machines have been considered, with staging of special events, development of sporting facilities and provision of training also in the current plan. The grant to sports has assisted 26 national sporting bodies with sports grants to implement their development programs. Sports outreach program is currently ongoing and so far 2 sports outreach program have been completed in the following villages – Nabasovi - Koro, Tavuki - Kadavu and Qeleni - Taveuni.

Most sporting federations need to work towards a more structured approach to sport development. Some sports have greater potential to attract financing and move towards professionalism. Both rugby and soccer have the ability to receive significant funding from international parent bodies and corporate sponsorship. To identify and develop athletes who could excel internationally, Government plans the development of a National Institute of Sport or an Academy.

With non-communicable (life-style) diseases on the increase, the Ministry of Education, Youth and Sports is continuing to promote “Sports for All”, targeting public service offices around the country and rural and urban population. Ministry of Health is emphasizing on the facilities for improving adult health counselling.

#### **Development Constraints and Challenges**

Constraints to further development of sports include the lack of sporting facilities, especially in rural areas, the low funding for sport and the need to move to a more commercial approach, especially in professional sports.

### **2.16 Disaster Mitigation and Management**

Over the last decade, damage caused by tropical cyclones has been estimated at about \$500 million and more than 100 lives have been lost. Tropical Cyclone Ami, which struck the northern and eastern regions in 2003, caused social and economic losses of more than \$100 million, whilst the floods in April 2004 caused damage estimated at more than \$30 million.

A risk management approach underpins Government efforts in disaster risk reduction, with a strong emphasis on greater community self-reliance. The integration of risk management into the development planning decision-making process using the Comprehensive Hazard and Risk Management (CHARM) approach, will make a significant contribution towards disaster and risk reduction. Essentially this will place strong emphasis in the analysis and evaluation of hazards, vulnerabilities and elements at risk. However, the heavy dependence on Government handouts after recent disasters, coupled with high rehabilitation costs, has disrupted planned capital expenditure programmes. To address this problem, Government established a National Disaster Relief and Rehabilitation Fund, with a \$2.6 million budget in 2004.

A National Disaster Committee was established in the Prime Minister's Office, to oversee the new National Disaster Relief and Rehabilitation Fund and to assist the NDMO to deal with disasters.

Reviews of the Natural Disaster Management Act 1998 and the 1995 National Disaster Management Plan, are due for completion in 2006. The principal recommendations are to include manmade hazards including technological hazards in the Act and Plan and to institute qualitative improvements in legislation, regulations, organisation, operating procedures, training and readiness. The reviews stressed that an effective crisis and emergency management system under national leadership is essential. The review also aims to put in place a robust system in dealing with disaster risk reduction and planning for effective preparedness, response and recovery. The focus on community capacity building aims to reduce dependency and to achieve community resilience and sustainable development.

### **Development Constraints and Challenges**

There is a need to develop Response Plans and Early Warning Systems for floods, earthquakes and tsunamis, in order to provide people with time and confidence to deal with such events and to facilitate more rapid Government intervention.

Mainstreaming disaster risk reduction into other sectoral development plans, policies and programs is crucial for sustainable development and community resilience.

The Fiji Red Cross works closely with the divisional commissioners and provincial administrators/district officers and provides invaluable support during emergency relief operations. There is a need to continue to strengthen relationships with Disaster Management partners, including the Red Cross, civil society, as well as the FRANZ group, the EU, ADB, World Bank, UNDP and SOPAC.

## Chapter 3 Review of Economic Development

### 3.1 *Management of the Economy and Government*<sup>1</sup>

#### 3.1.1 Recent Developments

The performance of the Fiji Islands economy since 1999 has been uneven, reflecting the economic consequences of the political and constitutional shocks experienced between 1999 and 2001. The Government has been broadly successful in restoring stability and re-establishing economic growth but the country continues to face an uncertain future. The uncertainties stem partly from the need to resolve political issues such as constitutional reform and leasehold land issues and partly from an economy beginning to experience the impact of restructuring of the agriculture and manufacturing sectors in response to changes in international trading arrangements.

For many years Fiji benefited from preferential quota access to two high-price markets - the US garment market and the EU sugar market. The garment quota was lost in 2005 with an immediate impact on growth, exports and employment - 6,000 jobs were lost in the first few months, with more following as the industry re-sized. Thousands of sugar cane farmers have left the sugar industry in recent years and thousands more are expected to leave over the next few years as EU price reductions take effect and returns to labour and land in sugar cane production become uneconomic. These figures understate the social impact of these developments. The garment industry provided employment predominantly to women, for whom there is no obvious alternative employment and the contraction of the sugar industry will impact not just farmers but also the thousands of ancillary workers – cane cutters, those transporting cane to the mill and mill workers - as well as all their families.

There have also been positive developments in other sectors, requiring change and economic restructuring. Tourism has grown strongly, providing additional employment in the tourism areas. Foreign remittances have increased sharply, providing critical support to the balance of payments and reserves. Exports of water, the harvesting of newly matured mahogany plantations and non-sugar agricultural exports are all expected to make a growing contribution to export earnings over the next few years. But these, by themselves, may not be sufficient to create the faster growth rate Fiji needs.

The future prosperity of the country depends critically upon how Government and private sector respond to the challenges posed by the changing external environment and the weakness of private sector investment. The events of 2000 halted most private sector investment in Fiji. Stability and confidence have been rebuilt to a considerable extent and private sector investment has increased significantly. But issues remain to be solved, in terms of land leases and constitutional and public sector reform, which hinder increases in private investment as many private sector investors – other than investors in tourist related facilities - wait for these issues to be resolved.

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<sup>1</sup> This section builds upon the analysis of Michael Moriarty undertaken for the National Planning Office in 2005 under ADB TA 3960.

Investment in tourist accommodation and related facilities is increasing strongly in response to the ongoing growth in visitor arrivals, but the linkages between large tourist operations and the domestic economy are not yet strong. Tax exemptions intended to promote tourism invest also give preference to imported goods rather than creating demand for increased domestic production.

In 2001, Government sought to “kick-start” an economic recovery through a demand-driven economic expansion. Public sector spending and investment were intended as a substitute for the missing private sector investment in a pro-cyclical fiscal stance with increasing Government deficits. Between 2001 and 2003, the deficit averaged 6.5% per annum. The Reserve Bank indicator interest rate was held at a historically low level to encourage more rapid domestic credit expansion to the private sector.

In conjunction with strong growth in remittances and recovery in tourist arrivals, this resulted in real GDP growth between 2001 and 2004 averaging 3.5% per annum. This consumption-driven expansion did not produce an investment response from the private sector sufficient to sustain high growth. While spending by tourists and remittance-funded consumption were backed by an inflow of foreign exchange, the expansion in consumption fuelled by the budget deficit and cheap credit was not. As a result, foreign exchange reserves began to decline until, as discussed in Chapter 5, fiscal and monetary policy were tightened to consolidate the gains made and lead to a new level of macro-economic stability supported by a fundamental restructuring of the public sector and, consequently of the whole economy.

Confidence is returning even more with the development of civil partnerships to address the political issues facing the nation. In this context, the combination of macro-economic stability and public sector restructuring will not be a substitute for private sector investment but will promote and facilitate such investment. In partnership with the private sector, Government not only seeks a private contribution to Fiji’s physical asset base but also to benefit from the private sector’s unique entrepreneurship - the ability to manage assets profitably and promote self-financing economic growth.

### **3.1.2 Private Sector Requirements**

Entrepreneur’s discover profit opportunities which increase the productivity of resources that will drive sustainable growth. To work effectively, such private entrepreneurs need a set of stable “rules” that facilitate their access to the assets, markets, skills and the financial resources that they require and “rules” which also protect entrepreneurial gains from expropriation. Such rules include property rights, regulatory regimes and legal systems which allow the private sector to work effectively.

At present, the business regulatory environment in Fiji needs to be improved to enable businesses to operate successfully. The institutional environment is cluttered with “rules” which incur time and cost penalties on businesses but often have no discernable benefits to the country, indeed they often incur costs for the country as well. That is because deficiencies in the institutional environment create perverse incentives, block access to assets, information and markets, generate uncertainties about whether entrepreneurs will be able to keep the profits they make, and increase transaction costs.

- There is no integrated system of formal property rights that can be easily accessed and analyzed by potential investors and which can be efficiently used to make people accountable for the business commitments they enter into;
- There are still difficulties in ensuring that land is used productively in its highest value use. The market for leasehold land is not working properly – there is insufficient land being made available for all the entrepreneurs who can use it productively and land that is available is not used as productively as it could be, harming benefits to indigenous land owners as much as to the prospective tenants;
- Inadequacies in property rights in land increase transaction costs and make it difficult to use leasehold land for collateral, reducing the benefits of the land use below the full potential and reducing market value of leasehold land, again harming benefits to both owner and tenants;
- There are difficulties with the legal system that make it needlessly time-consuming and costly for entrepreneurs to start-up a business, operate their businesses and exit a business;
- There are difficulties in enforcing business transactions, in collecting debt, and in taking a secure interest in property;
- Financial markets do not provide access to the range of financial services needed by entrepreneurs, thus inhibiting structural economic adjustment, particularly in agriculture;
- Remaining deficiencies in labour market institutions also impede structural adjustment by making it difficult to match unemployed workers with job vacancies, and militating against a more rapid up-skilling of the workforce;
- There is too great a discretionary element in the administration of investment incentives, price controls and the tax system, which create needless uncertainties and the fear of arbitrary expropriation of income.

These are all “supply-side” constraints that increase the risks and costliness of doing business, sometimes to the point where transactions no longer take place at all. This impacts upon the financial incomes of entrepreneurs, land owners, tenants and employees. Enterprises are not started or expanded to their full potential. Land owners have no tenants or receive incomes well below those which would exist in an efficient market. Tenants access to financial and technical resources is severely constrained so they cannot achieve the incomes needed to increase their living standards and afford higher rents. Workers have fewer jobs and restricted opportunities for higher incomes which depend on access to technology and training.

Each individual and family bears the financial cost in terms of lower quality of life and standard of living. Nationally, these supply-side constraints reduce the size of the economy and its ability to grow. Consequentially, resources available to Government are reduced and its ability to provide public goods and services is diminished.

Removal of these constraints cannot be achieved by tinkering with administrative arrangements. They require a fundamental restructuring of Government and a re-allocation of assets and responsibilities to those who can best manage them in the interests of the whole population of Fiji.

### **3.1.3 Public Sector Challenges**

Progress needs to be made in eliminating these problems before the economy can grow more rapidly and on a sustainable basis. Increased efficiency in the use of land, labour and capital resources requires action by Government in developing the institutions and rules by which resources are allocated and used and in the policy framework which creates opportunities for enterprises to be developed in line with desired national directions.

#### **Institutional Challenges**

Land is overwhelmingly communally owned native land and the Native Land Trust Board must play a major role in its efficient allocation and use. NLTB has made comprehensive plans to facilitate and promote tourist operations on native land, with clear opportunities for participation by landowners. NLTB has a long term interest in the productive use of land and in maintaining its long term productive capacity. Its ability to raise returns to land and to resource owners depends upon establishment of a more efficient market for land in place of the heavily administered market which now exists. The many gaps and inadequacies in the laws relating to property rights in land must also be remedied so that it is easier to use interests in land (including leasehold interests) as collateral for loans.

The various investment incentives and tax and import duty exemptions give the appearance of promoting business but, in practice, form part of an interventionist regime of licenses, permits, investment approvals, and price controls. Together these, at best, add to transaction costs and distort decision making and, at worst, also increase uncertainty and opportunities for corruption as Ministers and officials are required to exercise their discretion in their interventions affecting the business decisions of private sector firms.

Some businesses, unrealistically, may like to keep the incentives and exemptions whilst removing the restraints on their freedom of decision. Rather, a thorough review is needed to create a legal environment for business that makes it easier to commence and operate businesses, to enforce contracts and collect debts and to obtain and publicly record security interests in property, and to reduce legal compliance and transaction costs. This will allow entrepreneurs to make commercial decisions for viable enterprises which are free from intervention and distortion.

Real entrepreneurs do not depend upon incentives and exemptions - treating them as a "bonus" to add to profits of fundamentally profitable ventures, aware that they may be withdrawn at any time. More marginal enterprises may require incentives which are limited in scope and time in a transitional period until they cover all their costs, including their share of the costs of public goods and services. Particularly given the fiscal position, such incentives and exemptions may be reviewed to keep only those which provide transitional support to marginal enterprises which provide national economic returns greater than the short term financial returns.

Innovations have been made in financial services, but financial markets need to be deepened and strengthened to provide a greater range of services and geographical coverage so that as many entrepreneurs as possible, including in rural areas, can access finance. Such deepening must include further development of markets for equity and all forms of debt. The bond market is weak as it is dominated by

Government as borrower and the Fiji National Provident Fund as lender. A competitive market in which the private sector can compete as borrower and lender requires a diversification of Government debt and of FNPF's fund management.

As a result of past development, institutional arrangements in the labour market pose fewer problems for entrepreneurs. The main weakness of existing institutional arrangements is the inadequate machinery in place to help match vacancies with workers seeking employment. The greatest practical problem facing entrepreneurs in this area is the scarcity of skilled labour. A greater effort is required to plan, fund and coordinate the provision of the training programs needed to provide the skilled labour force that Fiji will need over the next few years, and in the longer-term. These are issues of labour market efficiency and responsiveness which need to be improved.

### **Policy Challenges**

Entrepreneurial activity also requires a supportive policy framework. Entrepreneurs need an economic environment that ensures low inflation, predictable tax rates, trade policies that do not impede access to assets and markets and a foreign exchange regime that reduces the vulnerability of the economy to external shocks.

As noted in 3.1.1, Fiji is suffering such an "external shock" as a result of the present and prospective reduction of preferential market access for sugar and garments. These have reduced export revenues and, thus, reserves. Budget deficits to support growth have drawn in imports and are no longer appropriate as they compound the impact on reducing reserves whilst increasing Government debt faster than economic growth can support. As discussed in Chapter 5, none of these parameters has been allowed to approach a critical level and measures have and are being taken to maintain macroeconomic stability which is essential to all economic activity and growth.

These appropriate tightening measures in monetary policy include increased interest rates to encourage savings and investment rather than consumption and debt. This regime of higher interest rates will also lead to higher Government debt service costs. However, using the proceeds of asset sales to repay the debt is the quickest way to strengthen the Government's balance sheet to maintain macroeconomic stability. Such proposals to transfer under-performing assets to private ownership are included in Chapter 6. Reducing debt to a more conservative level requires a reduction of the Government deficit through increased control and management of revenue and expenditure, as proposed in 5.2.

In late 2004, Government approved a competition policy based on (a) promoting a market system in which competition is left to market forces to induce lower costs, innovation and greater efficiency; (b) promoting contestability by removing entry and exit barriers to markets; and (c) constraining economic concentration through limitations on anticompetitive conduct. This new approach provides a sound basis for encouraging greater competition and hence entrepreneurship in Fiji.

On the other hand, price controls affect 50% by weight of all the items in the consumer price index. A Price Surveillance Order also covers a considerable number of intermediate goods. As a matter of law, the price of every item manufactured in Fiji is *potentially* subject to price control even if the Counter-Inflation Act is administered in a light-handed way and does not interfere with the ability of markets to set prices. It

is difficult to ascertain what public good is achieved by maintaining such a regime which merely adds to transaction costs and creates uncertainties and risks for entrepreneurs' decision making, including investment decision making. Removal of such risks may more cost-effectively promote private sector investment than fiscal incentives and exemptions. A more limited list of controls to clearly address particular market failures, such as exploitation of monopoly power, would be more consistent with the new competition policy.

The economic aspects of affirmative action plans also create some challenges for competition policy by specifying that 50% of all government contracts and of all permits and licenses must be granted to Fijians and Rotumans. In the longer term, this is inconsistent with the competition policy and accepted principles of government tendering. It is also impossible to administer if adhered to indefinitely and would then present opportunities for rent seeking rather than participation in economic activity. Such anti-competitive rent seeking is not the intention. Effective affirmative action needs to be time bound and supported by strong programmes which enable Fijians and Rotumans and other disadvantage groups, including persons with disabilities, to compete in national markets on an equal footing with other Fiji citizens and develop the entrepreneurial skills needed to compete in wider markets.

The shift in strategic direction towards an export-oriented policy implies a need to switch domestic expenditures away from domestic consumption into production for export. Expenditure 'switching' of this kind will require much tighter fiscal and monetary policies and, perhaps, greater flexibility in the exchange rate regime to achieve a change in relative prices.

A more flexible exchange rate regime offers several advantages. It offers better protection against external shocks by giving clearer market signals to encourage all economic actors to adjust their savings, investment and consumption behaviour immediately rather than wait for Government policy changes before acting. This saves time, reduces the costs of adjustment, reduces public sector exchange risk, makes it easier to conduct an independent monetary policy and facilitates the country's integration into the international financial system. A more flexible regime, however, would take several years to prepare and introduce in a medium-term framework with assured fiscal discipline.

Fiji is a small open economy and the export-oriented growth strategy requires competitiveness not only in the domestic economy but that Fiji must become an internationally competitive economy. Tariffs on imports become a tax on exports and policies that increase protection for domestic industries distort investment decisions in favour of uncompetitive producers whilst adding to the cost disabilities imposed on exporters. In an economy driven by intervention - exemptions, incentives, tariffs, protection - the switch from consumption to export driven growth requires a whole new set of interventions and the removal of old ones. A better alternative is needed.

Policy changes in tariffs or quotas alter the effective rate of protection (ERP) accorded to particular activities. It is important to create greater uniformity in ERPs across the economy if unintended results are to be avoided. For example, the 2001 "investment package" increased the gradient of the cascading tariff so that the effective rate of protection encouraged low value-added products but penalized higher value products.

The primary policy objective for the tariff system should be the adoption of a low and uniform rate structure. The goal should be to encourage all industries to become as internationally competitive as possible whether exporting or selling domestically. In this way they are helping to reduce each other's input costs in a 'virtuous' and mutually reinforcing process that works to lower the economy's cost structure and thus make an even wider range of industries internationally competitive.

Such a permanent restructuring of taxes and tariffs to promote entrepreneurial efficiency and competition will much better serve Fiji's economic development than any revised set of market distorting interventions ever could. In this scenario, the public sector would stop interfering in the private sector's decisions and management to concentrate on the essential task of improving decision making and management within the public sector.

### 3.1.4 Monetary Policy and Macroeconomic Conditions in 2006

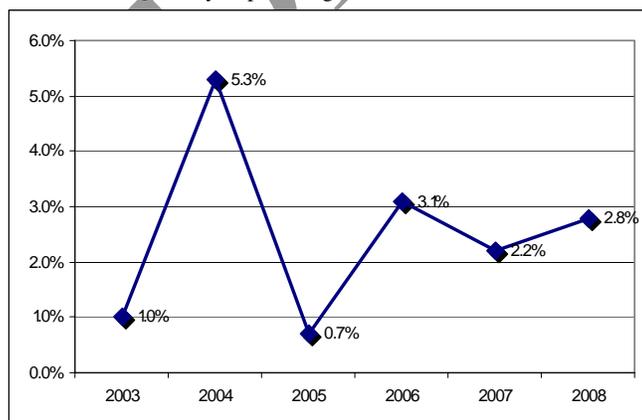
Recent growth has been led by the construction, tourism and finance and business services sectors more than offsetting negative contributions from natural resource based sectors and falling garment production. For 2006, growth is anticipated to be broad based with projected growth of 3.1 %.

Growth has been consumption led and financed largely through borrowing. Given the narrow production base, increased consumption led to increased imports, compounded by high world oil prices. This imbalance increased in 2005 and 2006 due to the loss of garment quotas and the beginnings of EU sugar market restructuring, which will influence Fiji's sugar exports throughout the Plan period. This situation requires a response in monetary and fiscal policies to maintain macro-economic stability. Monetary policy was tightened with three interest rate increases, totalling 2.5%, between October 2005 and June 2006, to manage domestic demand, reduce imports and safeguard foreign exchange reserves. A matching fiscal tightening is indicated in the Strategic Policy Statement (SPS).

### Economic Growth

**Figure 2: Actual and Projected Real GDP Growth**

Sources: RBF Quarterly Report, August 2006



The impact of weak garment and natural resource performance is shown in the drop in growth to 0.7% in 2005. Continued tourism led growth and the restructuring of natural resource sectors will give an early recovery of growth in 2006 and succeeding years. However, the initial recovery in growth will not achieve the potential of Fiji's economy. The Plan's development policies,

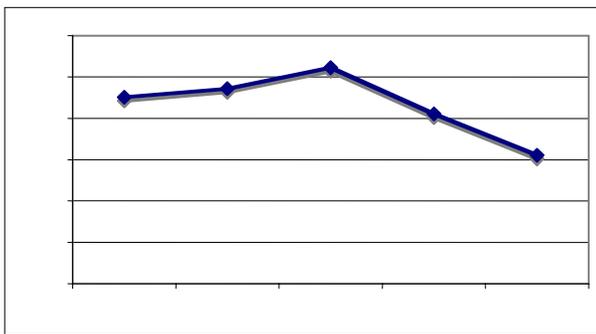
including monetary and fiscal policies, will promote sustainable export and investment led growth consistent with the Strategic Priorities in 4.1.

### Balance of Trade and Payments

Until recently, the deteriorating trade balance and the consequent current account deficits have been partly offset by surpluses on capital and financial accounts. However, the trade deficit has recently been widening at a much faster pace, and the small surpluses on the capital and financial account are not sufficient to counter this widening trade imbalance. At the beginning of 2006 imports of consumer goods appeared to be stabilising but imports of capital and intermediate goods - especially mineral oil - rose. The trade imbalance was compounded as exports fell sharply, with exports of garments, timber, sugar, textiles, footwear, fish, mineral water, fruits and vegetables all falling.

**Figure 3: Foreign Exchange Reserves (F\$M)**

Source: RBF



The Macroeconomic Policy Committee forecasts improved export performance in 2006, at 6.6% growth compared to a 1.1% decline in 2005. However, import growth is projected to accelerate from 8.8% in 2005 to 19.9% in 2006.

Until 2004, balance of trade and payments deficits had not prevented a general rise in reserves, but the sharpness of

adverse movements since then have led to a fall in reserves. Concern is increased due to the adverse change in import cover due to the combination of subdued exports and increasing imports.

In October 2005, the Reserve Bank made a timely and appropriate response by raising interest rates to restrain demand and imports. RBF has gradually increased rates by 2.5% up to mid-2006. In its Monetary Policy Statement of May 2006, RBF makes clear that it will “maintain a tightening bias in its monetary policy stance in the foreseeable future” and “will be monitoring very closely the development in the trade balance of the Balance of Payments”. The SPS proposes a parallel tightening of fiscal policy to support demand management and move from consumption and import led growth to sustainable growth led by exports and investment.

### Consumption, Savings and Investments

Consumption remained firm into the first half of 2006 with net Value Added Tax (VAT) from domestic collections increasing by almost 10% in April over the 2005 period. Lending for consumption purposes also showed strong growth with consumption activity also supported by rising incomes, reflected in growth in Pay As You Earn tax receipts by 11.8% on an annual basis. The Reserve Bank’s December 2005 Retail Sales Survey indicates 2006 growth in retail sales will slow to 5% compared to 15% in 2005 due to factors including: import excise duties on consumer durables; continuing high oil prices; and the deliberate monetary policy tightening. Monetary policy now seeks to facilitate the change to export and investment led growth.

Savings in the last quarter of 2005 grew by 5% as private and public enterprises and Government saved whilst individuals continued to borrow as loans and advances grew 7.3% over the quarter. Savings have been discouraged by negative real interest rates on savings and time deposits. As illustrated in Figure 4, the tightening of monetary policy has created positive real interest rates for time deposits for the first time since 2001 and this may encourage future savings to support investment led growth.

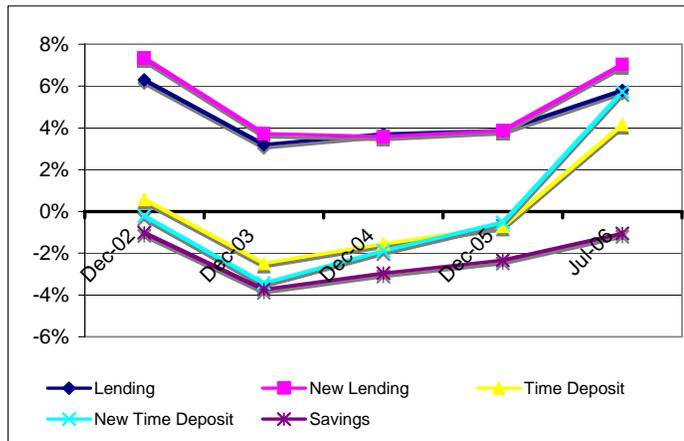
Investment has risen 11.5% of GDP in 2000 to 16.7% in 2005 and an expected 17% in 2006. Over this period, private sector investment increased from 3.1% to 6.1% but is still less than half the 13.6% of 1985 and the similar level now needed if productive investments are to lead economic growth. The overall target for annual investment is 25% of GDP, of which the private sector will be encouraged to provide about 15%.

### Exchange Rate and Reserves

RBF has two objectives of monetary policy: low inflation and an adequate level of foreign reserves. The adverse change in the balance of trade has impacted upon reserves and required the monetary measures being taken to maintain reserves, through demand management.

**Figure 4: Real Interest Rates**

Source: RBF



reserves and required the monetary measures being taken to maintain reserves, through demand management. In October 2005, RBF increased the indicator rate by 0.5% to 2.25%. Subsequently the rate was increased in 2006 by 1.0% in February and another 1.0% in June. In May, RBF also raised the commercial bank's statutory reserve deposit requirement ratio from 5% to 7%.

These initiatives have made a significant impact on the lending and deposit rates offered by banks. The real rates of interest, net of inflation, which lenders paid had increased significantly, and for new lenders had risen by over 50% in real terms from 3.88% in 2005 to 7.04% by July 2006. Meanwhile, real rates on time deposits switched from minus 0.72% in December 2005 to plus 4.16% in July 2006 and for new time deposits real rates reached 5.73%. These changes are expected to encourage savings and lower growth in consumption and imports.

### Inflation

Despite the expansionary fiscal and accommodative monetary policy stances in the last few years, inflation was maintained at acceptable levels. Inflation remained low and stable due to lower imported inflation and subdued domestic prices. Low levels of inflation continued into the first six months of 2006 and by July the rate was 1.8%. Domestic price pressures have been less than anticipated whilst tightening by the central banks of major trading partners has helped keep imported inflation in-check. In this context, inflation in 2006 may be lower than projected but, conservatively, the year-end inflation forecast remains at 3.5%, influenced by expectation of continued high global crude oil prices.

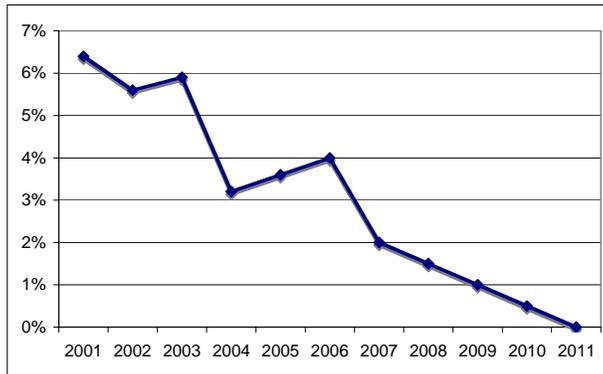
### 3.1.5 Fiscal Position in 2006

#### Budget Deficit

For 2002-2005, the net deficit averaged 4.6% of GDP due primarily to: (i) slower than expected reductions in costs of national security, salary and wages increments, (ii) the cost of disaster rehabilitation in 2003, (iii) overspending by major Ministries, and (iv) the cost of General Elections in 2006. Revenue performed to expectations with the exception of the delayed realization of asset sales proceeds in 2002 and 2004.

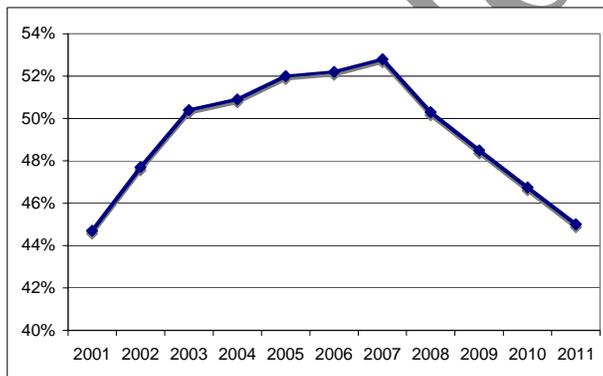
**Figure 5: Actual and Projected Fiscal Balance**

Source: MoFNP



**Figure 6: Actual & Projected Debt to GDP Ratio**

Source: MoFNP



In 2004 and 2005, Government reduced the net deficit below 4% of GDP but further reduction requires that expenditure, particularly for operations, is restrained to levels commensurate with the growth in the revenue base. As illustrated in Figure 5, the deficit will not significantly exceed 2% of GDP in any year of the plan period.

The result of continuing deficits has been an increase in public debt from 44.7% of GDP in 2001 to 52% of GDP in 2005 (Figure 6). Whilst the present level is not unduly high, it is necessary to limit the level of debt in order to retain confidence in the country and its finances. The increasing level of debt also increases the annual costs of debt service, thereby either increasing the budget deficit further or reducing funds available for

expenditure programmes. Government will continue its current fiscal policy stance of reducing deficits over the medium-term so as to better manage debt and encourage greater use of the country's savings in the private sector.

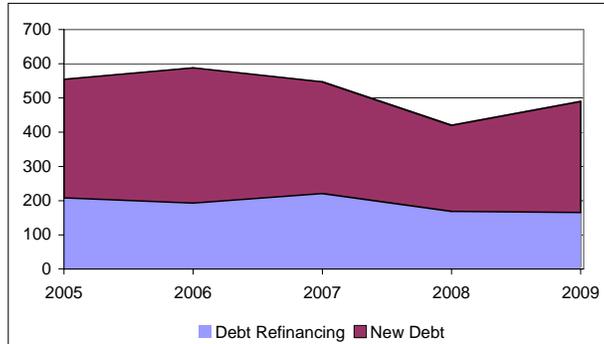
#### Debt Management and Contingent Liabilities

The reduction in the ratio of debt to GDP does not mean that Government will no longer borrow. Total debt service is some \$300m to \$350m per year and nominal value of total debt will continue to rise at sustainable levels as Government borrows to refinance loans repaid and raise new debts to fund public sector investment.

Annual borrowing for refinancing and new debt is estimated to be about \$400m to \$500m per year (Figure 7). This will be consistent with macroeconomic objectives

**Figure 7: Estimated Financing and Refinancing**

Source: MoFNP



and, by turning over the debt portfolio, it will provide an opportunity to restructure the debt.

The borrowing of off-budget entities does not form part of government debt though they are contingent liabilities due to Government guarantees. These liabilities have been on a downward trend as a ratio to GDP but in 2005 amounted to 59.4% of GDP. The major part

of this is in the form of guarantees of the liabilities of ENPF, whose major asset is loans made to the Government. Thus the contingent liabilities associated with FNPF are effectively double counting the debt which Government owes to them. Net of the FNPF liability the Government has contingent liabilities of some 20% of GDP additional to the public debt. There is no commonly used benchmark for the sustainable level of contingent liabilities. However, Government will continue its policy to only guarantee the debt of statutory authorities and of companies that are majority owned by Government.

Although contingent liabilities are not a current concern in terms of direct impact on Government finance they are an issue as they impede the process of restructuring public enterprises for which debt had been guaranteed. This issue will be addressed in the Plan period as a part of the more fundamental restructuring of the public sector discussed in Chapter 6.

## 3.2 Sector Performance

### 3.2.1 Sectoral Challenges and Opportunities

The overall growth in GDP averages very different performance of individual sectors. The performance, status and development challenges of each sector are analysed in the following sections of this chapter.

Sectoral performance falls into two broad groups of those growing well and those with erratic and/or low growth performance. Significantly, the service, manufacturing, and construction sectors are all growing well – with the single exception of the garment sector impacted by liberalisation and removal of quotas. By contrast, all of the natural resource based sectors are under-performing and/or performing erratically – with the single exception of the private sector led mineral water sector.

This suggests that priority must be given to the service and manufacturing sectors in the plan period in pursuit of economic growth, exports, increased private investment and poverty reduction. Here, tourism is the lead sector and has the capacity to drive supporting development in services, construction and manufacturing as well as creating markets for natural resource sectors if they are able to raise their efficiency, product quality and market orientation.

The natural resource sectors have much greater potential than their recent performance suggests – the mineral water success is a good example of this. Given private sector leadership in marketing, production and investment the natural resource sectors can contribute much more to development. This especially important given their potential impact on poverty alleviation, affirmative action and social justice, and rural and outer islands development. Whilst current performance suggests that the natural resource sectors are unlikely to contribute significantly to growth related objectives in the near term it is essential that reforms in their operations and management be undertaken so that they can make effective contributions in the medium and longer term. Substantial reform and restructuring of the management of these sectors is required – led by the sugar sector – and is provided for in the overall strategic priorities.

### **3.2.2 Sugar**

The changes required of the sugar sector result from global developments, primarily the WTO driven trade liberalisation, ending quotas and preferential pricing, and the consequential EU reforms. These international institutional changes have necessitated an urgent response from a dwindling local sugar industry. Sugar sector production has fallen by 30% since 1995, even before price reductions commence, and the contribution to GDP has dropped from 11.3% in 1995 to 6% in 2005. Cane production has fallen in the same period from around 4 million tons in 1995 to 3 million tons in 2005. Consequently, sugar production levels are now around 304,000 tons compared to 454,000 tons ten years ago. Land tenure insecurity, production and milling inefficiency and political interference have all contributed to this situation.

Against this backdrop, reforms have been initiated to raise farm level and mill efficiency to steer the industry to viability. The current sugar production forecast for 2006 stands at 322,000 tons, from 3.28 million tons of cane. This represents a TCTS<sup>2</sup> ratio of 10.2, which is high and inefficient when compared to the TCTS of 8.7 in 1995. A desirable TCTS ratio for the industry would be around 8. Sugar production forecasts for 2007 and 2008 currently stand at 327,000 tons and 366,000 tons respectively. Total sugar exports for 2006 is projected at \$229m, an increase from \$217.9m in 2005. Projections for 2007 and 2008 currently stand at \$209.3m and \$287.4m respectively.

Up to 60% of sugar produced has been for the preferential EU market with a quota of 173,000 tons. The EU has announced progressive cuts in preferential prices from 5% in 2006/2007 to up to 39% by 2009/2010. The local sugar industry therefore needs to quickly adapt as it is slowly exposed to the world market. The EU has indicated its support in this transition phase, and also through other trade arrangements such as the Economic Partnership Agreements, which are being negotiated.

#### **Development Constraints and Challenges**

The future of the industry will depend heavily on the inculcation of commercial values in all aspects of operation, from farming and harvesting, to transportation and milling. With the ceasing of preferential treatment in the EU market, the merits of the industry will be weighed against other sugar producing countries on the highly competitive world market.

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<sup>2</sup> Ratio showing how many tons of cane required to produce a ton of sugar

Improving farm level productivity is an additional area crucial to establishing the industry's competitiveness. Put into perspective, the average cost of producing sugar locally is US 14 cents/pound compared to Brazil at US 4 cents/pound. Local cane productivity levels average 42 tons/ha compared to 80 tons/ha in Brazil. Brazil, as the current lowest cost producer, represents the benchmark for best practice. The variation in productivity levels between the two countries is attributed to factors such as the incidence of replanting, crop variety and husbandry, and farming and harvesting techniques. Strategies are being put in place to systematically address these areas in the local industry but its success will depend on the effectiveness of the research and extension services of FSC and support from SCGC.

With Government support, the FSC has secured an \$86m loan from the EXIM Bank of India to upgrade the machinery and equipment in its mills. The recapitalisation programme should improve the milling efficiency of FSC, reducing breakdowns, and improving sucrose extraction rates.

To successfully reform, fundamental issues need to be managed. The loss of experienced farmers due to expiry of agricultural leases needs to be addressed with well targeted training and extension services to work with remaining farmers. The support provided by the EU through the National Adaptation Strategy will play a pivotal role particularly in addressing the production side of the industry.

The NAS identifies measures totalling \$755 million over an 8 year period and proposes the use of EU donor funds to finance \$350 million. As grants, these funds cannot be used for commercial activities except when there is a particular social need, as in micro-finance, or when confined to technical assistance for feasibility studies, as with co-generation and studies of commercial agriculture. Additional funds could be available from the European Investment Bank for such activities.

The EU grants will focus on cane farming rather than commercial milling operations. They will particularly support cane replanting and research and extension for cane farming systems. Rural infrastructure will be strengthened through community development to sustain drainage systems and development of farm access roads as well as "emergency repairs" to the bridges and classified roads which serve the cane access roads. Grants will also be used to address the social impacts of restructuring on the poor through housing construction programmes and micro-finance. In addition to the sugar cane and social components the NAS will also promote diversification, as discussed in 3.2.3.

The NAS recognizes the importance of security of land tenure in farming, particularly in such multi-year activities as drainage maintenance and cane planting. The Government continues to work with the NLTB and other stakeholders on a land tenure system acceptable to all parties.

Complementing the institutional reforms of the industry are programmes such as the ALP geared towards managing the social impact of the industry restructure. The ALP will focus on providing diversified opportunities on-farm and off-farm for those falling out of the industry, such as marginal sugar farmers, former sugar farmers, including mill workers, and rural communities in the cane belt districts.

### 3.2.3 Agriculture and Livestock

The agricultural sector grew at an average growth rate of 0.13% in the period 1996 to 2005. Despite the 4.6% growth experienced in 2002, agriculture sector production has been unsatisfactory due to the impact of cyclone Ami and stagnating cane production. The sector production performance is projected to improve in the medium term as a result of expected improvement in cane quality, efficiency gains through the restructure programme within the sugar industry and increases in the production of various other crops. Projections are for positive growth of 3% to 4.5% in the medium term.

The agriculture sector, excluding sugar, contributes around 6% to GDP, accounts for around 14% of agriculture exports, for 15% of total food imports and sustains 54% of the total population. The sector constitutes traditional food crops (*dalo*, cassava, yams, *kumala*, and *yaqona*), tropical fruits (pineapple, pawpaw and mango), vegetables, pulses, ginger, tobacco, rice, spices, cocoa, coconut products, beef, dairy, pork, poultry meat and eggs, sheep, and goat and bee products. Major contributors to agriculture exports are fruits (pawpaw) and vegetables, including *dalo*. A small but growing volume of certified organic products, including coconut and fruit products and nutraceuticals, are exported. However, growth in the sector has been highly variable.

Growth in the importation of agricultural produce by hotels and resorts due to the inability of domestic farmers to provide consistent supply of quality agricultural products is placing significant pressures on Fiji's balance of payments. Quality fresh produce (fruits, vegetables and root crops) and raw meat attract premium prices in hotels and resorts. The opportunity to increase domestic supply of fresh food to the tourism industry is significant, but requires a significant re-orientation of agriculture sector programmes. Emphasis must be placed on increasing the production, quality and standards of agricultural produce demanded by Fiji's hotel and resorts.

Anticipating a substantial exit of farmers and farm workers from cane production, NAS grants will also fund activities to diversify agriculture in the cane belts, in parallel with the Alternative Livelihoods Project (ALP). As grants, the funds will not finance commercial activities but will provide support for sustainable activities in agriculture, forestry and off-farm activities through development of post harvest and marketing infrastructure, research and extension, farmer training, and feasibility studies.

The ALP, partly funded by an Asian Development Bank loan, is also assisting agricultural diversification and strengthening commercial agricultural development. Initially focussed in the sugar cane areas, Government plans to extend the livelihood activities to non-cane belt areas in 2007 to complement the infrastructure and tourism development of Rural and Outer Islands Project. A re-scoping of the ALP will be undertaken in the context of proposed NAS activities. The ALP focuses on improving farm management, promoting investment in the agricultural sector, commercialization and strengthening industry organizations and agri-business networks, and recognition by government of industry priorities.

Bilateral Quarantine Agreements (BQAs) have boosted, and can continue to boost, exports significantly. Export market access for fresh agricultural products cannot be

obtained without a BQA. Because of these BQAs, profitable opportunities already exist for the export of high value niche crops. Market access already secured under BQAs for pawpaw, eggplant, chilli, herbs, pineapple, breadfruit, and mango to New Zealand; *kava* to Vanuatu; watermelon, yams, and vanilla to Tonga; coffee and copra to Papua New Guinea; and pawpaw to Australia. However, quality, quantity and continuity of supply, still need to be improved.

To ease marketing problems in rural areas, Government has established the Agricultural Marketing Authority. The Authority buys and sells agro-produce and agro-inputs and has been directed, through its legislation, to focus on non-viable remote areas. Government funding intends to promote participation in economic development by people, mostly indigenous Fijians, in the remote areas. Whilst the Authority has set up collection centres in some remote areas it is also operating in well established commercial areas, including the Sigatoka Valley, Taveuni, and Savusavu. There is concern that Government subsidised trading in these areas is disrupting markets and reducing the long run competitiveness of Fiji's agriculture. This concern extends to apparent use of subsidies to compete with established Fiji exporters in markets such as New Zealand, Australia, and the United States. Such activities appear to differ from the intended purpose and to be in conflict with the policies for public sector restructuring (Chapter 6). Such issues will be addressed in the proposed reorganisation of MASLR.

Grant assistance on farm inputs for farmers earning less than \$3,000 per annum, is ongoing. To date, a total of 11,209 applications have been approved, comprising 363 groups and 5,273 individuals. Assistance will also with the breeding of genetically superior livestock, the provision of training on pasture feed management, good animal health provisions and for management and marketing.

The legalising of the Kava Council through Parliament will ensure greater coordination of the industry as well as improve the quality and price of *kava*. CIDA undertakes rehabilitation work on the coconut industry, previously undertaken by MASLR. This will include the clearing of the senile trees and replanting of Hybrid, Fiji Tall and the Rotuman Tall varieties in identified areas of the traditional growing provinces in the Northern and Eastern Divisions.

### **Development Constraints and Challenges**

Significant challenges are to sustain domestic food production to meet food security and market demands; to identify crops which can generate earnings equal to sugar; the maintenance of quality and continuity of supply; the uncertainty over Land Leasing Arrangements which serves to constrain the move to a more commercial focus.

In addition, there is a need to assist farmers to raise productivity levels, partly through greater use of technology and partly through better farm management. Finance for farming also remains a key constraint.

#### **3.2.4 Forestry**

The Forestry sector on average contributes 1.3% of GDP and 3.4% of export earnings. During the period under review the sector grew at an average rate of 1.5% annually. Significant growth of 15% was experienced in 2003 due to commercial harvesting of mahogany. This sector has good potential for growth with sustainable mahogany harvesting. However, the sector has performed below capacity since 2000, largely due

to fluctuations in the harvesting of indigenous logs, bad weather conditions affecting logging operations and the closure of several Vanua Levu mills. The sector is anticipated to perform strongly in the medium term through increased mahogany and pine harvesting once the Bua Port is completed.

The forest sector has immense potential for growth, particularly with the commencement of the commercial harvesting of mahogany and an additional volume of pine from Vanua Levu.

The sector has experienced erratic growth between 1999 and 2004. For 2005, the sector is projected to decline by 4% on the back of lower log production. However, the situation is expected to improve with 7% growth in 2006, followed by 4.6% in 2007 and 1.9% in 2008. The forecast is based on the anticipated increase in production of indigenous and pine logs as well as the harvesting of mahogany. Export earnings from timber and other wood-based products averaged \$39.3 million over the past 5 years and, in 2005, export earnings were \$45.1 million.

Logs are predominantly processed into sawn timber, veneer or plywood. Wood chips however, with the total export volumes averaging 266,000m<sup>3</sup> each year, account on average for 55% to total forest product exports. Most wood products are exported to Australia and New Zealand, while wood chips are sold exclusively to the Japanese market. The American market consumes approximately 40% of all veneer products. Other exported products, such as mouldings and other finished components, account for at least 6% of annual export earnings.

Vanua Levu pine production has the potential to earn \$20-\$25 million in export earnings. The new integrated port in Wairiki, Bua, to be completed at the end of 2006, will provide the necessary facilities for wood chip exports from Vanua Levu.

The Fiji Hardwood Corporation Limited (FHCL) has targeted an annual production schedule of 90,000m<sup>3</sup> for the next 3 years, with an annual sustainable production of 100,000m<sup>3</sup>. FHCL has purchased the Waivunu sawmill in Galoa, Serua and remanufacturing assets in Navutu, Lautoka. The company is moving into log processing as it has met difficulties finding and establishing links with reliable log customers to meet the growing demand for mahogany sawn timbers overseas. Currently, FHCL is mainly a mahogany log supplier whilst attempting to process 55% of its wood supply. FHCL has been facing recurring financial difficulties. Government has had to provide guarantees in order to enable the company to source capital from the domestic financial market. Stringent monitoring of the financial performance by Government is necessary to raise the level of returns on government's equity in FHCL, and to ensure the sustainable financial viability of the company.

Fiji's land area is approximately 1,827,000ha of which it is estimated that forests covered 52% or 956,860 hectares. This comprised indigenous forests (857,530 hectares), hardwood plantations (52,950 hectares) and softwood plantations (46,380 hectares). Despite the good forest cover, the extent of deforestation (forest and vegetation clearing) and its impact on the surrounding environment remains a serious concern. Pressures towards further deforestation include population growth and the demand for new settlement areas, and greater agricultural production for food

security. The impacts have become more pronounced, with a high incidence of soil erosion, siltation and subsequent flooding of low-lying areas.

To curb this situation, sustainable forest management practices are being promoted by Government. Improving resource utilization through enforcement guidelines under the Code of Logging Practices and the Environment Management Act are being pursued. The completion of the National Forest Inventory in 2007 will provide a sound basis for making informed decisions on the status of the forest resource in Fiji.

Government believes that active landowner participation is necessary for the forestry sector to become a significant player in the economic development of Fiji. Efforts are now under way to improve landowner participation through the establishment of the Fiji Pine and Mahogany Trust, the payment of stumpage fees and land rentals, training of resource-owners, as well as the establishment of community-based forestry projects with resource-owners. In addition, the Fiji Development Bank has established a loan facility, which assists indigenous Fijians and Rotumans to pursue business ventures within the sector.

### **Development Constraints and Challenges**

With declining trends in the traditional exports, the forest sector has been identified as an area with potential to cushion the trade imbalance facing the economy. However, in order to realize this potential, a number of challenges and constraints confronting the sector need to be addressed.

The need for proper infrastructure to facilitate the development of any industry cannot be overemphasized. For the forestry sector, this infrastructure relates mainly to proper access roads and port facility for export.

In the pursuit of increased exports and emphasis on downstream processing, technology development and adaptation and human resource development are two critical areas that need addressing. The participation of resource owners in the industry needs to be carefully crafted with the necessary training and capacity building provided to them.

The costs incurred in the development of products will be in vain if there is no market for them. Market access therefore is critical and given global environmental concerns, recognized certifications are necessary to secure access.

Like any resource, the forest resources of Fiji are finite and can be exhausted. It is in the interest of current and future generations that sustainable forest management practices are adhered to.

### **3.2.5 Marine Resources**

Behind agriculture, the fisheries sector is the largest natural resource sector with its contribution to GDP at about 3%. The overall performance of the sector the past decade can be described as erratic. However, since 2004, the performance has improved reaching pre-2000 levels on the back of strong growth in 2004 and 2005 of 24.1% and 7.4% respectively. This strong performance was attributed to increased catch of tuna for the Japanese *sashimi* market.

The tuna industry dominates the sector in terms of output and export. The performance in the sector is therefore closely linked to the progress in offshore fisheries. Modest growth is forecast for 2006 at 3.2%, with the positive outlook expected to continue in 2007 with a growth of 3.5%. A decline is currently projected for 2008 at 6.5%. Export earnings peaked in 2001 at \$91.2m but then fell before rising to \$82.9m in 2005 and a projected return to the peak level in 2006 at \$91.8m.

The management of the offshore fisheries has been an area of concern, not only nationally, but regionally and globally also, particularly in the wake of an invasion of state subsidised Asian fleets. Resource management is of utmost urgency and mechanisms such as the Tuna Management and Development Plan need to be followed and enforced at the national level. Positive steps have been taken with the reduction in annual offshore licences from a cap of 110 to 60 in 2006. The number of Fiji licensed tuna long line vessels grew from 43 in 1999 and 55 in 2000, to 101 active vessels in 2001, where it remained during 2002 and 2003. A fleet of 87 vessels was operating in 2004 and 72 in 2005.

The legislations governing the sector also need reviewing in light of new developments. The present Fisheries Act dates back from 1942, and despite amendments and additional regulations, is outdated. Similarly, the Marine Spaces Act is over 25 years old. Since their introduction, the Law of the Sea has advanced in a number of ways, including the UN Fish Stocks Agreement, and as of June 2004, the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Fisheries, to which Fiji is signatory. The Social Justice Act (SJA) 2001, the Environmental Management Act (EMA) 2005, and proposed Customary Fisheries Bill (CFB), also have major implications on the management and development of the fisheries sector. There is also a need to include provisions for other areas such as aquaculture, management of artisanal fisheries, and post harvest handling.

The aquaculture sub-sector has not progressed as rapidly as might have been expected despite the large amount of resources that have been invested in research, subsidizing ponds and other infrastructure, establishing hatcheries and pilot farms. The poor performance has been attributed to declining prices, disease, problems in producing post larvae, and difficulties in maintaining yields due to high cost of feed.

### **Development constraints and challenges**

Apart from the legislative reforms, the institutional approach to fisheries management in Fiji needs to be reviewed. A multi-pronged approach to fisheries management should be adopted that takes account of economic, environmental, and social performance. Fisheries and resource management agencies around the world now pursue this approach. This model is also based on the need for Government to move away from production orientation towards a resource management, conservation and service orientation.

Because of the heavy dominance of the tuna industry, sector growth will largely be dictated by tuna prices in the US and Japan, as this will affect the value of the tuna catch. However, locally, Government can promote growth through introducing management plans that support a healthy fish stock, thus sustaining catch rates.

In addition to supporting the fish stock, the level of effort by the industry is being constrained by increases in the cost of doing business, primarily costs of fuel and supplies. The industry has also found difficulty in accessing capital, particularly with the current system of annual licence renewals that create investment uncertainty.

In supporting the offshore industry, improvements to infrastructure to alleviate current overcrowding of vessels in the ports, would generate economic activity. There is potential in attracting regional traffic to Fiji for servicing and re-supplying provided suitable port facilities are available

### **3.2.6 Mineral and Groundwater Resources**

Fiji has a good prospects with regard to epithermal gold (associated with volcanic centres), porphyry copper-gold (Namosi), and smaller base-metal deposits (Udu, Wainivesi). Whilst mining and exploration in Fiji is dominated by gold production from one producing mine, significant other sector revenues come from industrial minerals such as sand and gravel, quarried stone and coral sand. The groundwater sector consists of development of water supplies for urban and rural areas as well as the production of 'mineral' or bottled water.

The mining and quarrying sector on average accounts for 1.4% of GDP. A sluggish performance in 2005 saw the sector decline by 30.7%, and its contribution to GDP falling to 1%. The decline in 2005 was due to several problems encountered at the mines, including a major underground flooding, high worker absenteeism, and low grade ore extracted at the mines. Gold production in the last five years has averaged 121,707 ounces. Production in 2005 stood at 89,831 ounces and is forecasted to decline to 74,110 ounces in 2006.

Operations of Emperor Gold Mine (EGM) in Vatukoula have fallen into testing times with rising operation costs and low output. A major reorganization exercise is being undertaken in 2006, involving the rationalization the current workforce of 1800, retraining, and implementing an expansion plan to improve throughput. The mine was shut down temporarily early in the year, and is expected to be back operating at full capacity at the end of 2006. Production for 2006 will therefore likely be the lowest in the mines history. The objective of the reorganization is to bring the mine back into profitability thus ensuring its long-term viability. The conservative outlook for 2007 and 2008 sees an improved performance with production rising to 85,968 ounces in 2007 and 87,945 ounces in 2008. The rising price of gold on the world market also augers well for the industry in the medium term.

The Tuvatu Gold prospect is being re-looked at with renewed interest and Government is hopeful that within the next five years a mining lease could be issued over the area. A new mining lease is being processed for Asia Pacific Resources Limited for the Wainivesi (Tailevu) tenement. The rise in gold price has seen the prospect double in value. Government is also hopeful that the Mount Kasi Mine, currently undergoing resource evaluation studies after being put on care and maintenance, will resume operation towards the end of 2008.

A new Mineral (Exploration and Exploitation) Bill is scheduled to be tabled in Parliament later in 2006. This will bring in new standards to the industry (both mining

and exploration) and update measures on health and safety, resource management and sustainable development.

There are currently four mineral water bottling companies operating. Natural Waters of Viti (Fiji brand bottled in Yaqara) pioneered the product in 1997 and has since successfully penetrated the US market. Recent additions to the industry include Dayals (Island Chill brand bottled at Vuqele, Vatukoula), Diamond Aqua (Diamond Aqua brand bottled at Nadi) and Aqua Pacific (Aqua Pacific brand bottled at Nadi).

Export receipts from Natural Waters of Viti Limited bottled water plant at Yaqara have been experiencing exponential growth since its inception. With additional bottled-water operations opening, it became necessary for a minimum standard of product quality to be set in order to uphold the integrity of Fiji's bottled water exports. A strict standard regime for mineral water was imposed in 2005. While there is currently no legislation governing water resources in Fiji, new Mining legislation that will be introduced to Parliament in 2006 will legislate for the access to, use and management of groundwater resources, before separate legislation is formulated.

### **Development Constraints and Challenges**

There has been a lot of focus on mining with little attention paid to the potential economic activity generated through explorations. In order to tap into this segment, the current fiscal regime needs to be reviewed to be sufficiently attractive for small exploration companies. Exploration is a high risk capital business and investors enter with the aim of reaping high rewards. Some key issues to consider when framing a tax package for minerals include the high capital (and debt) intensiveness of mining ventures, the cyclical nature of metal markets, and the long and costly period of pre-operational expenditures on exploration and feasibility studies.

Security of land tenure is a critical issue for mineral sector investors. It must also be recognized that without special compensatory policies, landowner grievances can become a significant impediment to long-term mine operations. An important consideration is that most mines, prospects and quarries are in rural areas and on native land, so spread development to otherwise isolated, poorly developed areas.

Reforms being undertaken within the EGM need to be monitored closely to ensure that human resources issues are properly managed. The mine represents the heart of economic activity in the township of Vatukoula and Tavua. Occupational health and safety and environmental management are key features of a revised legislation that will govern the sector.

### **3.2.7 Land Resource Development and Management**

The Native Land Trust Board (NLTB) administers the leasing arrangements of all native land in Fiji, for the benefit of the Fijian landowners. Native land covers approximately 90% of total land area in Fiji. The NLTB currently administers over 31,000 leases, which cover approximately 24% of total native land. Of the total number of leases, 46% are agricultural, 42.7% residential, 4.8% commercial, 1.3% industrial and 5.2% are for other purposes such as educational, public utilities, recreational and religious use.

With competing demands for limited land resources for housing, industrial and commercial developments, Government adopted a National Rural Land Use Policy in

2005 with the belief that any development must be approached holistically taking into account not only social and economic factors, but environmental also. Education and awareness raising are recognized as the main engines to drive this initiative.

As a basic factor input, access to land is a major prerequisite for any development. The current system of land tenure in Fiji has been seen to be very rigid. The Agricultural Landlord and Tenant Act 1966 (ALTA) governs the negotiation and grant of agricultural leases on native land. About 50% of all leases are ALTA leases. Since leases began expiring in 1997, it has been increasingly difficult to renew leases under the ALTA framework. Neither the landlords nor the tenants are happy with the terms and conditions imposed under ALTA. The landlords are unhappy about the low rental levels, which do not appear to reflect the value of the land, and the tenants want stronger provisions providing compensation for improvements in the event that the lease is not renewed. Unfortunately, the issue is now heavily politicized and a sensible and pragmatic solution cannot be guaranteed. The ALTA legislation is constitutionally 'entrenched' (originally to safeguard the interests of indigenous Fijians) and can only be amended if a two-thirds majority concurs.

Further evidence for the growing problem in the legal arrangements for leasehold land can be found in the growing incidence of *vakavanua* arrangements. These are informal agreements – with nothing in writing - between *mataqali* and families or individuals who wish to occupy and use some land. They can run for many years – sometimes decades. The main problem with *vakavanua* arrangements is that they leave the tenants outside the formal property rights system and thus unable to take advantage of the benefits a legal leasehold title would give them.

### **Development Constraints and Challenges**

Although 60% of the total land area is suited to some kind of agriculture activity, only about 29% is suitable for arable farming. The current area of land in use has increased considerably over the past 30 years, due to marginal and sloping lands being brought into production. This has resulted in land degradation associated with agricultural intensification, inappropriate farming practices, deforestation and other land uses contributing to environmental problems such as the loss of soil biodiversity.

The current land tenure system is also very restrictive. The Agricultural Landlords and Tenant Act (ALTA) limits a lease to a maximum of 30 years and maximum lease payments equivalent to a return of 6% per year of the unimproved capital value of the property. This situation provides little incentive for landowners to renew leases for productive use. Many reports have identified the resolution of the land tenure conflict as a prerequisite to any meaningful development in the agriculture sector, and the economy as a whole

The high incidence of *vakavanua* arrangements is a response to the surreal situation facing indigenous Fijians wishing to work their own land under a formal legal title. The irony is that though customary owners may lease their land to investors and entrepreneurs, who can in turn use the lease as collateral, there appears to be no easy way for the customary owners to use the land as collateral directly. They can, of course, lease the land to themselves via the NLTB but this seems a tortuous way of making their own ownership 'legal'. The inability therefore to mobilize native land as a means to accessing credit is restrictive.

### **3.2.8 Tourism**

Visitor arrivals fell from 410,000 in 1999 to 294,000 in 2000 but the tourism industry has recovered strongly with visitor arrivals of 550,000 for 2005. Visitor arrivals are expected to grow strongly in the medium term.

Over the review period, there were spates of investment in the tourism industry. 2005 saw an increase in room inventory by Sofitel Fiji Resort & Spa and the Navutu Stars Hotel. The Naviti Resort on the Coral Coast also completed its \$15 million renovation. Collectively, these resorts and hotels would add about 1500 new rooms to inventory. Construction work at other resorts including the Marriot Fiji Resort & Spa, the Intercontinental Fiji Resort and the Hilton Fiji Beach Resort and Spa will provide further growth impetus for the industry. Air Pacific Limited recently announced its intention to increase inbound flights from Christchurch, Auckland, Brisbane, Los Angeles and also commence regular flights from Kiribati.

These developments, in part will address constraints associated with the shortage of up-market accommodation in peak periods and airline capacity. Other constraints for the sector include problems related to land tenure, recessions in some major source markets, the pollution and degradation of our natural environment and the lack of development and training to improve workers' skills, particularly resource-owners interested in effectively participating in the sector.

Secondary tourism activities are still poorly developed, especially when compared to major competing destinations such as Bali and the Australian Gold Coast. Tourists with higher spending capacity tend to spend fewer days in Fiji and this could be due largely to a lack of sufficient entertainment facilities or other secondary activities. Spells of adverse weather also limit the activities available to tourists.

The tourism sector is the country's largest source of economic growth, investment and foreign exchange earnings. It is mainly private sector driven and is globally competitive. Growth is becoming more broad-based with expanding eco-tourism and village-based activities. Construction of new hotels and the entry of new air carriers support a strongly positive outlook.

Visitor arrivals fell to a low of 249,000 in 2000, but concerted industry efforts saw arrivals recover quickly. Visitor arrivals were over 500,000 by 2005. Tourism earnings are by far the largest foreign exchange earner and reflect the number of visitor arrivals as well as their length of stay. Earnings fell by 26% in 2000, but recovered by 20% the following year. The strong upward trend saw earnings reach \$675 million in 2004 and \$681 million in 2005. Projections for 2006 indicate growth to \$819 million and \$997 million in 2008.

Investment activity in the hotel and resort sector is at a high level, with consequential strong growth in the construction sector. In 2003, 18 major tourist projects were approved for development at a total value of \$1,336 million. In 2004, \$304 million was spent for the first phase of these projects, while the forecast expenditure for 2005 is \$565 million.

Eco-tourism is a strategy both for rural development and for greater indigenous participation in the sector. To date, more than 80 registered projects are in operation,

of which 31 are licensed operations owned and operated by indigenous Fijians. This has created 724 employment opportunities and contributes an estimated \$2.5 million in annual gross earnings. The eco-tourism sub-programme, which comes under the Integrated Human Resource Development Programme for Employment Promotion (IHRDPEP), has contributed significantly to the creation of employment and the establishment of eco-tourism operations, with assistance from the SCARF programme and Eco-Tourism Grants through the Ministry of Tourism.

### **Development Constraints and Challenges**

Up-market accommodation will be increased by the construction of three major hotels over the next two years. Government will provide infrastructure support for the Marriot Resort and the Natadola Resort in the Coral Coast, which are anticipated to be completed in 2007. However, there is a lack of infrastructure development in the emerging eco-tourism destinations: Kadavu, Yasawa, Vanua Levu, the Lau Group and in the interior part of Viti Levu. This is being partly addressed through the Eco-Tourism Project, with support from the SCARF programme under FDB.

Sustainable utilisation of coastlines and marine ecosystems in the major tourism development areas such as the Coral Coast, Nadi Bay, and Mamanuca Group is essential for their long term survival. Work is under way on addressing *qoliqoli* issues. To support human resource development, a Tourism and Hospitality Training School commenced construction in 2005. Government will continue to subsidise the cost of training construction workers in the FIT and TPAF to address skill shortages experienced in the construction industry.

### **3.2.9 Manufacturing and Commerce**

#### **Manufacturing**

Manufacturing is a major sector, contributing around 16% of GDP, and is a key growth area. The sector includes manufacture of textiles, garments and footwear, sugar, beverages and tobacco, food processing, and wood and metal based industries. Growth in the sector is largely expected from efficiencies derived from the sugar industry restructure and the new FMF biscuit factory operating at full production.

Over the review period, growth in this sector has been largely driven by the strong production performance of beverages and tobacco and food industries which includes production of canned fish and biscuits. Other non-food industries has also performed relatively well over the period. Natural resource based sectors have huge potential for development and this requires closer linkages with the manufacturing sector.

The TCF industry's rapid development over the 1990s has been largely attributed to the preferential trading arrangements in various markets, relatively low labour costs, an attractive package of fiscal incentives and the gradual contraction of the industry in neighbouring countries. The industry is now in decline. The clothing and footwear industry is expected to decline in the medium term due to loss of US garment quota and declining margin of preference into the Australian market. However, the extension of SPARTECA-TCF scheme for another seven years and other donor assistance for the necessary structural adjustments is expected to assist the industry.

#### **Construction**

The construction sector has performed strongly, as indicated by the high level of construction activity in recent years. The sector declined in 2000 and 2001, but has

since been growing, led initially by Government's capital infrastructure spending and a substantial increase in private sector projects. Major projects which are implemented during the review period include Suva Central, Mana Island Resort, Fiji School of Medicine, Denarau Villa Stage II, Momi Marriot, rehabilitation of the Kings Wharf, Natadola Resorts, Hilton Denarau, Sofitel Island Resort and Spa, First Landing Resort and construction of the new Rewa Bridge. The sector growth in 2005 experienced an all time high of 25.9% due to the spill-over effect of most projects coupled with the commencement of new major projects in particular the Great Council of Chief complex, FIRCA headquarters and Carpenters Towers. With the already high level of construction activity, the industry is expected to grow at a slower pace.

### **Wholesale and Retail**

The wholesale and retail sector, which includes hotels and restaurants, contributed 17.9% to GDP in 2005. After a strong performance in 1999, sector output declined in 2000 as tourist demand slumped. The sector has since recovered strongly recording an average growth of 3.3 % from 2000 to 2005. Significant increase was recorded in 2004 due to higher visitor arrivals and domestic consumer demand, which has also been boosted by cuts in income tax. The sector is expected to record a slower growth in the medium term.

### **Whole Manufacturing and Commerce Sector**

The manufacturing and commerce sector as a whole contributes an average of 28.1% to GDP and provides direct employment for around 50,000 people. The sector is divided into two sub - sectors: manufacturing and commerce. The manufacturing sector comprises textile, clothing and footwear (TCF) production, sugar production, beverage and tobacco production (including mineral water), food-processing and wood-based industries. It continues to be a dynamic and significant industry, contributing an average of 14.0% to GDP in 2005 and employing around 29,000 people. Except for sugar and clothing and footwear, the main manufacturing sub-sectors have continued to perform well. The commerce sector comprises the wholesale and retail sector and contributes an average of 11.9% to GDP in 2005, employing around 20,000.

TCF (or garment) production has been hindered by the uncertainty surrounding the renewal of the SPARTECA TCF provisions and closure of a large garment factory. This, together with the disruption caused by the 2000 crisis, has seen exports fall significantly from 2000 to 2002. However, in August 2004 negotiations with the Australian Government successfully concluded with an extension of the SPARTECA TCF scheme. In the beverages sub-sector, mineral water exports have significantly increased from \$5.9 million in 1999 to \$67.9 million in 2005 and this upward trend is expected to continue for 2006 and beyond. In the wood-based manufacturing sub-sector, the commencement of commercial mahogany harvesting will provide the opportunity for a significant boost to manufacturing production.

In the commerce sector strong growth is linked to increasing consumer expenditure and the booming tourism industry. The sector has performed well and is anticipated to expand further, with additional retail outlets being established. The growth in the sector has slowed down as a result of measures taken by RBF to reduce consumption imports.

In order to stimulate growth through increased investment and exports, Government has reviewed and amended the Foreign Investment Act, to accelerate the approval of Foreign Investment Certificates. In addition, the FTIB approval process has been streamlined and a Commerce Commission has been established, together with a competition policy to guide operations.

### **Development Challenges and Constraints**

Despite the growth in the manufacturing sector, there exist a number of impediments which include the following:

- the deteriorating performance of the sugar industry, which is compounded by the delay in implementing reforms;
- the delay in finding a strategic partner for processing ventures of Fiji's mahogany products and the delay in increasing involvement of landowners and community based forestry projects;
- the continuing shrinking surrounding future markets for Fiji's textile, clothing and footwear industry;
- the weak linkages existing between the natural resource sectors and the manufacturing sector;
- time to register business is very long due to outdated regulation and legislation; and
- lack of market support for agro-based products.

#### **3.2.10 Information and Telecommunications**

Much greater use of information and communications technology (ICT) is essential for social and economic development in Fiji. The contribution of the communication sector to Fiji's GDP has risen from 2.7% of GDP in 1989 to 3.6% by 2005, and is expected to remain around 3.5 % up to 2008. Another measure often used to weigh the impact of the telecommunication sector is the share of telecommunication revenues to GDP. In 2001, Fiji's telecommunication revenue as a percentage of GDP stood at 5.9%, compared to that of Jamaica at around 7%, the Maldives at close to 10% and Kiribati at 10%.

Despite the relatively low contribution of communications to overall economic output, as a business, telecommunication firms are among the largest in the country. In Fiji, access to traditional ICTs such as radio and television is high. Over 90% of households are estimated to have a radio and over half the population has access to television. Internet use is increasing and people are also becoming more exposed to ICTs through their mobile phones and use of text messages. Electronic transactions in Fiji have also become widespread, spearheaded by the banks. ANZ has established an international call centre and Affiliated Computer Services (ACS) has set up a back-office processing centre.

ICT has the potential not only to create new jobs through call centres and other related activities, but also to empower rural dwellers with information and provide low-cost tele-services in some cases. The adoption of ICT is also the key to improving productivity, especially in the public sector. Government intends to deliver as many online services as possible by 2006 and make greater use of ICT, in order to improve internal processes.

The liberalisation of telecommunication services is critical for development of this sector. The absence of competition is the basis of some of the key problems facing the

telecommunication sector, namely high prices for international telecommunications and for leased lines. In particular, the high price for international voice and data communications is a major impediment to development of ICT services, including Internet development. A new Telecommunications Bill will be tabled in Parliament in 2006. The legislation will establish an appropriate regulatory framework for the industry and ensure it supports development and growth in the ICT sector.

The IT Advisory Council (ITAC) which was set up in 2001 includes representatives of key government ministries, the academic community and the private sector. The ITAC has drafted an ICT Policy with the vision “to harness Fiji’s ideal geographic location, competent workforce and world-class information technology infrastructure to promote Fiji’s international competitiveness and create a dynamic, vibrant and well-connected e-society”.

### **Development Constraints and Challenges**

Development constraints and challenges include the high cost of telecommunications and associated activities, and the monopolistic framework for telecommunications in Fiji. New development challenges are the lack of awareness about the benefits of ICT to meet development goals, with resulting delays in introducing ICT.

#### **3.2.11 Financial Services**

The financial services sector comprises three major institutions: the banking industry, the insurance industry, and other non-bank financial institutions, which include the Fiji National Provident Fund (FNPF), the Home Finance Company, the Unit Trust of Fiji, the South Pacific Stock Exchange (SPSE) and the credit unions<sup>3</sup>.

Developments in the capital market include an increase in the level of activity on the SPSE, with the Amalgamated Telecom Holdings (ATH) share sale by Government and the subsequent listing of the company. A further boost was provided by the listing of the RB Patel Group, a major retailer of household items including groceries.

Recent developments have seen the RBF taking up regulatory supervision of the FNPF, through amendments to the Insurance Act, together with a strengthened role in the supervision of the banks and the other insurers. The RBF’s supervisory role has also been extended to include smaller financial enterprises such as foreign-exchange dealers. The RBF has also been delegated with the responsibility to implement the new Financial Transactions Reporting (FTR) Act following a delegation of powers, functions and duties of the Minister for Justice to the Governor of the Reserve Bank of Fiji. In addition, a money-laundering unit has been established within the Serious Crimes Investigations Unit of the Police Force to investigate finance-related crimes. Disclosure of bank fees and charges is being enforced and closely monitored. Fiji agreed to participate in the joint International Monetary Fund World Bank Financial Sector Assessment Program. The first mission was in December 2005 and the second mission in July 2006. The Report identified conditions and challenges facing Fiji’s financial system, in particular, the size of FNPF. It also describes steps taken to

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<sup>3</sup> For GDP computation of “Finance Sector”, the Unit Trust of Fiji, credit unions and SPSE are not accounted for and non-bank financial intermediaries include Home Finance, Housing Authority and Fiji Development Bank. Activity in the Real Estate and Business Services industry is also embedded in the Finance Sector. On this broader definition of the Finance Sector, even with the exclusions noted above, the contribution to GDP averages about 12.7%.

strengthen the financial system and makes recommendations for the authorities' consideration.

Progress has also been made to modernize Fiji's financial system with the introduction of a Real Time Gross Settlement (RTGS) system which will be implemented in 2006.

### **Development Constraints and Challenges**

Securing improvements in banking services is being pursued through the implementation and monitoring the progress of the Committee of Inquiry into Financial Services (COIFS) Report. The COIFS inquiry was conducted to review the financial services available to the people of Fiji. Many comments and complaints made to the Committee concerned high fees and charges, the quality of service and low deposit rates. The need for the establishment of a Banking Commission and a Banking Ombudsman was highlighted, stating that if the banks failed to address complaints, then Government would need to introduce greater control.

Liberalisation of the capital market is an ongoing objective of the Government. The domestic debt and equity markets remain relatively undeveloped. Buy orders on the stock exchange have been exceeding sell orders with the market providing the stock-owners with positive returns. The bond and trust markets have performed similarly. Recently, a \$0.5m rights issue was successfully completed. Several initiatives have also been undertaken to increase public awareness about capital market practices, issues and developments.

Although yet to be tested, the smallness of the labour market has made the deregulation of the superannuation market difficult. The FNPF has undergone internal re-structuring to ensure that its members receive the best returns on their compulsory savings. Deregulation of the market may result in loss of intended purposes of the savings and pension scheme. Some studies are being contemplated regarding the size of FNPF and its implication on market interest rates.

The inadequate rural banking services remain a concern to Government. Findings of a survey recently conducted by the Ministry of Finance indicate that the banking sector is reluctant to venture into rural areas due to the high costs involved. However, banks are starting to implement innovative ways of taking banking to remote areas.

The National Centre for SMEs will continue to play an important role in the provision of business support and micro-finance to small and micro enterprises. The lack of such support for small and micro enterprises is the major constraint in their development.

### **Bond Market and Unit Trust Market**

The Fiji bond market has grown significantly over the past decades, and has been a major source of financing for the public sector. Although Fiji's bond market is large in absolute value, it is still at a nascent stage of development. Activity in the secondary bond market has been relatively thin. There are some inherent constraints in the development of the bond market in Fiji and the RBF with the help IMF Technical Assistance are examining options to address the issue of deepening and promoting liquidity in the domestic securities market.

The unit trust market has shown strong growth over the years. At the end of 2005, local unit trust managers had a pool of investment funds totalling \$162.08 million, a significant increase on the \$18 million under management in 1996. The number of unit trust holders has also shown considerable growth.

### **Export Finance Facility, Insurance and Guarantee**

The EFF was introduced by the RBF in 1983 to assist exporters in obtaining credit at concessionary rates of interest. Under the facility, commercial banks and Fiji Development Bank are able to obtain back-to-back finance from RBF for lending to exporters subject to eligibility and value added rules. The facility is being reviewed regularly. There are now plans to set up other schemes to include insurance and guarantees.

### **3.2.12 Micro, Small and Medium Enterprises**

The Micro, Small and Medium Enterprises (MSMEs) continue to strengthen and contribute to national development, particularly in improving the quality of life of the disadvantaged. Substantial untapped economic development opportunities remain for the sub-sector to expand and grow, especially in rural areas where natural resources remain under-utilized.

1996 estimates indicate that 57% (170,000 people) of the entire labour force were involved in various forms of activities which are classed as small and medium enterprises. MSMEs generate more livelihoods than paid or formal employment, which absorbed a total of just under 120,000 workers in both the public and private sectors at time of the estimate.

The Government established the National Centre for Small and Micro-Enterprises Development (NCSMED) as a statutory organisation in 2002, to co-ordinate assistance to SMEs and to provide some direct services to entrepreneurs. Cabinet in 2003 expanded the NCSMED mandate to include Medium Enterprises. The Centre merged with the Government's National Micro-Finance Unit (NMFU) in early 2004. The Centre's partner microfinance institutions (MFIs) had more than 21,000 clients in early 2006 and \$1.6 million in savings deposits in commercial banks.

The Reserve Bank of Fiji has identified MSMEs as a priority area for making development more balanced and broad based. MSME stakeholders, including enterprise owners, service providers and financial institutions meet annually to discuss issues and make appropriate recommendations for policy directions.

MSMEs are expected to grow positively during the next plan period, particularly now that various other supporting services were being established. The ANZ Banking Group had opened its rural banking support services on Viti Levu, Vanua Levu and in the outer islands. In 2005, a Business Incubator was established in Ra. The Ministry of Youth, Employment Opportunities and Sports has piloted a beehive manufacturing project for graduates of the National Youth Training Centre. The project is jointly supported by NCSMED, Japan International Co-operation Agency, Ministry of Agriculture and Training and Productivity Authority of Fiji.

### **Development Constraints and Challenges**

Although considerable progress is being made in the MSME sub-sector, the major constraints and challenges are:

- lack of sufficient business support services and infrastructure;
- poor financial management skills of MSME operators;
- restrictive laws of the local councils;
- lack of knowledge about the existence of MSME service – providers;
- a lack of data for the MSME sub-sector; and
- lack of finance for business start-ups

### **3.2.13 Transport**

Transport is a most important component of the economy. It contributes on average about 10% of GDP and provides employment for around 40,000 people, including some 10,000 in the formal sector. The transport sector supports and facilitates growth and development in other sectors.

Government continues to play a lead role in creating a conducive and enabling environment for the provision of transport services and infrastructure. However, as with elsewhere in the world, Government has come to recognize limitations in its ability to meet transport infrastructure and services. Government sees the benefits of private sector involvement utilizing the potential to raise capital and provide management efficiency, through systems of public-private partnerships, such as the BOOT (Build Own Operate Transfer) system.

#### **Land Transport**

The main developments in the sector include major road construction under the three road programmes, FRUP (Fiji Road Upgrading Project) I, FRUP II and FRUP III. Similarly, FRUP IV proposes upgrading 100km and rehabilitating 100km. About 450km of road have been improved under these projects. Over the past five years, capital expenditure on road infrastructure has averaged \$57 million per year or 25% of the total capital budget. There have also been organizational changes, including the establishment of the Land Transport Authority, through the amalgamation of the former Department of Road Transport, Transport Control Board and the Principal Licensing Board. Growth in the sector can also be seen by the increase in motor vehicle registration and significant rises in motor vehicles imports.

The main issues and constraints in the road transport sector relate to lack of road maintenance, poor control of vehicle overloading, lack of emphasis on controlling vehicle emissions, increased level of traffic congestion/dwindling capacity of the roads, and slow progress in cost recovery.

It has been estimated that \$50 million will be required to adequately fund maintenance, compared to the current annual provision of \$13 million, which is grossly insufficient to cover periodic and routine maintenance. Vehicle overloading is a contributing factor to road damage and thereby contributes to the increase in maintenance costs. In response to vehicle overloading, a Compliance and Standards Unit has been established in the LTA, to address the legislative and operational aspects of vehicle overloading, in particular commercial vehicles. Weighbridges will also be installed by the LTA at different locations, to enforce vehicle overloading.

Increased vehicle emissions have become a prominent problem, especially as a consequence of the inappropriate emissions standards and the inadequate capacity to monitor emission levels. LTA currently uses the Queensland standard, which is

considered inappropriate for Fiji. To address this problem, an ADB Technical Assistance Project to review aspects of vehicle pollution standards, is currently in train. The study will produce a 4-year Action Plan to reduce vehicle emission.

Traffic congestion has mounted considerably in recent years, due to the increase in the number of vehicles, especially heavy vehicles. To address traffic congestion along the Suva-Nausori Corridor, a Greater Suva Transportation Study was undertaken in 2002. The study recommended a 30-year plan for traffic management, road network development and public transport services, to meet the mobility needs in the greater Suva area. The long-term development options in addressing traffic include proposals for a new regional road and a new coastal road network for the Suva-Nausori Corridor.

Reforms in the Public Works Department are currently under way. The reform process will take a phased approach, with the initial establishment of a Department of National Roads (DNR), and later the establishment of a Fiji Road Authority, to enable greater autonomy. To ensure cost recovery, the introduction of a 'road fund', either through the introduction of fuel tax or using vehicle registration revenue, must be considered.

### **Marine Transport/Ports and Shipping**

Total cargo movements are increasing largely through growth in international cargo movements. This expansion has been supported by increased storage space for containerized goods and the improved capacity of the major wharves. Growth in domestic cargo movements is attributed to the improved frequency of RORO services, the increase in general shipping services, the reliability of services to the outer islands and the support provided under the shipping franchise subsidy scheme.

Major developments in the sector include upgrading and redevelopment of the port facilities in Suva and Lautoka and upgrading and construction of new jetties. The Kings Wharf and the Lautoka Wharf are currently being upgraded, co-financed by the ADB, ANZ and MPAF. Since 1999, three new jetties have been constructed (Totoya, Cicia, and Moala) and two have been upgraded or rehabilitated (Taveuni and Kadavu), to remedy damage sustained during Cyclone Ami in 2002.

Marine transport, ports and shipping are usually constrained by the high cost of capital and uneconomical cost of providing services to remote and outer islands. Whilst the uneconomical routes are continually serviced under the Shipping Franchise Scheme, RORO services are profitably provided by the private sector. The Franchise scheme, which was reviewed in 2003, has generally been effective in terms of providing services to remote island areas.

In respect of port development, Government has approved in principle, the process for the further restructuring of the port sector, to improve the efficiency of operations for international shipping services. A Charter Administration Committee has been established to draw up a detailed implementation plan for the reform. In addition to commercial ports, there are some 29 public wharves and jetties handling local traffic. Maintenance of these is built into the PWD's budget but there is no formal assignment of management responsibility for the infrastructure.

Following the September 11, 2001 attacks, the international community is placing increased pressure on safety and security of ports around the world, through the introduction of the International Port and Shipping Security (IPSS) code, under the Safety of Life at Sea (SOLAS) Convention. Fiji was fully compliant for all the major ports: Suva, Lautoka, Levuka and Malau by the deadline of July 2004. The safety of local vessels is a special concern in the light of the Ovalau disaster.

There is a clear need to improve the efficiency of Government shipping operations, domestic shipping services and the ship repair business. Whilst Government owns vessels and facilities and ship repair services, its role in terms of the provision of these services needs to be reviewed. A review and update of the shipbuilding and repair facilities in Pacific countries (undertaken for Fiji Ships and Heavy Industries Ltd) clearly indicates that there is lack of shipping facilities in the region and there is real potential for Fiji to capitalize on the opportunity that this presents.

### **Aviation/Air Transport**

Growth in this sector is mainly driven by expansion in the tourism industry, contributing significantly to the number of passengers, as well as by growth in air cargo. Major developments in the sector include, reform of AFL and CAAFI, upgrading of Nadi Terminal, upgrading of the Nadi runway, and the upgrading and development of outer island airports. Air Pacific has also made significant investment in the purchase of new aircraft, and this has contributed to its improved profitability.

A domestic aviation review study in 2003, found substantial social and economical justification for continuing the payment of service subsidies to certain isolated routes. Most of the population on outer islands has difficulty affording normal airfares. Government will consider extending the subsidies to other airlines to service additional routes.

Airport operations and maintenance need to be addressed, given the condition and standard of outer island facilities. The major problems are the overall deterioration in safety and efficiency in civil aviation systems as these relate to airports, a lack of periodic and routine maintenance at airports and the absence of a modern airport-specific safety regulatory environment.

The aviation environment is changing rapidly, as a result of growing competition from low-cost carriers and technological advances. Airfare competition has increased in recent years as a consequence of new charter and scheduled flights to Fiji. The issue remains whether domestic airlines should have the flexibility to set airfares and rates based on market forces.

According to Air Pacific, the outward freight capacity is currently under-utilized and hence there is potential for growth. For example, less than 50% of its freight capacity to NZ and USA is utilized. This is despite the fact that specialized freighters (offering services in peak periods) charge about double the rates offered by Air Pacific.

Additionally, Fiji is being pressured to consider the regional aviation initiatives, which advocate the 'open sky policy'. Government will also need to continue to monitor international developments on liberalization of international air services on a multilateral basis, as advocated by the World Trade Organization.

### **3.2.14 Energy**

Around 60% of the country's electricity requirements continue to be supplied by indigenous hydro and other renewable resources. This is provided largely through the FEA's grid network on our two main islands and Ovalau, and to a lesser extent from solar home systems, micro hydro installations, and biomass. Imported petroleum for diesel back-up generators, meets the remaining balance of 40%. For the rural areas, the Department of Energy (DOE) has installed about 500 diesel based systems in rural communities around the country

The amount of electricity generated and sold by the FEA reflects the level of economic activity in the country. The contribution of the electricity industry to GDP was 3.6% in 2005 and is expected to rise to 3.8% in 2007. Growth of 2.5% and 1.2% in 2004 and 2005 respectively is projected to increase to 6% in 2007 due to the forecast increase in demand from industry and the rural community. Access to electricity in rural areas has improved, with over 100 schemes each year under Government's Rural Electrification Programme.

Major changes have taken place within the FEA, following its restructuring. This reduced staff from 1000 in 2001 to 650 in 2003 on the basis of natural attrition and voluntary redundancy. Measures have also been put in place to improve the efficiency and effectiveness of FEA's operations. Government is reviewing the regulatory role of FEA with the intention of removing this role from FEA and which will enable the company to concentrate on its core business. FEA plans to invest \$350m up to 2011 in parallel with some \$150 million of private investment in IPP and PPP arrangements.

Government is developing a national energy policy and a strategic action plan that provides the framework for energy sector activities. This is expected to be completed in 2006 for implementation from 2007. A study on the bio-fuel initiative is currently under way, in order to assess the viability of producing ethanol and coco diesel on a national scale, using sugarcane, cassava and copra has been completed. These various bio-fuels will be used to supplement our electricity supply and provide an alternative to imported diesel fuel for industrial and transportation purposes.

A Charter for Renewable Energy-Based Rural Electrification with participation of the private sector, was developed with UNDP-GEF assistance, and approved by Government in March 2003. The charter provides a mechanism for renewable energy service companies to install and maintain renewable energy-based projects. The formulation of a 'Renewable Energy-Based Rural Electrification Bill' has also been approved and consultations are ongoing with enactment envisaged by 2007. With ADB support, Fiji completed a Renewable Energy and Energy Efficiency Programme (REEP), which was aimed at building capacity to develop, fund and implement renewable energy and energy efficiency projects, while emphasizing market driven structures.

#### **Development Constraints and Challenges**

Development constraints and challenges include; the current high price of oil and the impact of this on domestic costs and the fuel import bill; current regulatory arrangements in the electricity industry; the lack of a regular energy sector information database; and weaknesses in the delivery mechanisms under the current Rural Electrification Policy.

### **3.2.15 Water and Sewerage**

The portion of Fiji's population with access to pipe, safe water was latest measured in 1996 and then reported to be about 70%. The proportion of the population connected to sewerage facilities was then about 15%. Once more recent census data is available the coverage for water and sewerage utilities in Fiji can be measured.

Indeed water is very important for both rural and urban population. Also, for Fiji's economic growth and commercial developments, notably tourism, the availability of sufficient and reliable services for water and sewerage is crucial. Government acknowledges these strategic policy objectives and sets out to achieve firm improvements in the next 5 years. In the next five years, inhabitants of some of Fiji's most densely populated areas will have a more reliable and regular water supply and in time access to a environmentally friendly sewerage systems.

Government is continuing to implement works for the extensions of reticulation systems and treatment capacity. Capital expenditure for these works has more than doubled over the past 5 years. For Fiji's largest urban area, the ADB-assisted Suva/Nausori Water Supply and Sewerage project is well up and running. It includes major works, which will be completed by 2009, like refurbishments of the water treatment plants Tamavua and Waila, construction of new reservoirs and bulk water transport mains, new sewer reticulation and refurbishment of pumping stations. The first components have recently been commissioned, like extension of Kinoya wastewater treatment plant and sea-outfall, new reservoirs at Tomavata and Colo-i-Suva and others. In many other urban areas works projects are also under construction and further planned for.

In the rural areas many villages were assisted in the provision of piped water and sanitation. Government will continue to promote and support rural water projects to improve public health and quality of life in these areas.

#### **Water sector reforms**

Government has declared the Water and Sewerage Department in the Ministry of Public Utilities and Infrastructure Development as a Reorganization Enterprise. The Ministry of Public Enterprise and Public Sector Reform will further drive these reforms.

The institutional reforms will result in a public water utility service provider, which will be oriented to deliver customer satisfaction in relation to water quality and continuity of service. The water and sewerage company will be responsible for operations and maintenance of all of Fiji's urban and peri-urban water supply and sewerage infrastructure. A customer service plan will document the levels of service the company is to provide for. The company will operate on a commercial basis, which implies revenue collection to cater for all operational, maintenance, renovation and capital costs. Furthermore, this company will provide assistance to initiatives for rural water and sanitation projects.

Government will develop and implement a water management policy. This policy will safeguard the proper management of all of Fiji's fresh waters and the marine environment as well. New legislation and regulation will ensure the framework for a

sustainable exploitation and environmental protection of fresh water rivers and ground water aquifers.

### **Development constraints and challenges**

The major constraints include the: financing infrastructure upgrading, low level of cost recovery and lack of professional and technical staff.

In the past decades there has not been duly recognition for the aging of existing infrastructure. Capital works were [almost exclusively] for extensions or new systems. The process of deterioration of old infrastructure assets now needs to be reversed and major renovation works need be planned and executed. Brain drain of technical staff has caused a too limited capacity and quality in the relevant organizational units.

The major challenge is to create the new Water and Sewerage Company as an efficient, well resourced entity, which will be fully focused on its tasks, with a customer orientation.

It will be a challenge to improve the discipline with Fiji's population to fully pay for the services and have sufficient cost-recovery.

Low levels of cost-recovery continue to constrain investment. The poor cost-recovery in the provision of both water and sewerage services is a result of low water charges and substantial arrears.

Lack of technical capacity constrains implementation of PWD's major programs at a time when there is a need to implement individual master plans for expanding rural communities. These include Tubou on Lakeba and Wainikoro in Macuata.

Increase in demand for infrastructure from the upcoming tourism, business centres and industrial estates.

### **3.2.16 Foreign Affairs and External Trade**

The Ministry of Foreign Affairs and External Trade is accountable for the establishment of diplomatic ties, political, economic, socio and cultural relations. It plays an important role in shaping Fiji's global image and has contributed significantly to the improvement of Fiji's image and trade relations overseas after the political instability of 2000. Fiji maintains diplomatic missions in Beijing, Canberra, Kuala Lumpur, London, New York, Port Moresby, Tokyo, Washington, New Delhi, Brussels and Wellington and 12 honorary consuls in other centres of the world are accredited to foster Fiji's interests abroad.

Fiji has adopted an export oriented, outward looking approach to trade relations with import restrictions lifted in favour of export promotion. This has resulted in Fiji becoming a more open economy with increased volumes of both exports and imports. The current bilateral, regional and multilateral trading agreements offer great benefit and opportunities to Fiji in terms of increased access to foreign markets under WTO membership, duty free access to Forum Island Countries (FICs) products to the Australian and New Zealand markets and EU markets under the Cotonou Agreement.

A major challenge for the Ministry is the freer global trade which calls for greater competition for domestic producers and the erosion of the preferences that Fiji export

industries currently enjoy. The other constraint for trade is the market access restrictions due to non-tariff barriers applied by many countries.

The Ministry also plays an important role in the negotiation and administration of foreign aid. The Ministry's achievements include full restoration of foreign aid funding from the EU, NZ and Australia, the opening of the Fiji Embassy in India and India's technical assistance on the Fiji Sugar Industry, the extension of SPARTECA and the ratification of the PICTA and PACER.

The respective Divisions of the Ministry namely the Political and Treaties Division including the Protocol Division and the External Trade Division perform all these functions diligently despite resource constraints in the period assessed.

### **3.2.17 Employment, Productivity and the Labour Market**

Around 120,000 people, one third of the labour force, are estimated to be in paid or formal sector employment. With increased investments and future growth in the ICT and Audio visual industries, employment is expected to increase in the medium term. Government still remains the largest employer with some 25,000 employees, accounting for a large proportion of total paid employment.

There are signs of skill shortages in both the public and private sectors. However, unemployment in urban areas was estimated at 14% in 2002, according to the Household Income and Expenditure Survey.

The challenge is to ensure that economic growth is sufficient to absorb the estimated 16,000 people that enter the labour force each year. Even with current equilibrium of relative low economic growth, the formal sector is unable to create sufficient jobs. Many are left to make their own opportunities in the rural economy and in small and micro-enterprises. Government's Integrated Human Resource Development Programme for Employment Promotion (IHRDPEP), which began in 2000, and the National Centre for Small and Micro-Enterprise Development (NCSMED) established in 2002 are spearheading efforts to support employment creation in both the informal and formal sectors. However, the economic growth which is needed to raise the levels and quality of employment can only be achieved through the economic restructuring to traverse to a high growth equilibrium, as discussed in Chapter 4 and the following chapters of Part Three.

Additional opportunities of securing employment are affected by skill shortages. Government has established a fast-track system for approving work permits in sectors faced by skill shortages. Poor dissemination of information about job opportunities and the skills required exacerbates skill shortages. Employment placement centres, where job seekers have access to information on available positions and to job-interview training, are to be incorporated into the National Youth Option Centres. Government's Internet-based placement service, CareerNET, which started in 2004, and the expansion of the Computerised Human Resources Information System (CHRIS) would also assist in job placements.

Obtaining a job is also hampered by the lack of recognition of many training qualifications now available. Preliminary work by the Training and Productivity

Authority of Fiji (TPAF) on developing a comprehensive accreditation system of qualifications, commenced in 2004.

Data on the labour force and employment is very limited. A Labour Force survey, conducted in 2004, will provide valuable information about employment in the informal, as well as formal, sectors. The Computerised Human Resources Information System ([www.fjichris.gov.fj](http://www.fjichris.gov.fj)) aims to improve the collection and dissemination of labour market information from various stakeholders, including the private sector.

### **Wages and Productivity**

Fiji's wage-setting is largely based on annual COLA (Cost of Living Adjustment) awards as opposed to merit or productivity based increments. Many private sector employers follow the wage increases awarded in the civil service and the wider public sector. When wage increases tend to be based on the cost of living, there is little incentive for employees to improve work performance or gain new skills, and this creates inflationary pressure.

Basing pay increases on performance and productivity is preferred. It helps in achieving higher productivity in both the public and private sectors, which is necessary to gain higher real incomes and higher economic growth. International experience of development shows that higher living standards come about only with high productivity which is continuously improved. Increasing productivity will come from higher investment in modern machinery, as well as from improved work methods. Pay systems which link wage increases to performance provide a strong incentive for employees to improve productivity. However, indications are that productivity levels are low in Fiji and that there has been little growth in productivity.

Recently Government has agreed to a Partnership Framework Agreement with the Public Sector Unions whereby wages and performance based payments were negotiated. The Partnership Agreement is an Industrial Relations Framework involving a comprehensive study of the current system of annual pay review in the Public Service to determine a system which is more appropriate to the Fiji Public Service.

In 2005, Government introduced the Civil Service Excellence Awards aimed at improving productivity and quality in government organisations. In addition, job evaluation studies have been completed for the service. The new CEO performance contracts, and the new performance budgeting system under the Government's Financial Management Reform Programme, is intended to assist public servants to become more productive.

## **Part 3**

# **Future Priorities and Strategies 2007-2011**

SDP FOR MENES

## Chapter 4 Medium Term Strategy : Maintaining Stability and Sustaining Growth

### *“Maintaining Stability and Sustaining Growth to Achieve a Peaceful, Prosperous Fiji”*

#### 4.1 Strategic Priorities

The SDP Medium Term Strategy for 2003-2005 sought to recover from the events of 2000 by rebuilding confidence for stability and growth and these Strategic Priorities are considered to have been substantially achieved. The Medium Term Strategy for this 2007-2011 Plan will build on these achievements to lead Fiji to enhanced social stability and a higher level of sustainable growth.

As described in Chapters 2 and 3, progress has been satisfactory but has not yet achieved the development potential of which Fiji is capable. The key to unlock potential in both social and economic development is considered to be the removal of constraints which hold back economic development and, thus, also limit our ability to make social progress.

Investment levels have improved, but remain below target. Exports have grown, but not fast enough. Employment and self-employment has increased, but not enough to absorb all school-leavers. Incomes have risen, but some sections of the community remain poor and are unable to equitably participate in the benefits of progress. This Medium Term Strategy aims to continue the progress in the previous Plan but strengthen achievement by increasing emphasis on higher economic growth through greater investment and exports and through more fundamental restructuring of the public and private sectors and their ability to work effectively. The Strategic Priorities for 2007-2011 are given here:

<b>Maintaining Stability:</b>	<b>Sustaining Growth:</b>
<ul style="list-style-type: none"><li>• Promoting peace and harmony</li><li>• Enhancing security and law and order</li><li>• Alleviating poverty</li><li>• Strengthening good governance</li><li>• Reviewing the constitution</li><li>• Resolving the agricultural land lease issue</li><li>• Implementing affirmative action</li></ul>	<ul style="list-style-type: none"><li>• Maintaining macro-economic stability</li><li>• Restructuring to promote competition and efficiency</li><li>• Raising export earnings</li><li>• Raising investment levels for jobs and growth</li><li>• Rural and Outer island development</li></ul>

Fiji's economy is in equilibrium, but a low growth equilibrium which is not realising our full potential for economic development and, consequently, not realising the social development which we need. In the Medium Term Strategy we need to accomplish the difficult task of “traversing” from this low growth equilibrium to a new equilibrium of sustainable, higher growth.

Such a traverse is difficult as it is not simply about doing more or working harder. It requires a fundamental change in the way our economy works. The key to the change is in the productive use of resources. At present, too much of Fiji's resources are inappropriately managed in the public sector - doing things which Government should not do at the expenses of the tasks of which Government is uniquely able.

**Figure 8 : Plans Supporting Strategic Priorities**

Chapter		Maintaining Stability					Sustaining Growth					
		Promoting peace and harmony	Enhancing security & law & order	Alleviating poverty	Strengthening good governance	Reviewing the constitution	Resolving agricultural land leases	Implementing affirmative action	Maintaining macro-economic stability	Restructuring to promote competition & efficiency	Raising export earnings	Raising investment levels for jobs and growth
5	Macroeconomic management				X			X	X		X	
6	Restructuring the Public Sector				X			X	X	X	X	
7	<b>Social Development</b>											
7.1	Poverty Alleviation	X		X			X					X
7.2	Social Justice & Affirmative Action	X	X	X		X	X					X
7.3	Rural & Outer Island Development	X		X			X					X
7.4	Security	X	X								X	
7.5	Law and Justice	X	X		X	X			X		X	
7.6	Environment								X	X		X
7.7	Housing	X		X								
7.8	Urban Development		X		X			X	X			
7.9	Health	X		X				X				
7.10	Education and Training	X		X			X	X	X	X		
7.11	Gender Equality & Women in Development	X		X	X		X					
7.12	Youth and Children			X			X					
7.13	Culture and Heritage	X		X			X				X	X
7.14	Sports Development	X	X	X					X			
7.15	Disaster Risk Reduction & Disaster Management		X						X		X	X
8	<b>Economic Development</b>											
8.1	Sugar			X			X	X	X	X		
8.2	Agriculture & Livestock			X		X	X			X	X	X
8.3	Forestry			X			X		X	X	X	
8.4	Marine Resources			X	X		X			X	X	
8.5	Mineral and Groundwater Resources				X					X	X	
8.6	Land Resource Development & Management	X	X		X		X		X	X	X	X
8.7	Tourism			X			X		X	X	X	X
8.8	Manufacturing and Commerce			X					X	X	X	X
8.9	Information & Telecommunications		X		X				X	X	X	
8.10	Financial Services							X	X	X	X	
8.11	Small and Microenterprises			X			X			X	X	X
8.12	Transport		X	X					X	X	X	X
8.13	Energy			X					X	X	X	
8.14	Water and Sewerage			X					X	X	X	
8.15	Foreign Affairs and External Trade								X	X		
8.16	Employment and Labour Market	X		X					X	X	X	X

To increase growth we must increase the returns on our productive resources. We must extend the frontiers of growth by redefining the boundary between the private sector and public sector to gain from the unique private sector skills in securing high value in the use of assets and the unique public sector skills in providing those public goods and services which markets fail to provide.

For the private sector to create higher growth it is necessary to reform the policy, legal and institutional framework within which our economy operates. In parallel, the public sector must be fundamentally restructured to transfer the ownership and management of under-performing assets to the private sector and re-focus the public sector in raising the efficiency and quality of public goods and services which it supplies to the people.

This essential restructuring, in a stable macroeconomic environment, is the core of the Medium Term Strategy which will determine our success in economic development and, using the resources such development creates, our success in social development.

## **4.2 *Maintaining Stability***

Society requires harmony in which individuals and communities peacefully co-exist to secure better lives for themselves and their families, contributing to the accomplishments of individual communities and the whole nation. The Plan aims to maintain and strengthen the social stability which facilitates such progress and addresses issues of equity in addressing the needs of the poor and disadvantaged and of better government in security, law, justice, good governance and appropriate development of constitutional rights and obligations.

### **4.2.1 Promoting peace and harmony**

The Multi Party Government is built on the fundamental principles of trust, respect and mutual co-existence of all sections of Fiji's communities. In itself, it demonstrates the progress made in rebuilding stability since 2000. The Ministry of Multi Ethnic Affairs and National Reconciliation is responsible for spearheading Government efforts to raise awareness and facilitate nation building and harmony. The Ministry and the United Nations Development Programme (UNDP) have commenced a participatory process for development planning that uses a peace-building and conflict prevention approach. The Peace and Stability Development Analysis (PSDA) seeks to help identify responses, opportunities, initiatives, and strategies based on building a peaceful and stable community for prosperity in Fiji.

Ministries will also undertake programmes to foster cross cultural understanding and multi-racial communal development, building the foundations for peace. Citizenship Studies has been introduced into schools. Government is strengthening the partnership with NGOs and a framework for co-operation has been prepared. Government acknowledges that more prosperous and developed economies tend to suffer less from violent conflicts and have more robust mechanisms to resolve conflict if and when they arise. Government will increase prosperity and undertake to mainstream strategies for conflict prevention and preparedness at all levels of development planning.

Most of the social development plans described in Chapter 7 will support this Strategic Priority, as illustrated in Figure 8.

## **4.2.2 Enhancing security, law and order**

The rule of law is essential for social stability as well as for economic growth and sustainable development. Progress in maintaining law and order has been good. The police have dealt effectively with criminal and civil cases, with the courts functioning completely independently without interference from Government.

The trend in the numbers of reported criminal offences has generally been downward due to better enforcement of the rule of law. This is largely a result of more resources, better co-ordination between law and order agencies, and capacity improvements. Funding of the major security and law enforcement agencies<sup>4</sup> has increased by 28 % since 1999.

Since 2003, an AusAID-funded Fiji Law and Justice Sector Programme has given technical support to the Police, Prisons and Judiciary. AusAID's Pacific Regional Policing Initiative provides improved training of police officers. Streamlined court processes and consolidation of prosecution functions into a National Prosecution Service, are helping to reduce the backlog of court cases. The Fiji Prison Service is reviewing a policy shift from 'containment' to 'correction or rehabilitation'. This process of improvement will continue and new challenges to security and the rule of law - including international terrorism, trading in illicit drugs, people smuggling and money-laundering - will be met.

Plan sections which support this Strategic Priority are indicated in Figure 8, including developments which assist law enforcement and those which develop more law abiding citizens.

## **4.2.3 Alleviating poverty**

Comprehensive information on poverty in the 2002-2003 Household Income and Expenditure Survey and a 2003 assessment of poverty and hardship show that increased efforts are needed to alleviate poverty. A critical concern has been the lack of adequate new income generating opportunities in employment and self employment compounded by insufficient basic service provision, including clean water.

Increased resources have been devoted to social welfare in the Family Assistance Scheme, which provides a monthly grant to those who are unable to work. However, Government stresses the need to create more formal and informal income generating opportunities, including small and micro-enterprises and equipping the poor and disadvantaged with the skills to exploit such opportunities. The sustainable use of natural resources will also be encouraged to alleviate poverty. Government's National Sugar Adaptation Strategy, Alternative Livelihoods Project and Rural and Outer Island Project have all been designed to create livelihoods and income generating opportunities for cane farmers and related workers, landowners and rural and island communities.

However, major progress in alleviating poverty will only be achieved with higher and more balanced economic growth. Greater achievement of Strategic Priorities for economic growth will enable increased achievement of poverty alleviation.

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<sup>4</sup> Includes Solicitor General's Office, Prisons, Justice, Ministry of Home Affairs & Immigration, RFMF, Police, Judiciary and DPP's Office.

Figure 8 indicates the wide range of planned activities which support alleviation of poverty, which include social development to increase provision of basic services to the poor and also economic development to create the income generating opportunities which can lift the poor out of poverty. The large number of agencies which contribute to the poverty alleviation outcomes requires that overall responsibility be taken by a central agency, and that role will be taken by the National Planning Office.

#### **4.2.4 Strengthening good governance**

Strengthening good governance is an on-going process of improving the ethical and professional standards and quality of the public sector, stressing increased transparency and accountability at all levels. This strengthening will complement the performance and structurally oriented reforms in Chapter 6 to create a public sector of higher standards and productivity.

Strengthening governance requires changes in people's attitudes to work and the way work is done, so can be a lengthy process. All levels of the public sector will be involved, including Parliament, national and local government agencies. The Public Accounts Committee will provide checks and balances on the expenditure of funds by Government. The consideration of social, economic and environmental considerations in decision making will be encouraged and strengthened.

To strengthen good governance, Government will promote accountability by: (i) processes which fully inform Parliament on budgets, loans, and guarantees; (ii) timely audit and publication of accounts of Government and public sector entities; (iii) transparent public sector contracting; (iv) prompt discipline for breach of financial regulations; (v) strengthening the Public Accounts Committee of Parliament, the Auditor General and Ombudsman; and (vi) Reserve Bank of Fiji will continue to non-partisan monitoring and advice.

Measures promoting good governance are particularly included in the areas of financial management (5.2) and public sector restructuring (Chapter 6) as well as Law and Justice and other sections indicated in Figure 8.

#### **4.2.5 Reviewing the Constitution**

The successful completion of the 2006 National Elections and formation of a Multi Party Government has created a positive political environment which is important to creating conditions for sustainable development.

The review of the Constitution is an on-going participatory approach and consensus building between the members of the Multi Party Government on the more substantive parts of the Constitution, which may include changes to the rules on the formation of a multi-party Government.

Plans which may be influenced by such a constitutional review are indicated in Figure 8 and include Social Justice and Affirmative Action (7.2) and Law and Justice (7.5).

#### **4.2.6 Resolving the agricultural land lease issue**

In addition to a wider review of constitutional issues, the Multi Party Government creates a political environment which is more conducive to a healthy dialogue and

possible resolution of the land lease issue. Government's proposed native land lease system is based on providing secure, longer term leases for tenants and fair rental returns to landowners. A fair rental enables landowners to channel proceeds into viable investments and human resource capacity building for their children.

Land not required for the daily sustenance of the *Mataqali* or landowning units will be offered at fair rental terms and conditions, giving increased availability and use of land by tenants to contribute to growth. Longer term leases enable tenants to undertake longer term investments for a market rate of return. Government will also identify land for the resettlement of urban squatters, apart from efforts to encourage squatters to utilize vacant lands in villages and rural areas. Sustainable land practices will also be encouraged to protect land from soil erosion and degradation and ensure that Fiji's environment is adequately protected. A Land Use Policy adopted in 2005 will guide Fiji's future land use development programmes.

The Native Lands Trust Act (NLTA) is the legal framework that Government will promote to safeguard the interests of landowners and tenants. A land lease system that promotes fair rental and security of tenancy will provide an environment of political and social stability in Fiji.

Directly related plan sections are those concerned with agriculture (8.1 and 8.2) and land resources (8.6).

#### **4.2.7 Implementing affirmative action**

The enactment of the Social Justice Act in 2001 has created special recognition for the disadvantaged in society and for Government's affirmative action programmes. Since the implementation of the Act in 2001, Government has allocated substantial sums for the various disadvantaged groups under the Social Justice Act programmes.

The major part of the Social Justice programmes is focused on the poor and those living in rural areas. This complements poverty alleviation programmes by using affirmative action to benefit the poor. Other disadvantaged groups who are supported include women, children and youths and people with disabilities.

An important component of the Affirmative Action policy is the implementation of the Twenty-year Development Plan (2001-2020) for the enhancement of participation of indigenous Fijians and Rotumans in the socio-economic development of Fiji.

Social justice and affirmative action is supported by measures included in plans for both social and economic development as indicated in Figure 8.

### **4.3 Sustaining Growth**

The discussion of Strategic Priorities in 4.1 indicates that, whilst sustained growth has been achieved, the economy is in a low growth equilibrium. The targets for higher economic growth, which also underpin the ability to develop socially, require a traverse to a high growth equilibrium. This requires a restructuring of Fiji's economy, fundamentally changing the way the public sector operates and the way that the private sector does business. The interaction and partnership between public and private sectors is critical in this difficult task.

Restructuring will move the economy from growth driven by debt and consumption to a more competitive and efficient economy led by investment and exports. For Fiji to compete, the “easy” low growth options of protection and inefficient, supply driven allocation of resources must be replaced processes and market systems which allow land, labour and capital to be put to their highest value use, and the owners of each of those resources rewarded equitably for their contribution to economic production and growth. The priorities proposed address these needs.

#### **4.3.1 Macro-economic stability**

Macro-economic stability is a critical requirement of the Medium Term Strategy as it is a pre-requisite for higher investment and growth which, in turn, are required to provide the environment and resources for social development as well as economic development.

Present macroeconomic conditions and challenges are set out in detail in 3.1. These lead to the Medium Term Strategy, summarised in 4.1, to traverse from the present low growth equilibrium to a high growth equilibrium to achieve the sustained growth required to meet Strategic Priorities. The monetary and fiscal policies of the Plan are set out in Chapter 5

Achievement of macroeconomic stability is inextricably linked with Restructuring the Public Sector (Chapter 6) which is necessary to support the projected fiscal balance and economic growth. In addition to public sector restructuring, macroeconomic plans also require increased private sector participation and performance which must be facilitated through successful implementation of plans for Financial Services (8.10) and Employment and Labour Markets (8.16).

These reforms in the use of, and markets for, resources provide a framework within which development plans to reform and readjust, including sugar, agriculture and forestry amongst natural resources sectors and transport, water and sewerage, and telecommunications amongst the infrastructure sectors. Measures to promote competition and efficiency will strengthen manufacturing, commerce and tourism to increase foreign currency earnings and contribute national economic development.

#### **4.3.2 Restructuring to promote competition and efficiency**

In order to reach a high growth equilibrium, a substantial restructuring of both the public and private sectors is required. These are best considered as part of one Strategic Priority as an essential feature of the restructuring is moving the boundary between public and private sectors by transferring assets and tasks out of the public sector and into the private sector.

In addition to the sharper definition of responsibilities for public and private goods, the public sector restructuring also requires new financing modes which are consistent with fiscal and debt strategies. Within tighter fiscal and debt strategies the increased provision of public goods and services - especially infrastructure - require new sources of funds and these are seen to be in the form of increased use of public private partnership (PPP) financing modalities.

As buyer of Government’s commercial assets and co-financier in the provision of public infrastructure and services restructuring of private sector institutions is integral to restructuring of the public sector. The plan sections indicated in Figure 8 as

supporting this Strategic Priority mostly concern the need to create a business environment which is conducive to entrepreneurial private sector activities, including strengthened property rights, contract law, and land tenure (7.5), improved financial services (8.10) and a higher skilled, more mobile labour market (7.10 and 8.16).

Analysis of the present position is included in 3.1 and plans for restructuring are presented in Chapter 6.

#### **4.3.3 Raising Export Earnings**

Challenges facing traditional export sectors of garments and sugar and the potential impact on the balance of payments and foreign exchange reserves are discussed in 3.1. Exports are always an important part of economic development and macroeconomic management but they are particularly so given the challenges of this plan period. Government recognises that growth in exports is essential for achieving sustainable economic growth and development.

Monetary and fiscal policy will be tightened to restrain imports of consumer goods and a National Export Strategy, currently being prepared, will be implemented to develop medium and long term exports. The present trade support network is seen as jointed and poorly coordinated, with strongly organised lobbies for tourism and sugar tending to diminish support for other potential export sectors. This issue will be addressed in a national strategy in place of ad hoc and sector strategies which have created distortions and disincentives.

Recognizing the narrow export base and lack of market oriented diversification, the Strategy will address the need to improve the business environment in which exporters operate in order to enable the private sector to develop export markets, invest and bring the performance benefits of entrepreneurial management to the export sector. The Strategy seeks a substantial reduction in Government interventions which hamper export development.

Success in exports requires Fiji's producers to become internationally competitive in both export and domestic markets – industry and agriculture sheltering behind tariffs cannot compete and export. An essential purpose of restructuring plans is to create an environment which promotes the realisation of productive efficiency to compete with foreign producers in external trade and domestic markets.

Plan sections which are expected to contribute to this Strategic Priority include all the economic development activities in Chapter 8 as export competitiveness cannot prosper in an inefficient economy. Education and Training (7.10) has a major role to play in developing the vocational, technical and professional skills required. Restructuring of the environment in which business operates will also be critical to export success.

#### **4.3.4 Raising investment levels for jobs and growth**

Although investment has risen in recent years it remains below the average of 20% of GDP for developing countries and below the SDP target of 25% of GDP. Of particular concern has been the low rate of private sector investment. Although private sector investment has doubled since the low of 2000 it remains less than 7% of GDP. Productive, private sector investment has greater impacts on jobs and growth than public sector investment, whether in infrastructure or low return public

enterprises. The key to increasing jobs and growth is increased private sector investment rather than simply increasing total investment.

Restructuring of the public sector will transfer assets and business opportunities to the private sector. Macroeconomic management will establish an environment conducive to investment and re-orientation of public debt management, to lower levels of borrowing and a higher proportion of external debt. This will increase the availability of funds for debt and equity finance of productive investments in Fiji. Redrawing the boundaries between public and private sectors will be supported by changes in the policy and institutional environment which will increase business confidence and the efficiency of doing business.

Public private partnerships (PPP) provide a variety of modalities through which the private sector may help fund public infrastructure and services and manage them more efficiently. Government will enter such partnerships for infrastructure to provide water, roads, sewerage and the like to citizens, to meet their essential needs. National networks and local distribution to serve the general public may be funded under PPP. However, the boundary must be defined between public goods and the distribution, utilities and service which serve private business needs, and for which the incremental costs of the infrastructure form part of the private investment cost.

Whilst the above measures tend to be directed at larger enterprises offering formal employment, Government is well aware of the impact which investment in small and micro-enterprises (SME) can have on increasing employment and growth. The capital intensity of SME is typically low and increased investment of relatively small amounts can have a substantial impact on jobs and growth. SME are particularly suited to rural enterprises and thus serve a distributive role on allowing people in remote communities to develop livelihoods and participate in Fiji's developing economy.

The redefinition of the public sector, combined with PPP in infrastructure and public service provision, requires a role for almost all economic development plan sections in promoting investment for jobs and growth. Several social development sectors also offer potential opportunities for investment as well as implementing the institutional development required to create an attractive investment climate (see Figure 8). The core support to promote investment is described in Government's plans for macroeconomic management (Chapter 5) and plans for restructuring of the public sector (Chapter 6).

#### **4.3.5 Rural and outer island development**

The rural and outer island areas continue to be the home of the majority of Fiji's people, although the rural population is declining overall due to rural-urban migration and the growth of urban and peri-urban squatter settlements.

In many areas old, traditional economic activities of coconut production and subsistence farming have formed the basis of livelihoods. As traditional coconut markets have declined, particularly with the high costs and low capacity of inter-island shipping, the rural areas have tended to decline as poor access to markets and services has been a bar to change and development of new products and markets to support improving livelihoods.

Major government initiatives in the rural sector have focused on the provision of basic services and the development of rural business. Education remains critical for the development of the rural areas and is being facilitated by an EU grant-funded Fiji Education Sector Programme. Education alone tends to increase rural urban migration as a better educated population looks for employment. Development then must be balanced between increasing skills and capacity in rural and outer island areas matched by development of access to employment and self-employment through improved access to markets and the infrastructure needed to support that.

Government's Rural and Outer Island Project, with ADB support, is designed to promote such balanced development of inter-island and international maritime infrastructure and rural roads with livelihoods supported in tourism, agriculture and agro-processing and enterprise development in MSMEs. Government will strengthen the capacity of provincial governments to actively participate in planning and implementation in development.

Within this wider context of rural development Government recognizes that Vanua Levu, Fiji's second largest island, is a depressed area which needs particular support to income generating opportunities and the infrastructure required to provide access to markets and services. Priority measures to redress infrastructure provision in Vanua Levu will include new international port at Savusavu and upgraded roads to support development of more competitive tourism and agri-industry sectors.

The Strategic Priority will be most directly supported by the Rural and Outer Island Development Plans (7.3) but is also a major outcome of the Poverty Alleviation (7.1) and Social Justice and Affirmative Action (7.2) plans and others indicated in Figure 8.

#### **4.4 Development Programmes and Donor Coordination**

Government endorses the Paris Declaration (PD) adopted by partner countries and donors in March 2005. The Declaration focuses on improving aid effectiveness by aligning aid flows to national priorities; strengthening Government, Donor and Non-Government Organization coordination; strengthening member country capacity for coordinated support; use of common arrangements or frameworks; adoption of performance measurement frameworks; improving aid predictability; and monitoring and evaluation.

Within this SDP, Government has set its priorities and these will be complemented by strategies Government is putting in place, for example, for public sector restructuring and export development. These reflect the consensus of Fiji citizens expressed through the democratic process successfully completed in 2006.

Government development programmes and donor assistance will be closely aligned to the Strategic Priorities of the Plan. Greater partnership between Government and donors is required to ensure the effectiveness of aid delivery and the achievement of Strategic Priorities. Government's measures to improve financial management and good governance should also facilitate the efficient and effective use of donor assistance, whether through grants or technical support, and Government expects that improved performance reporting by Ministries and agencies will lead donors to draw

on such reporting to assess the impact of their own programmes and reduce the need for parallel monitoring at least at outcome level.

Government recognizes the policies and strengths of different donors and the objectives of their development programmes. Government will work with donors to establish programmes which are congruence with Government and donor objectives.

Donor development programmes to Government and the submission of development assistance to donor agencies will be channelled through the Government's Budget Aid Coordinating Committee to ensure that development assistance programmes are well coordinated according to Government's stated policies and priorities. This will be supported by regular Government and Donor Agency consultations during the Plan period.

SDP for NES

## **Chapter 5 Macroeconomic Management**

### **5.1 Monetary Policy**

#### **Exchange Rate and Reserves**

Through demand management and policies to support exports and investment, the balance of payments will be managed to restore and maintain reserves equal to some 4 to 5 months cover for imported goods.

#### **Inflation**

For 2007, the year end inflation is projected at 4.0% in the light of the inflationary pressures emanating from higher and volatile crude oil prices. In 2008, inflation is expected to ease back to 3.5% against the backdrop of lower trading partner inflation resulting from a slightly weaker global economy and anticipated steadiness in international crude oil prices. Continued demand management are expected to maintain inflation below 3% for the remainder of the Plan period.

### **5.2 Fiscal Policy**

#### **Budget Deficit**

Government reduced the net deficit and will continue prudent fiscal management so that the deficit will not significantly exceed 2% of GDP in any year of the plan period. By restraining expenditure growth below the level of GDP growth the deficit is projected to fall to 1% of GDP by 2009 and, potentially, to a balance by 2011. Such a balance will increase Government's ability to use fiscal policy in response to changing macro-economic needs.

#### **Debt Management and Contingent Liabilities**

Continued reduction of deficits over the medium-term will allow better management of public debt and encourage greater use of the country's savings in the private sector. The primary balance – net deficit less interest payments – will be in surplus from 2007 onwards to allow reductions in the debt as a proportion of GDP to less than 48.5% by 2009 and to a medium term target of 45% by 2011.

Though reduced in proportion to GDP, the nominal value of total debt will continue to rise, at sustainable levels, and allow Government to diversify its debt portfolio and also FNPF to diversify its investments. Government will adjust the mix of debt to minimize interest costs and better manage exchange risks. Contingent liabilities are declining and not a current concern, but they may impede restructuring of public enterprises and need to be managed to facilitate restructuring.

#### **Revenue**

Revenue projections are based on a minimum continuation of present levels of some 27% of GDP. The principles guiding revenue collection are that: (i) Government's operating revenues should always be more than recurrent expenditures; and (ii) Government savings should be increased, in part, by increasing operating revenues. This will be supported by continued strengthening of tax compliance and increased efficiency of tax collection, identifying the leakages in tax revenue and measures to promote compliance and prevent identified leakages. Exemptions will be reviewed in

terms of economic efficiency to identify those without net economic benefits. This continues the policy which has already increased revenue's share of GDP.

### **Expenditure**

In the plan period expenditure will be managed to achieve the targeted level of deficit so that it does not significantly exceed 2% of GDP in any year. Expenditure will be controlled by increasing productivity and accountability in the use of Government resources. Overall achievement of Strategic Priorities will be maintained by focusing budget resources on clearly stated priorities of (i) the core priority areas of health, education and infrastructure; (ii) promoting export growth and investment, particularly in the resource-based sectors; and (iii) maintaining support for law and order, and addressing poverty reduction through the creation of employment opportunities for all, particularly those in the rural areas and the outer islands.

These measures are supported by financial management reform, which introduces a performance focus and strengthens accountability. A new Financial Management Information System has been introduced to provide the timely, accurate information on Government's financial position which is essential for effective control and decision making.

The linkage between planning and the budget process has been weak but will be strengthened through greater coordination of this Plan with Corporate Plans and Budgets. The budget process will become better informed on implementation performance through effective and timely feed back of the monitoring and evaluation systems proposed in Chapter 9. The focus of the Public Sector Investment Plan will also be sharpened to improve the quality of development expenditure. Proposals will be screened to be developmental and aligned with the Strategic Priorities. Proposals will also be reviewed for appropriateness in their use of Government funds to create public goods which cannot be better provided by the private sector or through public private partnerships.

### **Asset Sales and Public Private Partnerships**

Selective corporatisation of agencies which can be commercially viable and operate without Government funding will reduce the burden on Government financial support. Government will examine its shareholdings and identify those which it is appropriate to sell. Government owned entities that are best owned and run by private sector will be divested. In the use of asset sales proceeds, priority will be given to repaying debt and investing in high-return projects in the PSIP.

Public Private Partnerships will be used for investment in and the operation of infrastructure that is attractive to the private sector, where viable returns can be realized through cost recovery and user pay systems. In the process, it reduces the burden on Government finances and allows Government to direct public funds to investment projects to create public goods, with greater social benefits, which can less easily be developed into viable cash flows. This refocusing of Government and restructuring of public services and assets is central to the achievement of the Strategic Priorities.

### 5.3 Summary and Key Performance Indicators

#### Goal

Maintaining macro-economic stability to facilitate social and economic development.

#### Link to Strategic Priorities

Macro-economic management will determine the extent to which Government achieves the Strategic Priority of maintaining macro-economic stability. Achievement of this outcome is critical to Government's ability to achieve all other Strategic Priorities through establishing the necessary facilitating context and providing the resources necessary to support the other priorities.

#### Development Rationale

The major challenges for the medium term are to maintain prudent monetary and fiscal management in order to protect exchange reserves, continue with low inflation, and ensure sustainable fiscal deficits and debt levels. The medium-term approach by Government recognizes the importance of consolidating fiscal policy and increasing export earnings to reduce the widening trade account of the balance of payments.

#### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
The nation enjoys macro-economic stability and growth on which to build improved standards of living and quality of life.	Low and stable levels of inflation are assured through use of fiscal policy to manage of budget deficits and monetary and interest rate policy to pro-actively manage inflation.	Annual growth rate to reach 5% by 2009.  Inflation is to be brought securely below 3% per year after 2008.
	To maintain confidence in Fiji's currency and capacity to meet international financial obligations through: maintenance of a stable foreign exchange rate regime; a reasonable level of reserves; pro-active use of interest rates; and a progressive review of exchange controls with further relaxation in annual budgets.	Reserves equivalent to 4-5 months of import cover for goods only.  Interest rates on deposits are at least positive in real terms.
	Transparent, market based interest rates maintained at levels consistent with low inflation and a comfortable level of foreign reserves.	Inflation and foreign reserve targets (above) are met and interest rates spreads reduced from 5% to 3%.
	To maintain a sustainable ratio of debt to GDP by restricting spending to levels consistent with debt targets.	Debt to be reduced from 52% of GDP to less than 50% of GDP by 2009 and towards 45% in 2011.

Policy Objectives	Strategies	Key Performance Indicators
	<p>Government revenue regime is used to promote economic growth through appropriate level of taxation, a broader tax base, reduced distortions, increased compliance and development of the user pays principle.</p> <p>To reduce government spending as a proportion of GDP through tight control of Ministerial expenditure within budget provisions and through improved cost recovery measures.</p> <p>Priority allocation of resources to focus on core activities of government in infrastructure, health and education and increasing the proportion of capital expenditure in the budget.</p>	<p>Revenue to be not less than 27% of GDP in each year of the plan period.</p> <p>Annual investment increased to 25% of GDP with 15% private sector investment.</p> <p>Top corporate and income tax rates no more than 30%.</p> <p>Tax collected within 3 months of the due date to be not less than 95% of the tax due.</p> <p>Government deficit to be less than 2% of GDP</p> <p>Net expenditure to be limited to revenue plus the target level of deficit.</p> <p>Capital to operating expenditure mix of 25:75 by 2010.</p> <p>Maintenance expenditure to be not less than 7.5% of total expenditure.</p>

## **Chapter 6 Restructuring the Public Sector**

### **6.1 The Need for Restructuring**

The public sector in Fiji is large, using a high proportion of the nation's assets and skilled labour. The public sector has extended to undertake economic activities in which private sector management typically produces higher returns to resources. A rapid improvement in productivity and managerial effectiveness is critical to the effective implementation of this Plan and Government programmes and policies in general. In response to these concerns, Government has developed a three-pronged plan for reform. The three inter-related components of the reform are: (a) financial management reform - discussed above in 5.2; (b) civil service reform; and (c) public enterprise reform - these last two are discussed here.

#### **6.1.1 Civil Service**

The reform of the civil service aims at reducing costs – by down-sizing the service and increasing efficiency - and improving service delivery. This will reduce the burden on Government budget and allow more resources to be applied to providing the community with more and better public goods and services. This potentially supports all of the Strategic Priorities of this Plan by releasing Government resources for more productive uses.

Controls on the recruitment of new staff are not working properly and the size of the civil service has continued to increase. Since 2002, there has been a freeze on creation of new established posts but the size of the Civil Service has still grown as identified priority areas have been exempted from the freeze and have continued to expand, including education and health, which account for almost 60% of public service employment. Even modest downsizing of the Civil Service will require substantial reductions in non-priority areas under the present freeze. In August 2006, Government froze existing established posts which have been vacant for two years or more, but this is not likely to offset the continued growth in priority areas. The scope of civil service reform is also severely constrained by Government's "no redundancy" policy, in place since 1995.

Much stronger action is needed to improve productivity and efficiency, including a tightening of management systems and appropriate down-sizing. Government is undertaking a review, supported by AusAID, to survey public attitudes to the public service, analyse the existing machinery of government, and prepare a reform plan, timetable, and processing arrangements. This will provide a clear, sequenced road-map to:

- reduce the cost of running the government machinery from 11% to 9%;
- enhance the performance of the public service in terms of competency, ethics and accountability; and
- effectively coordinate public service reforms.

There are three on-going thrusts in the Civil Service reforms. A thorough review of government machinery is required to assess the resources needed for efficient operations of each agency in comparison to existing staffing levels. This will provide

essential inputs to planning of both Civil Service reforms and the Public Sector restructuring programme. Such reviews will provide a sound basis for development of policies to down size the service and increase efficiency.

Management procedures, processes, and control systems, including in human resource management, are often too cumbersome and time consuming. As the second reform thrust, Government introduced the Service Excellence Awards Framework to encourage improvements in productivity and quality in government organisations. Whilst the Awards themselves are to recognize exceptional achievement the Framework is a wider organizational improvement approach. The focus is on improving organisational systems, processes and practices with a strong emphasis on customer service. It is a holistic model to deliver integrated and cohesive results in terms of efficiency, effectiveness and productivity.

The third reform thrust is a Job Evaluation Exercise undertaken in 2003 and 2004 but only partially implemented. The Senior Executive Service was introduced, modelled on Australian lines, and has been implemented in the form of CEO performance contracts which, with the new performance budgeting system under the Government's Financial Management Reform Programme, are intended to assist public servants to become more productive.

The road map to be produced at the outset of the SDP 2007-2011 will be implemented over the period of the SDP. The road map will set out arrangements for better sequencing and coordination of reforms which are realistic within the resources and capacity of Government. Learning from past experience and emphasising the requirement that reforms be capable of practical implementation, a Partnership has been agreed with public service unions to address immediate issues and establish a long term framework for reform.

In April 2006, a three year agreement was reached with six public service unions to resolve outstanding disputes and establish a partnership to move forward with reforms. The Partnership Agreement seeks to: (i) review systems of annual pay review to identify one which is appropriate for Fiji; (ii) improve and promote higher productivity through appropriate training measures; (iii) improve standards and quality of services to the people to restore trust and confidence; (iv) eradicate corruption and uphold civil service values and code of conduct; (v) agree a simplified, relevant and objective performance based appraisal system; (vi) contribute to the reform programmes being undertaken by the Public Service; and (vii) develop long term cooperative arrangements.

As a forum for this process, including issues concerning a performance management system (PMS), a Joint Committee has been established composed of CEOs of appropriate ministries and representatives of the public service unions. A comprehensive study will be undertaken to agree a system of annual pay review for implementation from 1<sup>st</sup> January 2008.

### **6.1.2 Public Enterprises**

The government has capital equivalent to 30% of GDP tied up in largely unprofitable public enterprises. Few public enterprises are able to finance their investments from

internally generated funds and the modest target of a 10% return on assets is rarely achieved, overall returns are some 3% and well below the opportunity cost of capital.

The failure of entrepreneurship in public enterprises results in the diversion of scarce Government resources to support activities which should be commercially owned and managed by the private sector. By doing so, the public enterprises deny communities access to the public goods and services which only Government can supply and for which they pay their taxes.

Restructuring of such enterprises onto a financially viable commercial basis, ultimately with entrepreneurial ownership and management, will save scarce Government resources and allow increased funding of genuinely public goods and services. The greater impact, however, is that the assets transferred will secure higher returns through entrepreneurial management and, thus, create increased growth and employment in the national economy.

## **6.2 Restructuring Principles**

Government has endorsed a three-step reform process: (i) introduce measures to reorganize, commercialize and corporatize public enterprises; (ii) enhance competition in the markets in which particular public enterprises operate; and (iii) privatize the restructured public enterprises. The Government has made significant progress in reorganizing, restructuring and commercializing some of the commercial operations. Less progress has been made in corporatisation, constrained by the “no redundancy” policy and almost no significant privatizations have been made recently, which is especially unfortunate because even partial privatization can add significant value to an enterprise.

Government is dissatisfied with this rate of progress and, in August 2006, adopted a programme of accelerated restructuring so that substantial progress is made in the first two years of this Plan period and effective consolidation of the gains is achieved before 2011.

The public sector has encroached on activities which are best undertaken by the private sector and, by doing so, has both blurred the boundaries of responsibility and reduced economic performance. Restructuring will adopt clearer definitions of individual public and private sector responsibilities as well as establishing a sound basis for mutually beneficial public private partnerships (PPP).

The fundamental economic distinction is between public and private goods. A public good or service is one in which the consumption by one person in no way limits the ability of other people to benefit - a nature which makes it difficult to create a market which yields revenue. Private goods are those for which the consumption by one person excludes consumption by another person - a nature which makes the goods highly suitable to rationing by price in a competitive market.

National security, law and justice, environmental protection and the like are public goods which cannot be directly priced and marketed but which bring benefits to the entire country. They are clearly the responsibility of Government to be financed from general taxation. Electricity, drinking water, a hospital bed, or a telephone call consumed by one person excludes consumption by another. They are clearly subject

to pricing in competitive markets and are potentially the responsibility of the private sector, financed on a user pay basis.

Reality is not so simple. Price alone would exclude the poor and disadvantaged groups from consumption of essential private goods, such as basic drinking water and electricity supplies. At present, such “private goods” are supplied by the public sector inefficiently and at high cost which entails Government subsidy of rich and poor alike, as well as the inefficient public sector supply providers. Studies are in hand to identify the most cost effective means by which such non-commercial obligations can be met whilst maintaining the drive to efficient resource allocation and use.

### **6.3 Public Sector Structures**

Few entities can move directly from public sector to private sector without substantial changes. Government has established a series of transitional stages between fully public and fully private ownership. It is also recognized that many entities will best remain part way between full public and full private ownership in PPP structure.

#### **6.3.1 Reorganisation**

Reorganisation under the 1996 Public Enterprise Act is a structural reform process for nominated Government entities that allows changes in the conditions and structure under which the entities operate so that, as far as practical, they operate on a commercial basis in a competitive environment. The entities remain under public ownership and the State, as owner, provides strategic direction in setting financial and non-financial performance targets and in meeting non-commercial obligations.

The purpose of these re-organisations is to create organisations which are: (i) more efficient and productive; (ii) more accountable; and (iii) better organised. Government companies, statutory authorities, ministries and departments may all be nominated for the re-organisation process. This will bring greater efficiency to reduce the demands on the Government budget and/or increase their contribution to Government revenues.

In the context of restructuring, the increased efficiency will add value to the marketability of the assets. Whether privatised as a going concern or contributed to a PPP as Government equity it will increase the value realised by Government and contribute to a reduction in Government debt and/or capital expenditure programmes. Re-organised entities are likely to move on into other ownership arrangements

#### **6.3.2 Public Private Partnerships**

In the Public Private Partnerships Act 2006 the Government establishes a range of legal options for ownership and operation of entities which fall between full public or private ownership. PPPs are arrangements which, irrespective of the corporate or legal form, bring together state assets or expertise and private sector assets or expertise to provide infrastructure or services.

These forms are aimed primarily at supplying public goods, including both infrastructure and services. The forms are varied and have different impacts on Government finances. Some forms are simply an alternative form of debt financing in which the cost to Government is deferred and contingent liabilities are increased rather than public debt. These simple “debt substitutes” are likely to be least attractive to Government.

Outsourcing and management contracts will introduce private sector management to the provision of Government services, increasing efficiency and providing cost savings for Government without present or deferred investment costs. These can be applied to existing services or maintenance of existing infrastructure as well as to design-build and turnkey contracts.

Concession contracts are used to provide new, rehabilitated or upgraded infrastructure which is designed, financed, constructed, operated and maintained by the private sector for an agreed period of time. Within this time the user charges reimburse the costs of the concessionaire, including financing costs and a fair return on the investment. Such long term arrangements with Government clearly require confidence in Government and in the legal and judicial system to uphold agreed contracts.

These forms of PPP and the variations on them will provide an effective means of establishing PPPs which will increase the overall efficiency of public infrastructure and service provision whilst reducing demands on Government which allow it to concentrate public funds on provision of those goods and services which cannot generate adequate financial returns but do create the social and economic outcomes which Government seeks.

### **6.3.3 Privatisation**

There is a clear distinction between a PPP under which the private sector partner supplies public infrastructure and services on behalf of the State and a privatisation in which assets are sold to the private, market sector and are no longer owned or controlled by Government.

Goods and services which are clearly marketable private goods and services should have no claim on scarce public funds and the tax revenues which provide those funds. In these cases the reorganised entities should be moved from reorganisation to privatisation. Reorganisation will ensure that Government receives a fair market price for the entity by increasing efficiency and returns so that the private sector is willing to pay for the business on a going concern basis.

It is possible that some entities cannot be made a going concern. In these cases the consumer of the private goods is unwilling to pay a full cost recovery price for even the most efficient enterprise. Market forces then require that the entity be closed and its assets sold at asset value so that Government may recover some value from the investment and the assets be more productively used elsewhere in the economy.

In the privatisation process the Fiji Investment Corporation Limited (FICL) may facilitate the transfer to full private ownership. The Government owned FICL provides a means by which entities can move beyond corporatisation within the public sector and become fully privatised and commercial in structure and management. In such cases Government would act in partnership with the private sector on the private sector terms of shared equity and liability. This could be a long term investment by FICL or used to establish a sound commercial track record which allows Government to ultimately divest at a higher price.

In cases of privatisation, any residual regulatory functions of the entity must be removed and vested in the Commerce Commission, the Government's purely

regulatory entity. In practice, Government policy is to separate commercial and regulatory functions on principle, including in wholly Government owned entities.

#### **6.3.4 Public Sector Investment Programme**

Government must identify a pipeline of projects suitable for PPP and private sector financing models. This will require evaluation of financial viability so that those projects which have a financial internal rate of return in excess of the weighted average cost of capital can become candidates for PPP or privatisation. If the goods and services are of a public goods nature then the investments will be directed towards the PPP pipeline and if of a private goods nature towards private sector finance.

In neither case would they be approved for funding solely under the PSIP. PPP proposals which had been agreed as financially viable and for which a financing plan had been agreed would be eligible for PSIP financing of the agreed Government portion if required. Such screening will allow public funds allocated under the PSIP to be concentrated on raising the level of investment in development projects and programmes producing the public goods and services which Government is uniquely able to supply.

#### **6.4 Accelerated Restructuring Programme**

In August 2006, Government agreed to accelerate the pace of restructuring. Slow progress in the past was considered to have been due to a natural wariness of such large changes and to a predominance of information focusing on the negative aspects of restructuring, such as redundancy. Importance is attached to increased awareness of the positive aspects of restructuring: a lower tax burden; improved public services, including social services; increased investment in construction and maintenance of infrastructure; increased economic growth and employment through more efficient management of assets.

A further impediment to progress was seen as a fragmentation of Government in which some Ministries and Departments acted almost autonomously and pursued their own agenda. Such agencies tend to behave territorially, defending their own patch with inadequate regard for whole of Government policy and the national interest. Government, therefore, has made a clear and firm commitment to the framework and sequencing of restructuring under clear, coordinated political and administrative leadership. The time line for accelerated implementation is:

- by mid-2008: review the legislative framework; accelerate reorganisation, corporatisation and divestment giving priority to the most difficult areas; develop public awareness of the benefits of restructuring;
- between mid-2008 and the end of 2009: review the measures taken and concentrate new efforts on perfecting the reforms and promoting their benefits; and
- by 2011: consolidate the reforms and continue to promote achievement of the benefits.

A set of priorities have been established for the accelerated programme with an indicative work plan up to mid-2008 which includes:

- re-organisation of: (i) Department of Immigration; (ii) Department of Quarantine; (iii) Ministry of Agriculture; (iv) Fiji Islands Maritime Safety Authority; (v) Management of Government Quarters; (vi) Fiji Film and TV Unit; (vii) Coconut Industry Development Authority;
- corporatisation of: (i) Department of Water and Sewerage; (ii) Mechanical engineering and electrical sections of the Public Works Department; (iii) Department of Government Supplies; (iv) Department of National Roads; (v) Trade and Manufacturing Accounts (TMA); and
- divestment/privatisation of: (i) Fiji Broadcasting Corporation Ltd; (ii) Food Processors Ltd; (iii) Fiji Tannery; (iv) Ports Terminal Ltd; (v) Fiji Hardwoods Corporation Ltd; (vi) Yaqara Pastoral Company and Batiri; (vii) Airports Fiji Ltd; (viii) Fiji Ships and Heavy Industries Ltd; (ix) Rewa Rice Ltd; (x) Government Printing.

This can be considered an ambitious, stretch target which recognises the scale of the challenge. But it is achievable. And the greater the extent to which it is achieved the greater the benefits which will be gained for Government and for national economic development.

## **6.5 Public Sector Restructuring Plan**

### **Goal**

To promote macroeconomic stability through a stronger fiscal position and increased economic growth through transfer of the ownership and management of assets to more productive uses.

### **Links to Strategic Priorities**

Restructuring the Public Sector is essential to achievement of macroeconomic stability and economic growth. Proposals also directly address the Strategic Priorities of: (i) reforming the public sector to reduce the cost of doing business; (ii) structural reforms to promote competition and efficiency; (iii) strengthening good governance; and (iv) promoting public private sector participation (PPP). Achievement of this priorities will also contribute substantially to Government's ability achieve others.

### **Development Rationale**

Continuance of the present large public sector is neither appropriate nor affordable. Scarce Government revenues must be better focused on providing the wider community with the public goods and services which they need. The large share of both human and physical resources in the public sector can be more productively employed in the private sector to create the economic growth which is essential for poverty alleviation and national development.

The boundary between public and private sectors will be moved so that each undertakes those tasks which it is best able to do. Private goods and services and the assets to produce them will be transferred from inefficient public sector management to gain productivity from the entrepreneurial skills which are unique to the private sector. A downsized public sector will focus on more efficient provision of higher quality public goods and services which the private sector is unable to provide.

## Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>People are better served by increased civil service efficiency, productivity, and quality.</p>	<ul style="list-style-type: none"> <li>• Reducing the size of the civil service appropriate to the needs of efficient provision of public goods and services.</li> <li>• Provide an institutional, operational and legislative framework for more accountability and transparency in policy making and management of public resources.</li> <li>• Enforce the principles of good governance, including transparency in decision-making and accountability in public services, including a Code of Conduct for Leaders.</li> <li>• To ensure full consultation with all stakeholders in all relevant matters pertaining to reforms and promote general public awareness of reform strategies.</li> <li>• Improve access to public services and improve quality and efficiency of service delivery through the Service Excellence Awards Framework</li> </ul>	<ul style="list-style-type: none"> <li>• The number of civil servants reduced from 25,000 to 20,000 by 2011</li> <li>• Civil service employment costs reduced from 36% to 28% of annual Government expenditure.</li> <li>• Cost of running Government machinery reduced from 11% to 9% of GDP</li> </ul>
<p>The country achieves greater productivity in the use of assets currently owned and/or managed by public sector entities.</p>	<ul style="list-style-type: none"> <li>• Accelerate the designation of departments as re-organisation enterprises to increase efficiency through improved operational systems, contracting out and privatization.</li> <li>• Transfer low return assets, including shares, properties and enterprises, to private sector ownership and management.</li> <li>• Intensify and update micro-economic and management policy instruments for promoting efficiency and provide consistent guidelines for the application of these across the Whole of Government.</li> <li>• To implement a comprehensive cost of protection analysis in order to assess the essential viability of the enterprises and develop a corresponding policy liberalisation strategy to provide the enabling economic policy environment.</li> <li>• Introduce a strategic procurement policy for all government departments and public enterprises.</li> <li>• To review the constraints on public enterprises ability to achieve the target 10% return on shareholder funds and identify means to improve their returns.</li> </ul>	<ul style="list-style-type: none"> <li>• Aggregate rates of return in public enterprises increased from 3% to 10%.</li> <li>• Government's contingent liabilities incurred on behalf of public enterprises, excluding FNPF, not more than 10% of GDP by 2011.</li> <li>• Not less than 10 public entities sold totally into private ownership.</li> </ul>

## Chapter 7 Social Development

### 7.1 Poverty Alleviation

#### Goal

To enable people to meet their basic needs and promote the eradication of extreme poverty.

#### Links to Strategic Priorities

Poverty alleviation is itself a Strategic Priority supporting the maintenance of stability. In addition, poverty alleviation measures support the Strategic Priorities of promoting peace and harmony, implementing affirmative action, and rural and outer island development.

#### Link to UN Millennium Development Goals (MDGs)

Fiji is party to international conventions on poverty alleviations, including the Monterrey Consensus and World Summit on Sustainable Development (WSSD). The poverty alleviation activities will directly address the eradication of extreme poverty and hunger, defined by the UN as less than US\$1 per day (MDG 1), and contribute to promotion of gender equality (MDG 2)

#### Development Rationale

The underlying objective for poverty alleviation is ensuring that all categories of the poor are able to affordably meet their basic needs. Promoting consensus on the definition of the poor and their needs would set the record for poverty eradication. It will sharpen and focused government's assistance to the poor. The creation of income-earning opportunities for the poor, review of housing and poverty related policies and the partnership arrangement with Government and civil society organization would promote the eradication of poverty.

Fiji is working to create its own national poverty eradication strategies based on local needs and priorities. The strategies in the plan advocates for nationally-owned solutions and helps to make them effective through ensuring a greater voice for poor people, expanding access to productive assets and economic opportunities, and linking poverty programmes with economic, social and financial policies. Further, the plan looks at innovative projects and brings governments, civil society and donors together to coordinate their efforts.

#### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
All categories of the poor are able to meet their basic needs.	<ul style="list-style-type: none"> <li>• Promoting consensus on the definition of the poor and their needs and ensure the compilation and timely analysis of statistics on poverty, including Household Income and Expenditure Survey</li> <li>• Review and develop poverty targeted policies and implement appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• Proportion of population below the basic needs poverty line reduced from 34.4% to 29.4% (MDG)</li> <li>• Poverty gap ratio reduced from \$2,600 to</li> </ul>

Policy Objectives	Strategies	Key Performance Indicators
	<p>programmes in housing, national insurance and social security and National Integrated Poverty Eradication Framework.</p> <ul style="list-style-type: none"> <li>• Create income-earning opportunities for the poor in formal and informal sectors, including SME development and support structures and institutions, and develop their relevant skills, including, training attachments of unemployed</li> <li>• Formalize and strengthen Government and civil society partnership in alleviating poverty, including traditional support mechanisms for the disadvantaged and support to the elderly through CSO.</li> </ul>	<p>\$2,000 (MDG)</p> <ul style="list-style-type: none"> <li>• Percentage share of income or consumption held by poorest 20% increased from 7% to 10% (MDG)</li> <li>• Number of recipients of family assistance reduced from 25,629 to not more than 24,300.</li> <li>• Reduction in number of elderly in State care from 98 to 75</li> </ul>

## 7.2 Social Justice and Affirmative Action

### Goal

Equitable Participation of All in Socio-Economic Development

### Links to Strategic Priorities

Social Justice and Affirmative Action has a direct bearing to the Strategic Priorities of implementing affirmative action, promoting peace and harmony, enhancing security and law and order, and alleviating poverty. These stability priorities are pre-conditions for a peaceful and prosperous Fiji.

Activities which form part of Social Justice and Affirmative Action initiatives are also included in sections 7.1, 7.11, and 7.12. which address social justice issues specifically related to poverty alleviation, women in development and protection of children and youths.

### Link to UN Millennium Development Goals (MDGs)

The affirmative action programmes will address the needs of various disadvantaged groups and promote achievement of the first three MDGs: eradication of extreme poverty and hunger (MDG 1), universal primary education (MDG 2), and gender equality and empowerment of women (MDG 3).

### Development Rationale

The Plan recognises the need for balanced development and equality of access to economic and social development issues. Improving access and participation of indigenous Fijians and Rotumans, minority groups, women, youths, children and the disabled to education and training, commerce and business is critical. The Plan emphasises the provision of a social safety-net through the family assistance scheme to those in severe state of deprivation. A comprehensive review of the Social Justice

Act and the 29 affirmative action programmes is essential for transparency and accountability.

The programmes range from small business equity scheme, improving educational infrastructures, technical and vocational training, special education, squatter settlements upgrading, education scholarships, rental subsidies, poverty alleviation projects and family assistance scheme. Measurable outcome oriented KPI's have been set which will allow monitoring of the success in achieving the Strategic Priorities.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>Indigenous Fijians and Rotumans enjoy an improved quality of life and standard of living.</p>	<ul style="list-style-type: none"> <li>• Increase participation of Indigenous Fijian and Rotuman in commerce and business</li> <li>• Improve indigenous Fijian and Rotuman education and training</li> <li>• Mid-term review to improve the effectiveness of the Social Justice and Affirmative Action programme</li> <li>• Proportion of Government rent on Tikina and Provincial Council owned buildings increased from 51% to 90%</li> <li>• Increased ownership of the corporate market by indigenous Fijians and Rotumans through Fijian Holdings increased from 50% to 80%</li> </ul>	<ul style="list-style-type: none"> <li>• Increased shares of licenses and permits held by indigenous Fijians from 15% to 30%</li> <li>• Pass rates in FSLC improved from 57% to 80% and in FSFE from 68% to 85%</li> <li>• Proportion of students scoring at least 250 marks in FSCL and FSFE increased from 30% to 50%</li> <li>• Recovery in student loan scheme increased from 1.5% to 50%</li> </ul>
<p>People with disabilities enjoy greater access to an inclusive, barrier free and rights based society</p>	<ul style="list-style-type: none"> <li>• Improve the provision of and policies for education and vocational training services which meet the needs of people with disabilities</li> <li>• A policy for persons with disabilities developed and implemented including appropriate access to all public buildings and places required in relevant regulations</li> <li>• Implement the Employment Relations Bill provision for minimum levels of employment for people with disabilities</li> <li>• Integrate disability planning into Government programmes, projects and service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Enrolment in special schools increased from 1,068 in 2004 to 1,500 in 2011</li> <li>• Trained special education teachers with diploma increased from 9 to 20</li> <li>• Increased number of persons with disabilities in paid employment from 50 to 100</li> <li>• Proportion of Public Buildings accessible to people with disabilities in the two major cities increased to at least 15%</li> </ul>

## 7.3 Rural and Outer Island Development

### Goal

Equal opportunities for all for access to services, livelihoods and markets.

### Links to Strategic Priorities

Rural and outer islands development is itself a Strategic Priority but the development also strongly supports the Strategic Objectives of poverty alleviation, affirmative action and peace and harmony priorities.

### Link to UN Millennium Development Goals (MDGs)

The population of the rural and outer island areas tend to be poor and disadvantaged so the activities will support the alleviation of poverty (MDG 1) as well as supporting increased access to education (MDG 2) and access to health (MDG 4, 5 and 6)

### Development Rationale

Rural and outer island areas are unable to effectively participate in and derive benefits from national economic and social development due to the high costs of transport and communications in terms of both money and time. By improving access from and to the remoter areas the development may also contribute to increasing the opportunities for investment, including in tourism, and making increased exports of rural and island outputs, such as coconut products, honey, and timber.

Devolution of planning and administrative authority to provincial and local government levels is expected to better identify and respond to priority needs of the communities whilst improved transport, including inter-island shipping services, will reduce the costs of meeting those needs.

Improved infrastructure will allow development to proceed beyond meeting basic needs to providing opportunities to the remote communities to improve the livelihoods of themselves and their children through better access to services and markets. Improved education and skills training, including in entrepreneurship, SME development and tourism will enable the people to exploit those opportunities.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Rural and outer island communities can satisfy their basic needs.	<ul style="list-style-type: none"><li>• Effective service provision to rural and outer island areas by strengthening the coordination role between relevant key government agencies.</li><li>• Strengthened capacity at Provincial Offices, Infrastructure Ministry and other relevant agencies to support implementation of initiatives.</li></ul>	<ul style="list-style-type: none"><li>• Rural population with water-seal toilets or other sanitary waste disposal increased from 45% to 80%</li><li>• Telecommunications access to at least 100 more unconnected rural communities by 2011</li><li>• Improve proportion of rural students passing FSLC and FSFE from 55% to 70% and</li></ul>

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> <li>• Government intervention role to assist the rural and outer island areas reviewed</li> <li>• Implementation of the study on water and sanitation assessment needs recommendations.</li> <li>• Awareness programmes to educate rural population on Government assistance</li> </ul>	<ul style="list-style-type: none"> <li>from 60 to 75% by 2010</li> <li>• Increase in rural dwellers trained under the TVET and 'Matua' programmes from 2,000 to 3,000 per year</li> </ul>
<p>Rural and outer island dwellers enjoy increased access to markets and government services to ensure income and food security.</p>	<ul style="list-style-type: none"> <li>• Community capacity building programmes at grassroots levels developed</li> <li>• Volunteer Schemes to use experiences of retired personnel</li> <li>• Implement the infrastructure development activities of the Rural and Outer Islands Project and the proposed development of commercial agriculture, tourism, SMME enterprises and market networks linking producers, processors and end product markets.</li> <li>• Inter island shipping routes reviewed</li> <li>• Encourage quality agricultural produce, shows and cooperative farming in rural areas for consumption both domestic and international</li> <li>• Increased access to finance.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in average weeks paid employment per working age population increased from 10 weeks per year to 15 weeks.</li> <li>• Average cash incomes per working age household member increased from F\$550/yr to F\$1,000/yr.</li> <li>• Average weeks paid self-employment for working age household members increased from 4 to 7.</li> <li>• Average journey time to nearest town/market reduced from 2hrs to 1hr.</li> <li>• Agricultural sales to local and national private traders increased from 40% to 60%.</li> </ul>

## 7.4 Security

### Goal

Maintaining security and upholding the rule of law effectively and efficiently.

### Links to Strategic Priorities

Security contributes directly to the Strategic Priorities of promoting peace and harmony, enhancing security and law and order. They also contribute to the secure environment needed to promote increased investment.

### Development Rationale

The Plan recognises the need for security agencies to secure and protect the nation's sovereignty and borders with appropriate capacity for identified defence and security requirements. Whilst security is primarily concerned with external terrorist, criminal and economic threats, vigilance is also required to support maintenance of internal security and to safeguard against civil unrest. It is also recognized in the strategies

that effective cooperation and partnership between agencies and between them and the community are essential to the effective achievement of then outcomes intended by Government.

Measurable outcome oriented KPI's have been set which will allow monitoring of the success in achieving the Strategic Priorities

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key performance Indicators
Fiji is protected form terrorist, criminal and economic threats, and its sovereignty and territorial integrity secure.	<ul style="list-style-type: none"> <li>• Continue implementation of Security and Defence review recommendations to develop military capacity consistent with defence and security needs.</li> <li>• Strengthened security and management services with establishment of Counter Terrorism Official Group, improved border management system and the national emergency capability</li> <li>• Strengthening of networking between border and security agencies.</li> <li>• Implementation and strengthening of Anti-Money Laundering Legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Terrorist activities on Fiji's territory prevented</li> <li>• Reduce the number of cases of people trafficking by 50% by December 2008</li> </ul>

## 7.5 Law and Justice

### Goal

Maintaining law and justice and upholding the rule of law effectively and efficiently.

### Links to Strategic Priorities

Law and justice contribute directly to the Strategic Priorities of promoting peace and harmony, enhancing security and law and order and strengthening good governance. They will also support the establishment of a business environment conducive to achievement of the Strategic Priorities of restructuring to promote competition and efficiency and top raise investment levels for jobs and growth.

### Development Rationale

The Plan recognises the need for strong institutions for policing, administration of justice, containment and rehabilitation of law breakers. Independence of institutions is recognized in the different policy objectives and strategies for each aspect of law and justice. Further, it is also recognized in the strategies that effective cooperation and partnership between agencies and between them and the community are essential to the effective achievement of then outcomes intended by Government.

Measurable outcome oriented KPI's have been set which will allow monitoring of the success in achieving the Strategic Priorities.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
To enhance community safety and respect for the law.	<ul style="list-style-type: none"> <li>• Improved integration of law and justice sector agencies, with a focus on crime prevention, through partnerships between government agencies and the community including with youth and through Fijian traditional structures.</li> <li>• Improved public access to information about prosecutions</li> <li>• Sharing of information and establishment of a law and order sectoral database</li> <li>• Develop evidence based approach to investigations through the use of scientific analysis systems</li> <li>• Strengthening human rights compliance during investigations and interrogations</li> <li>• Enhancing traffic law, enforcement, and awareness programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in crime and youth offender rates by at least 20% from 19,050 to 15,240</li> <li>• Maintain the crime detection rate over 50 %</li> <li>• Reduction in complaints against police officers particularly in relation to violation of human rights by 80% from 558 to 111</li> <li>• Decrease in the number of motor vehicle accident fatality by 30% from 76 to 58</li> </ul>
People are served by an independent and accountable judiciary service, capable of discharging their responsibilities	<ul style="list-style-type: none"> <li>• Increased opportunities for justice and accessible processes that are responsive to the diverse needs</li> <li>• Reinforcing the institutional independence and accountability of the Judiciary.</li> <li>• Reduce adjournments and enhance the speedy delivery of judgements.</li> <li>• Introduce audio recording and electronic case management systems.</li> <li>• Development of alternatives to custodial sentence by the courts</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced number of cases adjourned or withdrawn from 62.5% to 45%</li> <li>• 90% of judgements to be handed down within three months of completion of hearings.</li> <li>• Reduction in the average time for disposing of cases from 18 months to 9 months after mediation.</li> </ul>
People are served by a justice system and associated legal services capable of discharging their responsibilities	<ul style="list-style-type: none"> <li>• Institutional strengthening of the Legal Aid Commission and laws affordable and accessible to all citizens of Fiji</li> <li>• Consolidation and revision of laws</li> <li>• Review laws towards their reform and development</li> <li>• Enhanced prosecution services.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase access to legal aid from 1,000 clients to 1,500 yearly</li> </ul>

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
	<ul style="list-style-type: none"> <li>• Laws reformed, consistent with international obligations and human rights standards.</li> </ul>	
The community is served by efficient, effective and innovative programmes of offender management and rehabilitation services	<ul style="list-style-type: none"> <li>• Provision of programmes for offenders</li> <li>• Commence work towards an integrated law and justice information system</li> <li>• Improved prison infrastructure methods for prisoner case management</li> <li>• Increased use of non-custodial sentences by the courts</li> <li>• Enhanced community-based capacity for supervising offenders placed on probation, community work and parole</li> <li>• Establishment of a Young Persons &amp; Juvenile Correctional Centre</li> </ul>	<ul style="list-style-type: none"> <li>• Continued reduction in escapees annually from 33 to not more than 13 in 2011</li> <li>• Ex-offenders who successfully complete rehabilitation programmes increased from 10 to 50 by 2011</li> <li>• Re-offending rates reduced by 5% per annum from 150 to 130 or less in 2011</li> <li>• Increase in numbers of Community Correction orders from 30 to 400</li> </ul>

## **7.6 Environmental Sustainability**

### **Goal**

The sustainable use of all natural resources

### **Links to Strategic Priorities**

Environmental Sustainability is one of the three pillars of sustainable development. so contributes to the Strategic Priorities of sustaining growth, including rural and outer island development, raising export earnings from production in a quality environment and contributing to restructuring to promote competition and efficiency, including in the sustainable use of natural resources.

### **Link to UN Millennium Development Goals (MDGs)**

Environmental sustainability is an MDG (MDG 7) but many indicators are not yet available, including forest cover, biodiversity protection, and carbon dioxide emissions.

### **Development Rationale**

The Plan recognizes that there is an environmental bottom line or threshold that development should not cross. The protection of national biological resources through the reduction and elimination of pollution and proper management of waste is critical to environmental sustainability. Enforcing the Environment Management Act will be the thrust of the Ministry's operation.

It is cross-cutting to the stability and sustained growth strategies. The strategies to address sustainable development issues across the various sectors include Environmental Management Act, National Biodiversity Strategy and Action Plan, and Solid Waste Management Strategy.

## Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Fiji's environment is protected from degradation and provides the people with a healthy and clean environment	<ul style="list-style-type: none"> <li>Promote awareness of environmental management at all levels and mobilize communities to manage their own environment as a priority over outside intervention by state and non-state actors.</li> <li>Review and strengthen legislation which includes environmental management provisions (e.g. Forest Act, Public Health Act, and Litter Decree) and coordinate implementation in the framework of the Environmental Management Act</li> <li>Enforce sound waste management practices, including use of PPP when appropriate, and develop waste management to address disposal of wastes in non-urban areas, including traditional villages.</li> </ul>	<ul style="list-style-type: none"> <li>Population of inventoried species to be stable or increasing.</li> <li>Waste disposal at landfill increased from 60,000 to 80,000 tonnes per year by 2011</li> <li>100% of facilities comply with EMA requirements by 2011</li> <li>All new developments conduct EIA and have Environment Management Plans</li> <li>Total cessation of non-quarantine pre-shipment application and CFCs by 2010.</li> <li>All companies complying with the ODS Act</li> <li>At least 2 new marine parks established by 2011</li> </ul>

### 7.7 Housing

#### Goal

Quality and affordable accommodation for all

#### Links to Strategic Priorities

Affordable housing and a reduction in the numbers of homeless or in poor quality housing will support the Strategic Priorities of alleviating poverty and promoting peace and harmony as well as contributing to rural and outer island development. The obligation to provide housing is a requirement of the constitution.

#### Link to UN Millennium Development Goals (MDGs)

Provision of affordable shelter will contribute to the eradication of extreme poverty and hunger (MDG 1) and by reducing poorly planned and serviced informal housing, including in squatter settlements, it will contribute to environmental sustainability (MDG 7).

#### Development Rationale

The plan recognizes the need for quality and reasonable housing at affordable prices for all. Squatter Resettlement Unit (SRU) is established to carry out development in all aspects like topographical survey, scheme plan engineering, drawings and physical

development. As discussed in the policy objectives and strategies, the overall aim is to provide decent housing and to reduce the squatter settlements. While access to better housing is a basic need, it is also prerequisite to social and community development. Government continues to inject resources to upgrade squatter settlements and provide affordable accommodation to the needy.

### Policy Objectives and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Citizens, including those on low incomes, have access to decent affordable housing as required in the constitution.	<ul style="list-style-type: none"> <li>• To significantly upgrade squatter settlements by redevelopment of squatter areas, and provision of basic amenities in current squatter settlements</li> <li>• To strengthen partnership between Government, NGO (including but not limited to HART and Habitat for Humanity), statutory bodies and private sector in provision of housing and land for poor.</li> <li>• Housing Authority subsidy threshold increased from \$6,500 to \$7,500</li> <li>• Grants and subsidies given to NGOs and statutory bodies reviewed annually.</li> </ul>	<ul style="list-style-type: none"> <li>• Collection of rental income from PRB clients increased from 90% to 100%</li> <li>• At least 350 additional families each year benefit from new or improved housing under government and non-government poverty-oriented housing programmes.</li> <li>• Upgrading of major squatter settlements in the Central and Eastern Divisions increased from 2 to 5.</li> </ul>

## 7.8 Urban Development

### Goal

Sustainable development of urban centres and regions through good governance and genuine partnerships

### Links to Strategic Priorities

Urban development activities will contribute to enhancing security, law and order and to strengthening of good governance.

### Development Rationale

Fiji is an increasingly urbanised society with most population living in cities, towns and peri-urban areas. The plan recognises the need for sustainable development for urban centres. Urban Policy Action Plan, Local Government Act will be considered a crucial part of the national economic development process. As discussed in the policy objectives and strategies, the overall aim is to reduce urban sprawl.

## Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key performance indicators
Urban communities enjoy improved infrastructure and public services	<ul style="list-style-type: none"> <li>• Implementation of Urban Policy Action Plan (UPAP)</li> <li>• Responsive institutional, regulatory and policy frameworks for management of urban development, including review of Town Planning Act and Subdivision of Land Act to support sustainable development.</li> <li>• Devolution and institutional realignment</li> <li>• Expanded capacity of local and central government</li> <li>• Local authority accounts on accruals basis and in line with Fiji accounting standards.</li> <li>• Implementation of the amended Local Government Act through the enforcement of relevant regulations.</li> <li>• Capacity building programmes and initiatives to improve skills and knowledge at local government level</li> </ul>	<ul style="list-style-type: none"> <li>• All local government units produce audited accounts as required by law.</li> <li>• Establishment of and year by year increase in an urban governance index.</li> <li>• 10 innovative partnerships and packaging of land development projects established</li> <li>• Existence of joint venture projects as allowed under the amended Act.</li> </ul>

### 7.9 Health

#### Goal

Quality, affordable and efficient health services for all

#### Links to Strategic Priorities

Health activities will support achievement of the Strategic Priorities for peace and harmony, strengthening good governance and restructuring to promote competition and efficiency.

#### Link to UN Millennium Development Goals (MDGs)

The Integrated Management of Childhood Illnesses strategy implementation and extended immunization program is anticipated to address child mortality thus satisfying MDG 4. Implementation of Clinical Services Plan, Health Information System and identifying alternative sources for funding will improve maternal health for mothers (MDG 5); helps combat HIV/AIDS through greater awareness and improved resource (MDG 6); and access to affordable essential drugs on a sustainable basis (MDG 8).

#### Development Rationale

Health continues to be a growing and increasingly complex field of competing priorities from all perspectives – from the individuals to governments, businesses, health professionals and the health services system. A healthy and productive population is a key for sustainable economic development.

The plan recognises the need for adequate access to primary and preventative health care services for all. Comprehensive health care programs in the strategies will generally contribute to overall well being of the society. As indicated in the policy objective and strategies the overall aim is to increase average life expectancy and reduce life lived with disability.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>Communities are served by adequate primary and preventive health services, thereby protecting, promoting and supporting their well being.</p>	<ul style="list-style-type: none"> <li>• National roll-out of the Integrated Management of Childhood Illnesses (IMCI) strategy implementation.</li> <li>• Implement and strengthen the Extended Programme on Immunization (EPI)</li> <li>• Implement the STI/HIV/AIDS Strategic Plan 2007-2011</li> <li>• Implement and strengthen the Family Planning Programme</li> <li>• Implement the TB control programme</li> <li>• Implement and review NCD Strategic Plan 2005-2008</li> <li>• Appropriate levels of health care professionals maintained through increased intakes and review of measures to restructure clinical workforce.</li> </ul>	<ul style="list-style-type: none"> <li>• Infant mortality rate reduced from 23 to 17/1000 live births (MDG)</li> <li>• HIV/AIDS prevalence among 15-24 year-old pregnant women reduced from 0.04 to 0.03 (MDG)</li> <li>• Prevalence of diabetes reduced from 16% to 12%.</li> <li>• Contraceptive prevalence rate amongst population of child bearing age increased from 46% to 56% (MDG)</li> <li>• Reduction in teenage pregnancy rates from 16% to 8%.</li> <li>• Reduction in STI rates amongst 15 to 24 year olds reduced from 15% to 10%.</li> <li>• Prevalence rate of tuberculosis reduced from 10% to 5% (MDG)</li> <li>• Reduce amputation rates for diabetic sepsis from 13% to 9%</li> </ul>
<p>Communities have access to effective, efficient and quality clinical health care and rehabilitation services</p>	<ul style="list-style-type: none"> <li>• Balanced mix of public and private financing for priority health programs</li> <li>• Improved level of equity, efficiency and effectiveness of health services</li> <li>• Financial resources shifted towards cost-effective health programmes</li> <li>• Increased budget spending for health by 1% of GDP in 2009 and 2% by 2011 from current levels</li> </ul>	<ul style="list-style-type: none"> <li>• Participation of private and health care providers increased from 2 to 10</li> <li>• Doctors per 100,000 population increased from 36 to 42</li> <li>• Elimination of stock outs of drugs from present 100 items per month.</li> <li>• Bed occupancy reduced from 80% to 60%.</li> </ul>

## 7.10 Education and Training

### Goal

Educating the nation for peace and prosperity

### Links to Strategic Priorities

Education and training are essential to raise the quality and skills of all levels of employees to support achievement of the Strategic Priorities for economic development by restructuring to promote competition and efficiency, raising export earnings, and raising investment levels for jobs and growth. Education and training will also develop the capacity of individual to lead more rewarding lives through Strategic Priorities of alleviating poverty, implementing affirmative action, and promoting peace and harmony.

### Link to UN Millennium Development Goals (MDGs)

Education and training activities address the goals of universal primary education (MDG 2) and promotion of gender equality and empowerment of women (MDG 3).

### Development Rationale

A literate nation is a productive nation. While access to education is considered as a basic human right, it is also a pre-requisite to social and economic development. Productivity gains are considered to be much higher with higher education levels.

Fiji is on target to achieving MDG goals with a Net Enrolment Rate of over 90%. Gender parity is almost achieved and is on track to achieving the Education for All goal of eliminating gender disparity in primary and secondary education. Class 5 survival rate is 95.2%, which indicates that drop-out rates need to be further addressed to ensure that all students enrolled in Class 1 reach at least Class 5.

The plan recognises the need for access to quality education which will enhance social and physical development. Quality of teacher and time spent per student are most important factors influencing the quality of student learning outcomes. Further, it is also recognized in the strategies that effective cooperation and partnership between schools, parents and communities are essential to the effective achievement of the outcomes intended by Government.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
To ensure access to quality academic and vocational education by all communities in urban and rural areas.	<ul style="list-style-type: none"> <li>Curriculum framework developed to enhance spiritual, intellectual, social and physical development</li> <li>Improvement in the numbers and quality of competent and motivated teachers and reduction of the pupil : teacher ratios.</li> <li>Increased use of standards improvement measurement in schools.</li> <li>Enhanced rural education program</li> </ul>	<ul style="list-style-type: none"> <li>Net enrolment rates for secondary schools rise from 77 to 90 by 2010</li> <li>Proportion of pupils who start class 1 who reach class 5 to be not less than 95% (MDG)</li> <li>Preschool enrolment in rural schools increases by 10% each year from 60% in 2006</li> </ul>

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
	<p>by establishing appropriate infrastructure, building standards, review of school performance and piloting distance education programme</p> <ul style="list-style-type: none"> <li>• Strengthened partnership between government, communities, donors, municipal councils, school management committees, developers and parents.</li> <li>• Strengthen and expanded Technical and Vocational Educational and Training (TVET)</li> <li>• Effective and efficient allocation of subsidies to tertiary institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Proportion of students successfully completing TVET courses not less than 90%</li> <li>• Disparities in passes in FSLC and FSFE are at least reduced from: (i) 28% to 15% between Fijians and non-Fijians; (ii) 24% to 15% between rural and urban students; and (iii) 3% to 1% between male and female students.</li> </ul>

## **7.11 Gender Equality and Women in Development**

### **Goal**

Achievement of Gender Equality and Empowerment of Women

### **Links to Strategic Priorities**

Gender and development contributes to maintaining stability by addressing the Strategic Priorities for implementing affirmative action, alleviating poverty and strengthening good governance.

### **Link to UN Millennium Development Goals (MDGs)**

The MDG Goal 3: - “promote gender equality and empower women” –sets a target to eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015 The other two indicators are included as KPIs are: “Share of women in wage employment in the non-agricultural sector” and “Proportion of seats held by women in national parliament.” According to the 1999 Annual Employment Survey, around 33 % of women were wage earners in the non-agricultural sector. The proportion of seats in Parliament held by women had dropped from 16 % in 2000 to 13 % in 2006.

### **Development Rationale**

The Plan emphasises the cross sectoral breadth which needs to be addressed on the need for implementing and monitoring Equal Employment Opportunity (EEO) policy in all workplaces, eliminating violence against women and the ways to conduct awareness programmes for women’s concerns and issues. Access to Micro-Credit and enabling environment to fully recognize the benefits outlined in various action plans.

### **Policy Objectives, Strategies and Key Performance Indicators**

<b>Policy Objective</b>	<b>Strategies</b>	<b>Key Performance Indicator</b>
Achievement of Gender Equality	<ul style="list-style-type: none"> <li>• Laws in relation to UN CEDAW (articles 1-13)</li> </ul>	<ul style="list-style-type: none"> <li>• Share of women in wage employment in the non-</li> </ul>

Policy Objective	Strategies	Key Performance Indicator
and Empowerment of Women through full participation in business and decision making process through entrepreneurial support in non-formal and formal sector and decision making processes	<p>reviewed, gender mainstreaming institutions strengthened, a National Women's Plan of Action adopted, Domestic Violence Bill enacted, awareness training on the Family Law Act, and ensure appropriate sentencing penalties, including counselling, for violent crimes, against women and children.</p> <ul style="list-style-type: none"> <li>• Increase ability of women and their access to income generating activities including SME development (WOSED to be reviewed), targeted programmes for women in agriculture reform., and Equal training opportunities at all levels in Government</li> <li>• Empower rural women through training on leadership, awareness of human rights issues, health and quality of life through Partnership, Networking and Coordination with women groups and increased collaboration and partnership with NGOs</li> </ul>	<p>agricultural sector increased from 35.9% to 37.9% by 2008 (MDG)</p> <ul style="list-style-type: none"> <li>• Combined primary and secondary girls : boys ratio of 1:1 (MDG)</li> <li>• The proportion of female school principals to be not less than 15% by 2008.</li> <li>• At least 30% representation of women in Government boards, committees, tribunals, councils, and commissions</li> <li>• Proportion of seats held by women in national parliament and municipal elections to be not less than 20% (MDG)</li> <li>• Number of women supported by micro-finance increased from 5,100 in 2006 to not less than 19,500 by 2010</li> <li>• Cases of domestic violence recorded by police reduced from 640 in 2005 to less than 400 per year.</li> </ul>

## 7.12 *Children and Youth*

### Goal

Protection and development of Children and Youth

### Links to Strategic Priorities

Programmes to support children and youth directly support the Strategic Priorities of implementing affirmative action and alleviating poverty. In the long term, the development of children and youths as good citizens for Fiji's future is the cornerstone of national development and supports all of the Priorities.

### Link to UN Millennium Development Goals (MDGs)

Programmes addressing the needs of children and youth support goals of eradicating extreme poverty (MDG 1), universal primary education (MDG 2), reduced child mortality (MDG 4), and combating HIV/AIDS, malaria and other diseases (MDG 6).

Activities will also contribute to promoting gender equality and empowering women (MDG 3).

### Development Rationale

The plan requires the need for protection of youth and children. The Coordinating Committee on Children will coordinate the implementation of the convention into Fiji's laws and procedures while the Family Law Bill will address the problems faced by children who are from divorced families. As indicated in the policy objectives and strategies, the overall aim is to reduce the number of street kids, child abuse and, teenage pregnancy.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objective	Strategies	Key Performance Indicators
Children and young people enjoy greater protection and development.	<ul style="list-style-type: none"> <li>• Review legislation with the principles and provisions of the Convention on the Rights of the Child (CRC) and other relevant international instruments.</li> <li>• Strengthened policy formulation, programme implementation and monitoring</li> <li>• Facilitate and Support the establishment of youth small &amp; micro-enterprise projects nation wide.</li> <li>• Increase number of youths trained for livelihood activities and practical training in togetherness, sharing and caring.</li> <li>• Promotion of children and youth issues and their increased participation in decision-making processes, at all levels.</li> <li>• Create greater awareness amongst parents, children and youth on sexual and reproductive health education and family life issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in cases of sexual abuse of children from 194 (2004) to less than 100 by 2011.</li> <li>• Reduction in cases of (non-sexual) violence against children from 110 (2004) to less than 60 by 2011.</li> <li>• Young people benefiting from Placement Services /Work Experience Programmes increased from 100 to 120 annually.</li> <li>• Number of SME projects supporting young people increased from 180 to 250 per year</li> <li>• Teenage pregnancy reduced from 16% to 8% by 2011</li> </ul>

### 7.13 Culture and Heritage

#### Goal

Protection and management of our culture and heritage for current and future generations

#### Links to Strategic Priorities

Culture and Heritage contributes to the Strategic Priorities of promoting peace and harmony, alleviating poverty, and implementing Affirmative Action. It can also

contribute to the growth priorities by providing opportunities to raise investment levels for jobs and growth and promote Rural and Outer Island development.

**Link to UN Millennium Development Goals (MDGs)**

MDG 3 is to promote gender equality and empower women. Due consideration should be placed in the association between gender and culture, where the challenge is to develop an agenda that recognizes women as significant actors in development and as bearers and signifiers of their culture.

MDG 8, relates to culture and its impact on the environment. Local ecological knowledge and traditional management practices, as part of the local systems of values and meanings, have proved to be environmentally sustainable. The challenge is now to translate this into practical projects and to change policies that strengthen the cultural dimensions of the relations between the environment and development

**Development Rationale**

The Plan recognises the need to preserve and manage Fiji’s cultural and natural and cultural heritage, increase cultural and cross cultural understanding, promote creativity at all levels of society, promote conservation and resource development, and develop creative performing arts and visual arts. The diverse manifestation of culture is recognized in the different policy objectives and strategies for each aspect of culture and heritage. Further, it is also recognized in the strategies that culture in its all embracing approach, demands effective cooperation and partnership between cultural heritage agencies and between them and the community, and other government agencies. This is essential to the effective achievement of the outcomes intended by Government.

Measurable outcome oriented KPI’s have been set which will allow monitoring of the success in achieving the Strategic Priorities.

**Policy Objectives, Strategies and Key Performance Indicators**

Policy Objectives	Strategies	Key Performance Indicators
Each community enjoys increased experience and benefits of its own culture and heritage and appreciation of those of fellow communities in Fiji.	<ul style="list-style-type: none"> <li>• Protect, preserve and manage Fiji’s Cultural and natural Heritage</li> <li>• Review options to reorganise and merge the Fiji Arts Council, Fiji Museum, Fiji Handicraft Council, and National Trust of Fiji</li> <li>• Undertake awareness workshops on the importance of preservation and promotions of culture for posterity.</li> <li>• Research and development of professional cultural heritage and training</li> <li>• Increase cultural and cross cultural understanding</li> <li>• Promote creativity in all forms and at all level of society</li> <li>• Promote conservation and cultural resource</li> </ul>	<ul style="list-style-type: none"> <li>• At least 1 heritage site included in the World Heritage listing by 2008 and another before 2011.</li> <li>• At least 80% of resource owners meet standard for best practices in the marketing of cultural resources</li> </ul>

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
	<p>development that emphasizes partnership with local resource owners &amp; local institutions</p> <ul style="list-style-type: none"> <li>• Increased sites, including flora and fauna currently protected and managed by further 50%</li> <li>• Arts, languages, heritage awareness subjects included in school curriculum s and other learning centres.</li> </ul>	<ul style="list-style-type: none"> <li>• At least 20 new heritage sites included as visitor attractions.</li> </ul>

## **7.14 Sports Development**

### **Goal**

Promoting sports for healthy lifestyles and for employment.

### **Links to Strategic Priorities**

Sport contributes to the Strategic Priorities of promoting peace and harmony, enhancing security, law and order and alleviating poverty and may also support restructuring to promote competition and efficiency through development of partnerships with the private sector.

### **Link to UN Millennium Development Goals (MDGs)**

Sporting activities is bringing remittances into the country, which can eradicate extreme poverty and hunger under MDG Goal 1.

### **Development Rationale**

Sport moulds better citizens through the inculcation of important values such as goodwill, tolerance, understanding, teamwork and healthy living. Sport has also become a major source of employment locally and abroad and has promoted Fiji internationally.

The plan recognizes the need to promote healthy lifestyles and to facilitate lucrative employment opportunities through sports. With non-communicable (life-style) diseases on the increase, the Ministry of Youth and Sports is continuing to promote “Sports for All”, targeting public service offices around the country and rural and urban population. Ministry of Health is emphasizing on the facilities for improving adult health counseling. Further, it is also recognized in the priorities that effective cooperation and partnership between agencies, private sector and the community are essential to the effective achievement of the outcomes intended by the Government.

### **Policy Objectives, Strategies and Key Performance Indicators**

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
People enjoy healthier lifestyles and improved sporting skills	<ul style="list-style-type: none"> <li>• Increase in participation of citizens in “Sports for All” activities and integrate them in the workplace.</li> <li>• Support the development of sports facilities, programmes and involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in corporate sponsorship from \$2.6 million to \$3.5 million per year.</li> </ul>

Policy Objectives	Strategies	Key Performance Indicators
and knowledge.	<p>of the private sector in sports.</p> <ul style="list-style-type: none"> <li>• Measures to be designed and implemented to promote minor sports and develop professional players.</li> <li>• To facilitate employment opportunities through sports.</li> <li>• Increased number of qualified sports scientists and administrators and improved coordination between sports agencies, continuing implementation of the National Sports policy.</li> <li>• Increase in the number of national age group teams (U13, U17, U19 and U23) and competition for various sports.</li> <li>• Increased number of playing fields and other recreation facilities in use in rural and peri-urban areas.</li> <li>• Laucala Sports City hosts at least one international meet annually.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in gold medals from 25 to 35 in the Pacific and Mini South Pacific Games</li> <li>• At least 5 medals Commonwealth Games won at each Games.</li> <li>• Each year, at least one age group in a team sport to qualify for World Championships</li> <li>• Increase in number of athletes and players contracted to overseas clubs from 70 to 200 by 2011</li> </ul>

## 7.15 Disaster Risk Reduction and Disaster Management

### Goal

Reducing vulnerability to disasters and risks

### Links to Strategic Priorities

Disaster risk reduction and management contributes to the Strategic Priorities of restructuring to promote competition and efficiency, raising investment levels for jobs and growth, and rural and outer island development by increasing the sustainability of development, reducing risks and uncertainty and protecting people and property from natural disasters.

### Link to UN Millennium Development Goals (MDGs)

The activity contributes to ensuring environmental sustainability (MDG 7).

### Development Rationale

A principal recommendation in the review of the 1998 Natural Disaster Management Act and the 1995 National Disaster Management Plan is to focus on community capacity building in order to reduce dependency and to achieve community resilience and sustainable development.

The Plan recognises the need to maintain effective planning in order to reduce disaster impact, improve community capacity in dealing with disasters and risks, and to conduct analysis and evaluation of hazards, vulnerabilities and risks and invest in risk reduction projects and activities. The shift towards a comprehensive and an integrated approach towards risk reduction on hazards are reflected in the policy objective and strategies under disaster management. Further, it is also recognized in the strategies that effective cooperation and partnership between agencies and the government and

the community are essential to the effective achievement of then outcomes intended by Government.

**Policy Objectives, Strategies and Key Performance Indicators**

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
Communities are better protected from risks of disasters and better able to protect themselves and cope with the consequences of disasters.	<ul style="list-style-type: none"> <li>• Effective risk reduction projects identified and implemented</li> <li>• Improved community capacity in dealing with disasters and risks</li> <li>• Increased analysis and evaluation of hazards, vulnerabilities and risks</li> <li>• Food security strengthened and enhanced community based disaster reduction initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Government responds to disaster situation within the first 24 hours.</li> <li>• Casualties reduced from 30 per year to none.</li> </ul>

SDP for NRES

## Chapter 8 Economic Development

### 8.1 Sugar

#### Goal

A locally vibrant and globally competitive sugar industry.

#### Links to Strategic Priorities

Development of the sugar sector is directly linked with the Strategic Priorities of both Maintaining Stability and Sustaining Growth. With regards Maintaining Stability, priorities of poverty alleviation, resolution of the agricultural land tenure issue, and affirmative action are pivotal. The priorities under Sustaining Growth include restructuring to promote competition and efficiency and raising export earnings.

#### Link to UN Millennium Development Goals (MDGs)

Developments will contribute to eradication of poverty (MDG 1) and promotion of environmental sustainability (MDG 7)

#### Development Rationale

The loss of preferential access to the EU market through declining preferential prices has necessitated reform in the sugar sector. Supported by development partners, such as the EU and ADB, a restructure plan has been developed by Government and the industry and elements of this plan are reflected in the sector strategies. The plan combines initiatives to recapitalize FSC with support from the Indian Government, improve sugar research and extension services, revamp the transport logistics to make it more efficient, and address production and yield at the farm level. The Alternative Livelihood Project and EU adjustment programme will provide a cushion to those adversely affected by the restructure to secure sustainable on-farm and off-farm livelihood opportunities. Apart from sugar, other opportunities will be explored such as co-generation.

Measurable outcome indicators have been set to monitor the progress of the reform plan and its success in achieving the sector goal.

#### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>To re-structure the sugar industry into a commercially viable, profitable and sustainable industry.</p>	<ul style="list-style-type: none"> <li>• Implementation of the sugar industry reform plan.</li> <li>• Encourage dialogue and consultation to ensure land availability for the industry.</li> <li>• Promote milling efficiency and cane quality payment system.</li> <li>• To improve efficiency and productivity of cane production in farms through improved extension and research services.</li> <li>• Review the cane transportation system with the objective of</li> </ul>	<ul style="list-style-type: none"> <li>• Yield per ha increased from 61mt/ha in 2006 to 80mt/ha by 2011.</li> <li>• TCTS ratio improved from 11 TCTS in 2006 to 8 TCTS by 2011.</li> <li>• Extraction rate of sucrose increased from an average of 72% in 2006 to 85% by 2011.</li> <li>• Reduce milling costs from \$280/mt raw sugar in 2006 to \$140/mt raw sugar by 2011.</li> <li>• Sale of up to 137GWh of</li> </ul>

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
	<p>making it more cost effective, efficient and practical.</p> <ul style="list-style-type: none"> <li>• Increased range of crops produced (including aquaculture) in the sugar belt through the support of the Alternative Livelihood Project.</li> <li>• Design and implement sugar product diversification such as ethanol production.</li> <li>• Implement measures to address the social impact of the industry restructure.</li> </ul>	<p>electricity to the national grid by 2011.</p> <ul style="list-style-type: none"> <li>• FSC return on investment not less than 10% and a debt to equity ratio of not more than 60:40..</li> <li>• Returns per farm labour day to remain at least the present levels.</li> <li>• Monitor school enrolment in cane belt areas</li> </ul>

## **8.2 Agriculture and Livestock**

### **Goal**

Sustainable community livelihood through competitive exports and efficient food security.

### **Links to Strategic Priorities**

The agriculture sector, as the principle source of rural livelihoods, has a vital contribution in terms the Strategic Priorities of rural and outer island development, raising export earning, raising investment for jobs and growth, resolving the agricultural land lease issue, implementing affirmative action and alleviating poverty.

### **Link to UN Millennium Development Goals (MDGs)**

Developments will contribute to eradication of poverty (MDG 1) and promotion of environmental sustainability (MDG 7) through promotion of sustainable agriculture.

### **Development Rationale**

While the economy remains largely agro based, the annual food import bill continues to rise, exceeding \$350m in 2005. The focus for the agricultural sector therefore in the plan is geared towards increasing local production as substitutes for imported items. This import substitution stance relates closely with efforts to improve the linkages with the booming tourism industry. With the emphasis also on private sector led development, a facilitative and proactive approach will be pursued to attract large investment to drive the commercial agriculture and livestock sectors.

Measurable outcome oriented KPI's have been set which will allow monitoring of the success in achieving the Strategic Priorities.

### **Policy Objectives, Strategies and Key Performance Indicators**

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
Fiji is served by a thriving	<ul style="list-style-type: none"> <li>• Through the Alternative Livelihood Project (ALP) and related projects, build the capacity of rural communities to diversify agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain agriculture sector's contribution to</li> </ul>

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
commercial agriculture sector, sustaining Fiji's food security.	<p>to higher value crops and commercial agriculture to improve on and off farm livelihoods and opportunities for processing and value added.</p> <ul style="list-style-type: none"> <li>• Establish commodity protocols with new markets (China, Australia, NZ) and promote formation of industry councils to spearhead/coordinate commodity development.</li> <li>• Strengthen agricultural training institutions to improve training services to all stakeholders</li> <li>• Undertake demand driven research in partnership with the private sector.</li> <li>• Improve accessibility of farmers to saving and credit facilities and develop micro-finance institutions.</li> <li>• Provide infrastructure to facilitate market access of agricultural produce, particularly in the rural and outer islands.</li> <li>• Enhance tourism industry and agriculture linkages through workshops and trainings to match demand and supply.</li> <li>• Promote food safety and quality programmes</li> </ul>	<p>GDP at 12%.</p> <ul style="list-style-type: none"> <li>• Value of non-sugar agriculture exports increased from \$40m in 2006 to \$80m by 2011.</li> <li>• Value of food imports reduced from \$370m in 2006 to \$260m in 2011.</li> <li>• Increase lending to agriculture sector of commercial banks to 1% of total loan portfolio by 2011 from current level of 0.6% in 2005.</li> </ul>

### **8.3 Forestry**

#### **Goal**

Sustainable management and development of forest resources.

#### **Links to Strategic Priorities**

In terms of its Strategic Priorities, forestry supports raising export earnings, investment for jobs and growth and will form part of the restructuring to promote competition and efficiency. The involvement of the indigenous community in rural areas means that the sector may also make significant contributions to the Strategic Priorities of implementing affirmative action, alleviating poverty and rural and outer island development.

#### **Link to UN Millennium Development Goals (MDGs)**

Developments will contribute to eradication of poverty (MDG 1) and promotion of environmental sustainability (MDG 7) through adoption of sustainable forest management.

#### **Development Rationale**

The plan recognizes the potential in the forest sector in contributing to the economy. However, the current institutional environment in which the sector operates needs to be revamped and this is the focus in the plan. In addition, with the harvesting of the high value mahogany resource, issues of sustainable forest management, value adding and effective involvement of resource owners are prominent in the sector strategies.

Measurable outcome oriented KPI's have been set which will allow monitoring of the success in achieving the strategic priorities.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Resource owners benefit from sustainable development and management of the forest resources and maximise the long term economic returns.	<ul style="list-style-type: none"> <li>• Provide adequate institutional, policy and technical support to development.</li> <li>• Review status of forest reserves with the aim of safeguarding biodiversity of areas under threat.</li> <li>• Address capacity issues (capital and technical expertise) of institutions involved with forestry and resource owners and address capacity constraints of industry through regular and relevant training courses.</li> <li>• Develop the financial and technical capacity of resource owners to effectively participate in forestry development through well targeted initiatives.</li> <li>• Undertake research and development of new areas such as non wood forest products.</li> <li>• Encourage value adding in the industry through coordinated processing and marketing.</li> <li>• Promote resource utilisation efficiency in primary and secondary processing.</li> <li>• Augment saw mill capacity in the private sector at appropriate locations.</li> </ul>	<ul style="list-style-type: none"> <li>• Forest sector contribution to GDP increased from 1.2% in 2006 to 1.6% by 2011.</li> <li>• Target commercial annual harvesting of mahogany at 100,000 m<sup>3</sup>.</li> <li>• Double annual export earnings from sector, including value adding, from \$60 million in 2006 to \$120 million by 2011.</li> <li>• 40% of employees to be qualified members of the local community unless it is not possible to recruit such people.</li> <li>• Value of contracts secured by indigenous Fijian businesses not less than 40%</li> </ul>

## 8.4 Marine Resources

### Goal

Pursuing growth through sustainable marine resource management.

### Links to Strategic Priorities

The marine sector supports the Strategic Priorities good governance, poverty alleviation and affirmative action and also support growth outcomes in restructuring to promote competition and efficiency, raising investment levels, raising export earnings and rural and outer island development

### Link to UN Millennium Development Goals (MDGs)

Marine development supports eradication of poverty (MDG 1) and ensuring environmental sustainability (MDG 7), focusing on resource management and conservation as a major strategy in the Plan.

## Development Rationale

The Plan recognizes the erratic performance experienced in the fisheries sector and the need for clear demarcation between the role of Government, and the role of the private sector. Reforms in the Department of Fisheries and in the administration of its functions are emphasized with the move from a production oriented approach towards resource conservation and management. This focus is translated through the sector strategies. The strategies also reinforce a more facilitative approach from Government in the development of the industry.

Outcome indicators set are intended to monitor the development of the sector in tandem with the utilization of the resource.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Communities benefit from sustainable development and management of marine resources to maximise long term economic returns to the broader community, in particular to indigenous Fijian resource owners.	<ul style="list-style-type: none"> <li>• Review existing institutional arrangement including legislations to take account of global and national developments</li> <li>• Strengthen resource management.</li> <li>• Undertake community awareness on management of inshore fisheries and coral reef management.</li> <li>• Provide appropriate support through institutional strengthening and reform of the Department of Fisheries.</li> <li>• Encourage private public partnerships through demand driven research, training on HACCP and CITES requirements, and well targeted training programmes relevant to needs of sector.</li> <li>• Provide relevant training and technical support to indigenous Fijians currently involved in the industry.</li> <li>• Promote partnerships with the private sector and business mentoring with established players in the industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Ratio of total catch to sustainable yield (or TAC) for each targeted species to be less than 1.</li> <li>• Fisheries sector contribution to GDP increased and maintained at 3% from current level of 2.7% of GDP.</li> <li>• Increase fisheries export from \$85m in 2006 to \$100m by 2011.</li> <li>• Proportion of total tuna catch landed by indigenous Fijian licensed vessels from licensing quota to be not less than 40%</li> </ul>

## 8.5 Mineral and Groundwater Resources

### Goal

Pursuing growth through sustainable mineral and groundwater resource management.

### Links to Strategic Priorities

Mineral resources support the Strategic Priorities of raising investment levels for jobs and growth and raising export earnings. It is also linked to strengthening good governance in relation to the welfare of workers and resource owners.

### Development Rationale

EGM and Natural Waters of Fiji are the two major players in the mineral and groundwater sector. Compared to other industries, the potential for new entrants is limited. Recognizing this, the policy objectives and strategies of the Plan is focused on strengthening the institutional support mechanisms to guide the development of the sector. Where there is scope, the potentials for developing other minerals and subsidiary industries will be pursued.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>Communities benefit from sustainable development and management of mineral and groundwater resources to increase long term economic returns for the broader community, in particular to indigenous Fijian resource owners.</p>	<ul style="list-style-type: none"> <li>• Provide appropriate institutional environment for development of the sector.</li> <li>• Strengthen resource management by proactive enforcement of provisions of the Environment Management Act and other legislations.</li> <li>• Provide appropriate institutional support for the development of the sector.</li> <li>• Encourage cordial relationship with landowners including awareness on land tenure issues and developments in the industry with investors and landowners.</li> <li>• Explore other mineral potentials such as in petroleum and gas with policy framework developed in consultation with the industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Water quality at rivers/streams in the vicinity of mining operations maintained at acceptable standards.</li> <li>• Sector contribution to GDP increased from 1% in 2006 to 1.5% by 2011.</li> <li>• Annual exploration expenditure doubled to \$12 million by 2011.</li> <li>• Annual gold exports increased from the past five years' average of \$75m to \$100m by 2011.</li> <li>• Annual bottled water exports increased from \$80m in 2006 to over \$100m by 2011.</li> </ul>

## 8.6 Land Resource Development and Management

### Goal

Effective and coordinated land management to support economic development.

### Links to Strategic Priorities

Land is a basic resource and it is an essential part of indigenous culture, thus it plays a significant role in almost all the Strategic Priorities. In Maintaining Stability land has a role in promoting peace and harmony, enhancing security and law and order, alleviating poverty, strengthening good governance, resolving the land tenure issue and implementing affirmative action. For Sustaining Growth, land is an economic resource and access to land is essential to support restructuring to promote competition and efficiency, raising export earnings, raising investment levels for jobs and growth, and rural and outer island development.

### **Link to UN Millennium Development Goals (MDGs)**

Land's central role in rural livelihoods means its effective use is an important contributor to eradication of extreme poverty and hunger (MDG 1) and its management is key to ensuring environmental sustainability (MDG 7).

### **Development Rationale**

Land slides, flash floods, and prevalent soil erosion is testament to the destructive land use practices that have persisted. Recognizing the urgent situation, the Plan emphatically espouses sustainable land use practices with appropriate sector strategies for awareness, training and enforcement. The current haphazard nature of development (industrial, housing, commercial) is also a clear indication of the absence of coordination between agencies concerned. The Plan recognizes this weakness and recommends closer coordination. As a basic factor input, the Plan also recognizes the significance of resolving the land tenure issue for future development and prosperity.

The outcome indicators set are intended to monitor the rate of land development.

### **Policy Objectives, Strategies and Key Performance Indicators**

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
Resource owners and land users securing long term incomes from environmentally sustainable land development and management.	<ul style="list-style-type: none"><li>• Encourage dialogue and consensus in adopting appropriate land tenure legislation which has support of all stakeholders.</li><li>• Strengthen institutional capacity and adequately resource the Land Resource Planning and Development Unit and the Land Conservation Board to enforce land use policies.</li><li>• Strengthen resource management and awareness on appropriate land use and watershed management practices from the community level.</li><li>• Strengthen coordination between agencies involved in land development to ensure land is put to its most productive use.</li></ul>	<ul style="list-style-type: none"><li>• A land tenure system is in place which allows equitable returns to owners and users through an effective market for land use rights.</li><li>• Area of indigenous forest increased by 20% by 2010 from 858,000ha to over 1 million ha.</li><li>• 15 forest native reserves identified and gazetted by 2010.</li></ul>

## **8.7 Tourism**

### **Goal**

A sustainable, growing and globally competitive industry.

### **Links to Strategic Priorities**

As the leading economic sector tourism contributes Strategic Priorities for growth in raising export earnings, raising investment for jobs and growth, and restructuring to promote competition and efficiency. The geographical distribution of tourism means

that it may also support alleviating poverty, implementation of affirmative action and rural and outer island development.

### **Development Rationale**

The plan primarily focuses on a two fold increase in growth and spreading the benefit to the local community, especially to our indigenous people. It sets systematic direction to have a sustainable growth in the tourism sector. Particularly in the rural and outer island areas, tourism has the greater potential to involve local communities in national economic development.

Tourism growth places considerable demands on infrastructure and is often located in areas which lack infrastructure. Attempts to provide such new infrastructure have tended to direct funds away from maintenance of existing infrastructure, leading to dis-benefits outside tourism areas. Clearer definition of public and private infrastructure will allow a focus of Government spending on public infrastructure and, for that, an increased use of PPP modalities.

Comprehensive measurable outcome oriented KPI's have been set which will allow monitoring of the success in achieving the strategic priorities, reflecting the broad impact of tourism on wholesale and retail sector, construction, transport, demand for supporting supplies or service.

### **Policy Objectives, Strategies and Key Performance Indicators**

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
Fiji benefits from a sustainable increase economic contribution and retention of the tourist dollar from an environmentally and socially sustainable, and equitable tourism sector.	<ul style="list-style-type: none"> <li>• Additional rooms are constructed to maintain a balance between supply and demand.</li> <li>• New markets are developed and needed physical and institutional infrastructure established.</li> <li>• Promote high growth niche markets for specialized tourism.</li> <li>• Cruise ship and yachting tourism promoted, using improved outer island jetty and navigational aids under the Rural and Outer Islands Project.</li> <li>• Promote human resources development and introduce accreditation schemes for quality of services, training and productivity.</li> <li>• Increase institutional capacity and resources of tourism facilitating agencies, including a sustainable funding formula for FVB.</li> <li>• Increased local supply of agriculture produce to hotels and restaurants.</li> <li>• On-going review of the tourism investment regime.</li> </ul>	<ul style="list-style-type: none"> <li>• 700,000 visitors per year by 2011.</li> <li>• Direct employment in tourism increased to 15,000 by 2011</li> <li>• Indirect employment in tourism related activities increased to 55,000</li> <li>• Retention rate increased from 46% to 60%</li> <li>• Cruise ship visits to Fijian waters increased from 80 to 150 per year</li> </ul>

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
Resource owners benefit from greater participation in the tourism industry.	<ul style="list-style-type: none"> <li>• Promote licensed and accredited tourism development on native lands with equity participation by resource owners.</li> <li>• Improve capacity and supply training of resource owners to participate in tourism development by equity, employment, service and supply provision, including development of natural and cultural attractions in sustainable eco-tourism and provide services for the promoted cruise ship and yachting tourism.</li> <li>• Under the Rural and Outer Islands Project four Roko Tui Saravana seconded to NLTB to establish information flows to resource owners and promote positive working relationships between resource owners, NLTB and tourism enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase of not less than 5% per year in businesses majority owned and licensed by resource owners.</li> <li>• 100 % of nature-based and community-based tourism operations meet or exceed eco-tourism best practice guidelines and standards by 2011.</li> <li>• At least twenty 6 star bures established on native land each year.</li> </ul>

## **8.8 Manufacturing and Commerce**

### **Goal**

Globally sustainable and competitive manufacturing, commerce and industry to compete with imports and expand exports.

### **Links to Strategic Priorities**

Manufacturing and commerce activities are central to Sustaining Growth and support the Strategic Priorities of restructuring to promote competition and efficiency; raising export earnings, and raising investments levels for jobs and growth. Through support for those Priorities the sector will also contribute to rural and outer island development and alleviating poverty.

### **Link to UN Millennium Development Goals (MDGs)**

Measures to develop institutions more conducive to business will also support Global Partnership for Development (MDG 8) through open, rule-based and predictable trading and financial systems, and also the use of new IT technologies.

### **Development Rationale**

A major factor constraining Fiji's growth is the inadequate institutional environment which impacts on our ability to compete with imports, penetrate export markets and attract foreign direct investments (FDIs). Despite the generous incentives offered over the years, Fiji has not been able to attract high levels of domestic and foreign investments due to problems related to land and the business and policy environments.

The Plan aims to create an enabling environment by providing: supportive legislation to give legal protection to investors; policy for research and development; adequate market support, low cost business inputs, conducive private sector development policies, efficient financial system, and policies for small and medium enterprises to

achieve the objective of sustainable and competitive manufacturing, commerce and industry. Issues of inadequate infrastructure will be addressed through increased participation by the private sector in the financing and management of such infrastructure, including through divestiture and public private partnerships.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>Fiji supported by a diversified and expanded manufacturing and commercial sector.</p>	<ul style="list-style-type: none"> <li>• Preparation of plans and development of competitive, high value-added manufacturing industries, including agro-based and niche products.</li> <li>• Promote competitiveness through divestment of public enterprises, annual review of tariff barriers.</li> <li>• Enforcement of standards, weights and measures, and quality control on both domestic producers and importers, to ensure a level playing field in domestic markets and ensuring local manufactured goods attain competitive international standards for exports.</li> <li>• Enforcement of anti-dumping legislation and increased vigilance at ports of entry to ensure that imported goods meet Fiji requirements, including packaging and labelling standards.</li> <li>• Develop private-public partnership for infrastructure development.</li> <li>• Implement decentralisation program to encourage commercial and manufacturing activities in rural areas.</li> <li>• Implement electronic commerce policy and legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Foreign direct investment to be 6% of GDP in 2011.</li> <li>• Annual value of domestic private investment to be 9% of GDP.</li> <li>• Annual exports not less than 65% of GDP.</li> </ul>
<p>Communities should benefit from enhanced consumer protection and awareness</p>	<ul style="list-style-type: none"> <li>• Implement merger of PIB, Fair Trading Department, and the Commerce Commission to increase effectiveness of monitoring, enforcement and service delivery.</li> <li>• Consumer Council to promote consumer awareness and education.</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer complaints solved through mediation increased from 15% (201/1305) in 2005 to 30% by 2011</li> </ul>

## 8.9 Information and Telecommunications

### Goal

Universal access to internationally competitive information and telecommunication services.

### Links to Strategic Priorities

Information and telecommunications are essential to modern commerce and support the Strategic Priorities of restructuring to promote competition and efficiency, raising export earnings, and raising investment levels for jobs and growth. Use of the communications technology also supports strengthening good governance and enhancing security and law and order.

### Links to UN Millennium Development Goals (MDGs)

Improved communications supports the global partnership for development (MDG 8) by making available the benefits of new technologies, especially information and communications. The indicator for which is, “Telephone lines and cellular subscribers per 100 people”, as included in the table below.

### Development Rationale

The strategy is concerned to, first, provide access to modern communications technology by extending coverage geographically and to an increased number of people. Benefits will then be substantially increased through improved technology and competition to reduce cost and increase the impact on the community. A key strategy in this development focus is the restructure of the current sector and industry structure to facilitate and support increased effective market liberalization, whilst ensuring that universal access needs of citizens are met.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>People and businesses enjoy improved ICT services in terms of coverage, quality and price.</p>	<ul style="list-style-type: none"> <li>• To reduce telecom rates in the short term by promoting more discussions between potential investors in ICT services and FINTEL/Telecom Fiji to negotiate favourable rates under which the investments would be viable.</li> <li>• Increased coverage of telecommunication services especially to rural areas by continuing to provide telecommunication access to unconnected villages.</li> <li>• Develop Fiji as an attractive info-communications hub in the region.</li> <li>• A well informed citizenship in the medium term require the liberalisation of the telecommunications sector and free to air television services.</li> <li>• To ensure the regulatory and legal framework functions.</li> <li>• To align Fiji’s ICT training to developments in the employment market.</li> <li>• To introduce e-government in order to raise efficiency of service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in telephone charges by 25% by 2011</li> <li>• Telephone lines and cellular subscribers to be not less than 10% in rural and 50% in urban areas (MDG)</li> <li>• Increased competition an increase from 1 to at least 3 Internet Service Providers (ISPs).</li> <li>• Increase number of rural tele-centres from 6 to 56 by 2011.</li> <li>• Increase bandwidth from FINTEL to TFL by from 155 Mbytes per second to not less than 300 Mbytes by 2011.</li> <li>• At least 2 Hindi and Fijian Public Service</li> </ul>

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
		Broadcasting providers by 2011.

## **8.10 Financial Services**

### **Goal**

An effective, competitive and stable financial system that will enhance economic growth and development.

### **Links to Strategic Priorities**

Financial services are essential to creating an environment conducive to private sector investment and economic growth, hence well managed financial services contribute to the Strategic Priorities of maintaining macroeconomic stability, restructuring to promote competition and efficiency, raising export earnings and raising investment levels for jobs and growth.

### **Development Rationale**

Resilient, well-regulated financial systems are essential for macroeconomic and financial stability in a world of increased capital flows. The implementation of the recommendations of the Commission of Inquiry into Financial Services (COIFS), Financial Sector Assessment Program (FSAP), Export Finance Facility (EFF), the superannuation sector study and the introduction of the Real Time Gross Settlement (RTGS) are key strategies to achieving a vibrant and efficient financial sector.

Development also requires the extension of formal retail banking services to rural and outer island areas so that their populations are better able to establish and expand businesses and meet social needs. This will build upon present development of micro finance - including savings and credit unions and the Micro Finance Unit - and increased access to rural commercial banks.

To ensure that the financial system is adequately supervised, a financial services regulator will be identified. Review of the appropriate legislations including the RBF legislations and the Banking and Insurance legislation coupled with increased data coverage will reflect performance and standards of the financial sector. Enhanced disclosure of the financial transactions is envisaged with the implementation of the new Financial Transactions Reporting (FTR) Act. For the development of the capital markets, appropriate incentives will be considered for companies to list on the stock exchange.

### **Policy Objectives, Strategies and Key Performance Indicators**

<b>Policy Objectives</b>	<b>Strategies</b>	<b>Key Performance Indicators</b>
People and organizations in Fiji have access to appropriate	<ul style="list-style-type: none"> <li>To review, evaluate, implement and monitor appropriate recommendations of the COIFS report, the FSAP, EFF review, Action plan for Insurance and Guarantee, FNPF studies and restructure of Fiji's</li> </ul>	<ul style="list-style-type: none"> <li>In rural and outer island areas, 50% of households hold savings with</li> </ul>

Policy Objectives	Strategies	Key Performance Indicators
modes of transparent, sound and secure financial and banking facilities.	<p>superannuation sector, FDB review recommendations and the Rural banking survey recommendations.</p> <ul style="list-style-type: none"> <li>• Promote development of formal financial institutions in all rural and outer island areas.</li> <li>• Develop and promote financial instruments which provide cost effective export finance to remove financial constraints on exports.</li> <li>• Introduce, monitor and develop a RTGS system to increase efficiency.</li> <li>• Examine the feasibility of an ombudsman to promote and protect customer interests in financial services.</li> <li>• Review legislations and regulatory procedures, including micro-finance regulations and legislation on RBF, Banking, Insurance, and Superannuation</li> <li>• Enhanced disclosure and monitoring of bank fees and charges</li> <li>• Collect and analyse data from credit unions, micro finance operators and similar sources</li> <li>• Provide legal backing to Fiji Accounting Standards and Fiji Standards on Auditing.</li> <li>• Establish an active capital market of international standard and encourage companies to list on the stock exchange.</li> <li>• Adopt international best insurance and funds management practices.</li> <li>• Enhance the public debt management system.</li> <li>• Broaden the range of instruments in consultation between Government, RBF and CMDA</li> </ul>	<p>institutions, banks and MFI, and 15% borrow from them, compared to 30% and 6% in 2005.</p> <ul style="list-style-type: none"> <li>• 50% of exports are financed by specialised trade finance.</li> <li>• Total market capitalization increased to 100% of GDP from 25%.</li> <li>• Value of shares traded on the stock exchange increased by 5% per year from \$ 8 million to \$ 12.5 million</li> <li>• At least 20 additional companies listed on the exchange by 2011</li> </ul>

## 8.11 *Micro, Small and Medium Enterprises*

### Goal

Creating sustainable livelihoods through enterprise development.

### Links to Strategic Priorities

MSMEs create employment and self-employment opportunities and increases production, particularly in rural areas, so serving the Strategic Priorities of rural and outer island development, raising investment levels for jobs and growth, raising export earnings and alleviating poverty.

### Link to UN Millennium Development Goals (MDGs)

The involvement of people in MSMEs contributes to eradication of extreme poverty and hunger (MDG 1), promotes gender equality and empowers women (MDG 3) and contributes to a global partnership for development (MDG 8).

### Development Rationale

Placing emphasis in small and medium enterprises would engage people in employment opportunities, thus alleviating poverty. In addition, those entrepreneurs having the potential to expand will be assisted through various initiatives for potential exporters, thus contributing towards achieving growth.

This sub sector continues to strengthen and made significant impact to national development, particularly in improving the standard of living in the rural and disadvantaged areas. It is an area of priority in the medium term because of its potential contribution towards economic growth. However, more research is required in this area, especially in the rural areas where natural resources are underutilized.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Communities secure new and improved livelihoods through small and micro and medium enterprise development	<ul style="list-style-type: none"> <li>• To mainstream MSMEs in national development through: Government resources allocated annually to the sector; annual awards for individual and group excellence; and greater coverage of MSMEs in school curriculum</li> <li>• To improve business support services and infrastructure by:               <ul style="list-style-type: none"> <li>○ reviewing MSME laws and regulations;</li> <li>○ extending micro finance facilities to all provinces;</li> <li>○ providing incentives for large firms to develop MSME suppliers;</li> <li>○ publishing MSME establishment costs on a regular basis;</li> <li>○ conducting of training of trainers and refresher courses; and</li> <li>○ addressing quality and productivity issues.</li> </ul> </li> <li>• To develop marketing for MSMEs through research conducted regularly on new markets and opportunities.</li> <li>• To provide readily available information through establishment of MSME database and promote and facilitate access to on-line technology information and methods supporting MSMEs.</li> </ul>	<ul style="list-style-type: none"> <li>• At least 500 MSMEs established each year.</li> <li>• Jobs in the MSME sector increased to 200,000</li> <li>• Loans and savings clients of MFIs increased from the 2005 total of 19,500 to 30,000 in 2011.</li> <li>• Business Incubations Centres support development of 200 new enterprises during the plan period, of which 50 develop to be medium enterprises.</li> </ul>

## 8.12 Transport

### Goal

To provide efficient transport services at reduced costs to enhance access to services and markets.

### Links to Strategic Priorities

Transport is a major part of economic and social infrastructure and supports the Strategic Priorities of restructuring to promote competition and efficiency, raising export earnings, raising investment levels for jobs and growth, rural and outer island development, alleviating poverty, and enhancing security and law and order.

### Development Rationale

Development of efficient and cost effective transport systems is a pre-requisite for economic development and affordable access to services provided by government and private sector. Particularly shipping and aviation development of shipping services are essential to raise export earnings and for rural and outer island development. More broadly, cost effective transport is necessary to attract investment, including PPP, and creating the employment and poverty alleviation impacts of such productive investments.

The development strategies focus on development of infrastructure which will facilitate private sector investment in increased land, sea and air transport services. These developments are accompanied by institutional developments to increase efficiency and raise standards of facilities and services provided.

The KPI are outcome oriented, not concerned with the outputs of the civil engineering investments but with the scope and quality of transport services subsequently enjoyed by the communities in Fiji.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<b>Multi-modal</b> To ensure access to safe, efficient, affordable and environmentally sustainable transportation services.	<ul style="list-style-type: none"><li>• Review Government Subsidies on Transport</li><li>• Attract potential investors to provide alternative modes of transportation through PPP framework.</li><li>• To promote efficiency in the provision of transportation services.</li><li>• Introduction of effective measures to reduce the number of road deaths, mishap at sea and air crashes through enabling legal frameworks.</li><li>• Educate all users on all forms of transportation usage.</li></ul>	<ul style="list-style-type: none"><li>• At least one transport PPP project over \$100 million by 2009</li><li>• Reduction in annual fatalities on all forms of transport from 90 to 50 by 2011</li></ul>

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> <li>• LTA, FIMSA and CAAFI incorporate stringent safety and security measures.</li> <li>• To continue investment in the construction, maintenance and upgrading of the national transport network supported by enabling legislation and regulation enforced.</li> <li>• Ensure provision of access to all forms of transport.</li> </ul>	
<p><b>Land Transport</b> To enhance livelihood by reducing cost of transport of people and goods</p>	<ul style="list-style-type: none"> <li>• Protect investment in the national land transport network through effective controls on vehicle overloading and adequate maintenance.</li> <li>• Reform and consolidate the land transport sector</li> <li>• Self funding mechanism developed for LTA, DNR, NRSC, Police Traffic and municipalities.</li> <li>• Promotion and implementation of user pay principles</li> <li>• To reduce vehicle smoke emissions to internationally accepted standards through enforcement</li> <li>• Improve traffic management schemes and reduce traffic congestions at main trunk routes.</li> <li>• Imposition of heavy fines to deter traffic infringements.</li> <li>• Control on the importation ages of second hand vehicles.</li> <li>• Introduction of alternative fuel powered vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Not less than 125km of national roads resealed and 40km rehabilitated each year.</li> <li>• Annual CO<sub>2</sub> emissions per capita reduced from 1.6mt to 1.0mt.</li> <li>• Average vehicle emission levels reduced from 40,000 ppm to 20,000 ppm.</li> </ul>
<p><b>Sea Transport</b> Communities and the country enjoy better access to passenger and cargo shipping services</p>	<ul style="list-style-type: none"> <li>• Improve efficiency at ports and provide competitive international port charges, including for cruise ships.</li> <li>• More frequent services to maritime provinces</li> <li>• Develop and upgrade seaways and main rivers.</li> <li>• Replacement of at least 1 light house annually and continue ongoing maintenance programme</li> </ul>	<ul style="list-style-type: none"> <li>• Annual tonnage of international cargo handled in Fiji ports increased from 3.3 million revenue tons in 2005 to 5 million by 2011.</li> <li>• Sailings on each inter-island route increased to at least 18 per year by 2011.</li> </ul>

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> <li>• Ensure a high level of safety and security in sea transport and prevent marine pollution</li> <li>• Provide economical, safe, adequate and efficient facilities for the transport of goods and people to facilitate trade, transshipment and other related functions.</li> <li>• Ensure optimal location, updated design and construction of existing and new jetties</li> </ul>	<ul style="list-style-type: none"> <li>• Fiji maintains its White List Status</li> <li>• Main Ports maintain ISPS Code status</li> </ul>
<p><b>Air Transport</b> To promote development of tourism and exports to expand industries relying on air freight.</p>	<ul style="list-style-type: none"> <li>• Continued improvements in our airport infrastructure and facilities</li> <li>• Design a model that will take care or manage non-core activities of CAAFI</li> <li>• Increased number of passenger seats per annum</li> <li>• Improved runway capacity to meet additional cargo requirements.</li> <li>• Utilization of additional air traffic rights under existing ASAs by 2007</li> <li>• Restructure and reform within the aviation industry in line standards by 2007</li> </ul>	<ul style="list-style-type: none"> <li>• 3 or more airlines with unsubsidised, scheduled domestic flights.</li> <li>• Passenger seat km on domestic flights restored to 1999 levels of 110 million by 2009 and increased to not less than 150 million by 2011 from 73.1 million in 2005.</li> <li>• International airfreight capacity increased from 700 million tonne/km in 2005 to not less than 1,000 million tonne/km by 2010.</li> </ul>

### 8.13 Energy

#### Goal

To facilitate the development of a resource efficient, cost effective and environmentally sustainable energy sector

#### Links to Strategic Priorities

Energy is a required input for most economic activities so supports Strategic Priorities of restructuring to promote competition and efficiency, raising exports, raising investment levels for jobs and growth, leading to a contribution to alleviating poverty.

#### Link to UN Millennium Development Goals (MDGs)

Efficient and sustainable energy use contributes to ensuring environmental sustainability (MDG 7).

#### Development Rationale

Availability, reliability and cost of appropriate forms of energy are necessary as a basis for viable production investments needed to attract private productive investments to create employment, alleviate poverty and increase exports. Energy

directly supports growth of the economy and indirectly influences stability of the country as well. As a fundamental element to any commercial businesses operation energy directly contributes to the formation of capital investment that sustains economic growth.

Government will increase access to provision of energy during the planning period through supporting FEA in energy production to extend its grid and assist others through diesel-powered generators. Equally importance will focus on educating and advocating minimizing utilization of energy. Operation of regulator will hopefully be established to look at interest of both the provider and user addressing both tariff and technical issues.

Consumption led growth has contributed to a decline in efficiency of imported oil products use from \$8.27 of GDP (at 1995 prices) in 2000 to only \$5.01 in 2004. Increased efficiency in the use of imported oil is needed. Recognizing the parallel need to pursue alternative sources of energy, Government realizes how vulnerable to risk is involved relying on fossil fuels. Extensive planning, research and development will be required to look at avenues to enhance and support provision of energy from renewable energy sources.

Realizing the need to boost the supply of energy to the economy, Government will identify PPP projects to support the sector.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>The community has increased, secure access to affordable and reliable energy supplies.</p>	<ul style="list-style-type: none"> <li>• Enact enforce appropriate legislation to improve sustainable energy use, including the National Energy Policy (NEP) and Renewable Energy Based Rural Electrification Act</li> <li>• Monitor Customer satisfaction through survey and develop and implement an awareness program supported by a sound and reliable energy information system for end use decision making at all levels.</li> <li>• A better understanding of Fiji's energy security situation to guide future policy decisions - established by 2008</li> <li>• Greater collaboration within the industry and development of proposals for private sector involvement in energy, including review of tariffs and cost recovery..</li> <li>• Reduce energy use through energy efficiency research, demonstration, energy audits, regulation, and building codes, and create a robust market for energy efficiency services.</li> <li>• Promote measures to reduce fuel</li> </ul>	<ul style="list-style-type: none"> <li>• GDP per kg oil equivalent, at constant 1995 prices, increased from \$5 in 2004 to \$8 by 2011</li> <li>• Household power outages on Grid Lines are each not more than 5 minutes by 2010.</li> <li>• 90% national electrification coverage by 2011 and not less than 85% in rural areas.</li> <li>• Increase numbers of IPP from 0 to 6.</li> <li>• Improvement in the national energy mix from 40/60 renewables to fossil fuel to 50/50 for the</li> </ul>

Policy Objectives	Strategies	Key Performance Indicators
	consumption in Fiji's transport sector <ul style="list-style-type: none"> <li>• Develop and implement a national electrification master plan covering both grid and stand-alone systems</li> <li>• Research, promotion and utilization of renewable energy applications</li> <li>• Assess local renewable energy resource potential, undertake research, identify technologies appropriate to Fiji and develop information systems</li> </ul>	grid and from 5/95 to 10/90 for off grid by 2011. <ul style="list-style-type: none"> <li>• 30% of fuel for transport is bio-fuel, LPG or LNG by 2010.</li> </ul>

## 8.14 Water and Sewerage

### Goal

Increasing access to safe drinking water and a sanitary waste disposal system.

### Links to Strategic Priorities

Water and sewerage support sustainable economic activity and healthy urban environments, thus supporting the Strategic Priorities of restructuring to promote competition and efficiency and raising investment levels for jobs and growth.

### Link to UN Millennium Development Goals (MDGs)

Improved access to safe water and effective sewage treatment helps to promote health for children (MDG 4), mothers (MDG 5) and general prevention of diseases (MDG 6) as well as ensuring environmental sustainability (MDG 7).

### Development Rationale

Water is important for both rural and urban population. Also, for Fiji's economic growth and commercial developments, notably tourism, the availability of sufficient and reliable services for water and sewerage is crucial. Water and Sewerage is contributing to the Strategic Priorities for raising investment for growth, reforming the public sector to reduce the cost of doing business, structural reforms to promote competition and efficiency and promoting Public-Private Partnership. Improved access to water and sanitation is a basic necessity and is covered by indicators under MDG Goal 7, to ensure environmental sustainability.

The plan recognizes the need to provide access to reliable and adequate supplies of clean water for both urban and rural centres through expanding the rural water supply scheme, extension and upgrading of major urban and regional water schemes and provide access to sanitary and environmentally safe sewerage waste systems and treatment facilities.

The plan will also try to develop and implement a Water Management Policy, which will increase efficiency and better meet the needs of the community.

## Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
The community is served by access to reliable and adequate supplies of safe water in both urban and rural centres and to sanitary and environmentally safe sewerage waste systems and treatment facilities	<ul style="list-style-type: none"> <li>• Expanding the rural water supply scheme and the extension and upgrading of major urban and regional water schemes as outlined in their respective master plans</li> <li>• Expansion of sewer reticulation mains and treatment plant facilities and promoting the need for care of the environment</li> <li>• Private sector participation in development and operations of water and sewerage services, including outsourcing, and reorganisation of Water and Sewerage as a corporate entity, supported by review of tariffs and management structures, to improve efficiency and effectiveness,</li> <li>• Identify possible 15 water and sewerage projects and prepare cost estimates and tender documents</li> <li>• Promote aggressive leakage detection program by setting targets for volumetric savings per month</li> <li>• Have appropriate legislation in place and appropriate regulatory bodies chartered</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the urban population with sewerage connection to not less than 49% by 2009</li> <li>• Rural population with water seal toilets or other sanitary waste-disposal systems increased from 45% to 80% by 2011</li> <li>• 95% of the urban population and 80% of the rural population have access to safe water supply by 2008</li> <li>• Annual new water connections increased from 3000 to 4000.</li> </ul>

### 8.15 Foreign Affairs and External Trade

#### Goal

Global integration for Fiji's cultural, political and diplomatic advancement and socio-economic development.

#### Links to Strategic Priorities

Good diplomatic and trade relations with other countries will facilitate the move towards a more open and export-oriented economy. This contributes directly to the Strategic Priority of sustaining growth through raised investments and export earnings. Achievement of this outcome would consolidate Government's fiscal position and help maintain macroeconomic stability.

#### Development Rationale

The Plan recognises the importance of increased export and that the proliferation of trade agreements could result in excessively complex and opaque trade regimes which increase the cost of doing business. This can prove costly on opportunities for trade and investment in the private and public sectors. Policies will be formulated, in cooperation with the private sector, that allow regional integration to complement

most-favoured-nation-based trade liberalization and avoid undesirable trade diversions. Through her membership in regional and international organisations Fiji will negotiate increased access to global markets and emphasise the needs of small developing countries in multilateral negotiations.

Fiji will also strengthen diplomatic relations with sovereign states and international institutions.

Measurable outcome oriented KPI's have been set which will allow monitoring of the success in achieving Strategic Priorities.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>Communities should benefit from Fiji's diplomatic and external trade relations and development.</p>	<ul style="list-style-type: none"> <li>• Implementation of the National Export Strategy, coordinated under the Ministry of Commerce and Industry, to be implemented as a Strategic Priority.</li> <li>• Diversify export markets, particularly in the Asia-Pacific region, in close cooperation with private sector producers and traders.</li> <li>• Improve investment and trade facilitation and negotiation capacity.</li> <li>• Enhance existing bilateral and multilateral relations.</li> <li>• With the private sector and concerned agencies, develop a temporary employment strategy and establish agreements with regional countries to facilitate training and employment of skilled and seasonal workers to be employed in those countries.</li> <li>• Develop and implement Medium Term plan/targets for free trade agreements.</li> <li>• Strengthen trade facilitation in areas of quarantine protocols, customs, ports and immigration.</li> <li>• Advocate Fiji's interest and profile in regional and international institutions.</li> <li>• Adhere to international declarations, agreements, conventions and treaties and align domestic policies to them.</li> <li>• Recruit personnel with expertise in trade, trade negotiations and investment.</li> <li>• Develop a South Pacific Policy Statement on regional resource pooling, governance and security.</li> <li>• Secure visa free entry for Fiji citizens to</li> </ul>	<ul style="list-style-type: none"> <li>• Exports of goods and services to be increased from 58% of GDP in 2005 to at least 65% of GDP.</li> <li>• Agreements in place with Australia and New Zealand on temporary employment of Fiji nationals as skilled and/or seasonal workers.</li> </ul>

Policy Objectives	Strategies	Key Performance Indicators
	foreign countries. <ul style="list-style-type: none"> <li>• Establish and maintain a website to provide accurate and timely information on Fiji.</li> </ul>	

## 8.16 *Employment and Labour Market*

### Goal

Fullest and most productive utilisation of our human resources.

### Links to Strategic Priorities

An efficient, productive, and mobile labour force is an essential counterpart to increased availability and utilisation of investments and land in traversing to a new, sustainable, high growth equilibrium. Employment and labour market development are critical to achievement of Strategic Priorities of restructuring to promote competition and efficiency, raise export earnings and raise investment levels for jobs and growth. In supporting these Strategic Priorities it will also contribute to alleviating poverty, rural and outer island development and promoting peace and harmony.

### Link to UN Millennium Development Goals (MDGs)

Sustained employment is helps to eradicate extreme poverty and hunger (MDG 1) and reforms promote gender equality and empower women (MDG 3).

### Development Rationale

In addition to the direct support for MDGs contribute to other MDGs indirectly. The employment reforms promote the role of women in development and employment of school leavers, the proportion of women in wage employment in the non-agriculture sector and employment of 14-25 year old are used as indicators. Reforms also improve maternal health for working mothers; reduces child mortality through enhanced maternity protection; and promotes education of children though its child protection policy.

The Labour Reform brought about by the enactment of the Employment Relations Bill (ERB) will restore confidence, stability and growth in the labour market and contribute to creation of a business environment conducive to increased private investment and business activity, thus further increasing employment opportunities. Employment is a means to maintaining stability by alleviating poverty; it sustains growth through productive employment by reducing the cost of doing business; promotes competition and efficiency hence raising exports and productive investments.

The policy objectives summarize the supply and demand side of the labour market, and the development and utilisation aspect of the human capital. It reflects governments' commitment to improving the functioning of the labour market. The strategies on the other hand, highlights the need for effective and consistent inter/intra agencies consultation to ensure the realisation of that broad policy objectives defined by government. The specific KPI's therefore are arrived at through the strategies and are considered as a means of achieving the policy objective.

### Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>Employees work in a safe, healthy, decent, conducive and sustainable work environment where more people can secure incomes from employment in the formal and informal sectors and acquire technical skills and productivity levels needed for higher incomes and economic development.</p>	<ul style="list-style-type: none"> <li>• Creating new employment opportunities and self-employment for people by establishing appropriate legal and operational framework and to include the annual review of all employment incentive schemes.</li> <li>• The implementation of the ERB and its subsequent legislation that includes the establishment of Productivity Committees consistent with the 2005 Productivity Charter</li> <li>• Improved functioning of the labour market and to facilitate Labour Mobility through the establishment of a Policy and Legal framework.</li> <li>• In cases of market failures, the recruitment of expatriate workers where there are appropriate shortages.</li> <li>• Reactivation of the Tripartite Forum from 2007.</li> </ul>	<ul style="list-style-type: none"> <li>• Unemployment reduced from 14% in the 2002 HIES to less than 7% by 2011.</li> <li>• Increasing people in paid employment from 239,000 in 2005 to 254,000 in 2011</li> <li>• Increase intake at tertiary and vocational institutions to meet skills needs by 10% annually beginning 2007</li> <li>• Increase the number of people entering apprenticeships to 300 annually.</li> <li>• Each year, 10 organisations to attain compliance with the productivity clause of the ERB.</li> <li>• Increased proportion of rural households receiving paid employment between now and the next HIES.</li> <li>• Increased compliance of the OHSA</li> <li>• Reduced Workers Compensation payouts by 10%.</li> </ul>

## Chapter 9 Implementation, Monitoring and Evaluation

### 9.1 Purpose

The Strategic Development Plan sets out how progress will be made towards the Government's vision of a peaceful, prosperous Fiji. It is not a detailed operational plan, but guides the setting of operational plans by Government and, through setting out broad strategies and key performance indicators, invites the private sector and civil society to join with Government in meeting those objectives which Government cannot achieve alone.

As set out in the SDP, Government will implement its part in the achievement of SDP objectives through the annual plans and budget allocations of Ministries and Departments. The SDP is implemented through all Government agencies. This requires coordination in: (i) agency planning, in their corporate plans; (ii) implementation of agency plans which contribute to achievement of outcomes; and (iii) monitoring and evaluation of implementation performance in achieving outcomes and providing feedback to enhance performance.

Progress in these areas was made in the previous plan in the then newly established arrangement of Summit Working Groups (SWG). Learning from that experience, a consensus has developed that achievement of Strategic Priorities will be increased through strengthened coordination of implementation, monitoring and evaluation. In response to the specific request of the National Economic Development Council in August 2006, it is intended that this SDP incorporate a chapter and annexes detailing the processes and methodologies to be adopted for effective implementation.

The present chapter presents an outline and principles to be adopted for this plan. As an addition to previous plans and stakeholder reviews it is intended that this plan be developed and detailed before finalisation after the National Economic Summit on 28<sup>th</sup> and 29<sup>th</sup> September 2006.

### 9.2 Vertical Coordination

Implementation will be guided by the hierarchy of plans introduced in the Financial Management Act 2004, which must be carefully coordinated in their preparation and implementation.

- **SDP** focuses on policy objectives and outcomes which reflect Government's Strategic Priorities derived from the political manifestoes of the Government parties; strategies to support these outcomes will guide the annually reviewed SPS, ACP, and PSIP so that plans and allocation of resources are aligned to the outcomes.
- **SPS** is a rolling three year plan to refine the Medium Term Strategy in terms of the benefits to be targeted within the development funds available. The SPS sets the near term framework, within which agencies develop their ACP programmes and projects to support their contributions to outcomes.

- **ACP** alignment with whole Government outcomes will be based on a pro-active partnership of NPO with PSC and agencies to identify activities and outputs which best respond to Government objectives;
- **PSIP**, as part of the budget process, will focus on capital investment and development projects which produce the public goods and services – deliverable outputs of the ACPs – which support achievement of the SDP outcomes.

Vertical coordination is necessarily the responsibility of the Ministry of Finance and National Planning, which is involved at each level. In ACP preparation the coordination role is shared between the Ministry and the Public Service Commission to address needs for both financial and human resources.

### **9.3 Horizontal Coordination**

Horizontal coordination across agencies is more complex. Implementation involves many agencies, some of which have an autonomous tendency to “do their own thing”. The SDP Outcomes – impacts on the community – are normally the joint outcome resulting from several related outputs of different agencies - Figure 8 on page 67 clearly illustrates that no Strategic Priority is served by the outputs of a single agency. As such, autonomous implementation by individual agencies is likely to produce sub-optimal achievement of Outcomes consistent with Strategic Priorities.

Horizontal coordination, therefore, needs to ensure that agencies are working in parallel to achieve the national outcomes rather than narrowly pursuing individual agency objectives. Plan implementation involves different levels of decision making and implementation. Horizontal coordination is needed at each of those levels and between them. This coordination between levels is concerned with operational matters rather than the planning and administrative matters discussed above as vertical coordination.

- **The Political Level** is concerned with decisions of Cabinet, Cabinet Sub-committees and individual Ministers. Such decisions provide overall guidance and direction to Plan implementation.
- **The Administrative Level** is concerned with direction and coordination of Government agencies in the execution of the agreed programmes and projects of corporate plans, which are aligned towards Plan outcomes and Strategic Priorities. Coordination will be undertaken through regular meetings of the CEO Forum and Development Sub-committee. This may be strengthened by including coordination within the performance contracts of CEOs.
- **The Stakeholder Level** is critical for coordination between all those involved in achievement of Plan outcomes – Government, private sector and civil society – and between those implementing the Plan and the communities who are intended to benefit from the Plan. Coordination will take place in the National Economic Summit, National Economic Development Council and Summit Working Groups. Emphasis will be placed on monitoring and evaluation to provide feedback for improved implementation.

In the 2007-2011 Plan, it is proposed to adopt a strengthened SWG system to monitor and support coordination of implementation. Following the re-orientation of the SDP towards outcomes it may be necessary to also re-orientate SWG's towards outcomes rather than activities or sectors alone. Such a re-orientation could be based on "clusters" of KPI matching activities and sectors to a limited set of related Strategic Priorities. One such set could be based on macroeconomic management, restructuring of the public sector, financial services and employment and labour markets to address the KPI related to the institutional development necessary to create conditions conducive to entrepreneurial investment supporting economic activities.

The work of such groups can also be made more effective by the much smaller number of KPI proposed in this Plan. Active participation by CEOs will be encouraged to increase the effectiveness of the SWG. All of the KPI will monitor outcomes and will be quantifiable. Once approved in the National Economic Summit a Monitoring Manual will be completed detailing for each KPI what it is, who is responsible for its collection, how it is to be analysed and presented, what information does it provide. This will provide much clearer and meaningful information for SWG's and Government to assess performance and identify areas in which performance can be enhanced.

National Planning Office will continue to act as secretariat to support coordination and to implement the outcome-oriented monitoring and evaluation system outlined in the following section.

#### **9.4 Monitoring and Evaluation System**

In assessing progress periodically on the SDP the key monitoring questions will be:

- Are corporate plans and budget spending plans in line with the SDP (including in such cross-cutting areas as poverty reduction, gender equity, social justice and encouragement of the private sector)?
- Are Ministries and Departments achieving against the objectives in their corporate and annual plans?
- What progress is being made against the key performance indicators?
- Are the private sector and civil society able in the current policy environment to contribute to the achievement of SDP objectives?

These questions will be answered in part through normal control mechanisms in the Government - for example, Ministry of Finance scrutiny of budget bids and reporting processes on annual and corporate plans. But they should also provide a more focused agenda for the Summit Working Groups.

##### **9.4.1 Monitoring the Key Performance Indicators**

The KPIs have been designed to be more precise than those in the previous SDP, and to capture changes in people's lives as a result of Government policy or other factors. They have only been included where information is already available or where it seems likely that it will become available over the SDP period.

They have been deliberately set in a number of cases at a point which is beyond the control of any one Department. However, it will be necessary for the responsibility for tracking the indicator to be allocated at some point within the machinery of

Government. Internal control systems, and Summit Working Groups, will need to make an explicit distinction between those outcomes, typically at the level of corporate plans, where a Department is accountable for delivering and those where it is accountable only for measuring. In some cases the responsibility for measurement will lie with the Bureau of Statistics.

KPIs will be grouped and allocated to Summit Working Groups in consultation with Chairmen of the Groups. National Planning, as secretariat to the Working Groups, will aim to set a forward agenda for each group under the direction of the Chairmen within which meetings will be timed according to the availability of new data. Many of the KPIs will yield only annual data, and some will be measured more infrequently. Groups may therefore need to plan to use one of their meetings, when new annual information at the level of the KPIs is not available, to consider progress against intermediate objectives in corporate plans, based on reporting from Ministries and Departments.

It should become an important part of the function of the Working Groups to assess the continuing relevance of KPIs and the quality of information they are providing so that the adequacy of all KPIs is kept under review and not left until the mid term review to be assessed.

Bilateral donors and international financing institutions will be expected to align their programs closely to SDP outcomes.

National Planning, with support from the Bureau of Statistics, will convene a technical working group on the KPIs which will meet as required to make recommendations on changes to the KPIs either as the Plan progresses or at the time of the mid term review.

During 2009, National Planning will undertake a mid term review of the SDP, collating information against the KPIs and analysing the implications for action in the remaining Plan period. Given the smaller number of KPIs involved the process and the review report should both be shorter than in 2004. As an input to reviews, National Planning may commission specific evaluations to provide deeper analysis in selected areas, or draw on existing material generated from public institutions, such as the Reserve Bank of Fiji or development partners.

National Planning will prepare a monitoring manual before the end of 2006 which will set out in more detail the responsibilities for collecting data on each KPI, the source of data and the timing and regularity of its availability. It will also provide for the modification of KPIs as sources of data fall away or new sources of data become available, set a framework for the mid term review, and contain guidance for staff in their role as secretaries to the Working Groups, and for SWG Chairmen.

## **9.5 *Timeline for Coordination***

After approval of the Plan by Government and Parliament it will provide a context for finalisation of corporate plans in November and December 2006. At the commencement of implementation in 2007 a joint meeting of Ministers and CEOs will be held to review the needs of implementation and reinforce the coordination programme.

The annual implementation and monitoring cycle, begun in 2007, will continue each year on the following pattern:

- **January:** Each ACP will be aligned to SDP outcomes and commence implementation in January. Monitoring and evaluation will be on-going but also start a new cycle with the new ACPs in January.
- **June:** By the end of June, progress in implementation will be reviewed to identify progress and measures which could better achieve objectives
- **July-October:** The June review will coincide with the Strategy Policy Statement and Budget Strategy. These three will provide a basis for the development of proposals for the next year's ACP and budget over the period from July to October each year. This period will be a demanding time for effective coordination vertically and horizontally.
- **November-December:** When the Budget is finalized in November, each agency will know the precise resources available for its ACP in the next year so will finalise its ACP by end December, ready for implementation to begin the following January.

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