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SOCIAL POLICIES IN FIJI

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Abstract

In this paper we review Fiji's social development policies and strategies in the post-independence period, drawing on various development plans. We conclude that Fiji has followed a fairly good set of social development strategies over the last 40 years. Education and health, which were prioritized from the colonial period, have received continued government commitment. The strategies and focuses have been appropriate, with attention to ensuring universal access, particularly among disadvantaged groups, and making services free at the point of use. Also, there have been efforts to improve quality and to enlarge the network of services at the local level. As a result, there have been notable achievements in terms of social indicators. However, these achievements fall short of what should characterize an upper-middle income country like Fiji and progress has faltered recently. Inequalities have persisted and the quality of services has varied. Both health and education have been affected by problems of poor management and leadership, and "brain-drain" from migration of skilled workers. As a result, the policies and strategies set out in the development plans have failed to achieve the desired level of social development in Fiji.

I argue that the failure to achieve a desirable level of social development is due in large part to persistent political instability in Fiji, which has been an obstacle to investments and therefore growth. Over the last three decades, private investments in Fiji have averaged only about 10 per cent of GDP despite expectations of 25 per cent levels. This has deprived Fiji of its target growth rate of 5 per cent per annum; over the last three decades economic growth has averaged less than 3 per cent per annum. Given persistent political instability, low levels of private investment and mediocre economic growth, Fiji's social economy has weakened substantially in the last two decades: unemployment has increased to about 25 per cent, while poverty has increased to about 30 per cent.

Therefore, Fiji has in the last few decades performed poorly in terms of social development and its social fabric has worsened since the 1987 military coups. Ensuing coups and sustained political instability have not helped recovery. Emigration has compounded the problem through human capital loss to countries such as Australia, New Zealand, the United States and Canada. In order to improve the social and economic performance of the country, Fiji needs to engage in consensual and participatory democracy, improve social cohesion, develop its welfare state and build capacity to exercise its power of jurisdiction. All this is possible through developing a stable political climate conducive to social and economic growth and development.

1. Introduction

In this paper, we review and evaluate the success of Fiji's strategies for social development over the past four decades. Social development includes a wide range of key social fundamentals, such as health, education, law and order, access to water and electricity, social welfare, poverty and employment. It is crucial for sustainable economic growth.

A key feature of many developing countries, including some small states, is their poor social development status. Among the small island states, Fiji is a prime example of stagnating social development, due to its gradual, yet sustained, political instability in the post-independence period. As discussed below, both public and private health expenditures (% GDP) in Fiji are lower than the average level for middle-income countries and public expenditures are lower than the levels of many other small states, including Solomon Islands, Vanuatu and Barbados (see Table 12). Social problems (such as crime rates, suicide, rape and domestic violence) have increased sharply over recent decades. However expenditure on the police force has remained fairly stagnant during this period. One reason for the lack of focus on social development and these deteriorating social conditions was the diversion of resources to the military following the 1987 coups. Fiji’s poor socio-economic performance provides the main motivation for this study and makes this critical evaluation of Fiji's social development very timely.

Fiji is a small island country with a population of 849,000 (2009) which has grown at an average rate of 1.4 per cent since 1975 (World Bank 2011 WDI). It is classified by the World Bank as an upper-middle income country with a GDP per capita (PPP) of roughly US$4,500 (2009). In 1999, life expectancy was 68.8 years and the overall literacy rate was 92.6 per cent (UNDP, 2001). Fiji pursued import substitution policies from independence in 1970 until the mid-1980s, after which it followed export promotion policies. Generally Fiji’s growth performance has been quite poor with GDP per capita growing at a meagre average of 1.5 per cent per annum between 1970 and 2009. In addition, the growth trajectory has been highly volatile, ranging from a low of -8.4 per cent (1982) to a high of 10.4 per cent (1970), with twelve years of negative growth. Following the introduction of trade liberalisation measures, Fiji’s average growth rate showed some improvement between 1986 and 1990, but growth over the last decade has been disappointing. This is usually attributed to a mixture of poor economic policies and political instability starting from the 1987 coups.

Fiji is one of the few small states for which time series data is available. This data has allowed applied researchers to study Fiji's macroeconomic development from several perspectives. There are now several time series studies that examine international trade issues (see Narayan and Narayan 2004a, 2004b, 2005a, 2005b Reddy 1997), money demand and economic growth issues (see Narayan and Narayan 2008a; Jayaraman and Ward 2000, 2004; Narayan 2004; Gounder 2001), political instability and economic growth issues (see Narayan and Narayan 2007, 2008; Prasad and Narayan 2006; Narayan and Prasad 2007a; Gounder 1999, 2002; Chand and Levantis 2000); and budget deficits and exchange rate issues (see Narayan et al. 2006; Narayan and Narayan 2003; Narayan and Prasad 2007b; Prasad et al. 2007; Narayan, Narayan, Prasad, 2009; Narayan, Prasad, Prasad, 2009).

Some of the key findings from these studies can be summarised as follows: (1) political instability has had a negative effect on economic growth and international trade; (2) political instability has been responsible for an unstable exchange rate; (3) political instability has made money demand unstable, raised inflation and budget deficits; and (4) political instability has had a negative effect on the development of the tourism industry.

There are also studies that examine the relationship between government spending and economic growth (Gounder et al. 2007), electricity consumption and economic growth

(Narayan and Singh 2007a; Narayan and Smyth 2007), military expenditure and economic growth or external debt (Narayan and Singh 2007b; Narayan and Narayan 2008b), and exports and economic growth (Narayan and Prasad 2007c; Narayan et al. 2007). Generally these studies find that (a) electricity consumption, military expenditure and exports contribute to Fiji's economic growth and (b) that external debt and political instability has a negative effect on economic growth.

What has not been studied in any great detail in a time series framework is Fiji's social development. Although there are some studies that have considered the human capital aspect of social development, namely the loss of skilled labour through migration. In particular, these studies (see Narayan and Smyth 2003, 2005a, 2005b, 2006; Gani 1998) examine the determinants of migration from Fiji to Australia, New Zealand and/or the United States.

The goal of this paper is twofold. First, to examine Fiji's current social development standing. This is achieved through examining the trends in a number of social development indicators. Second, to review Fiji's general social development strategies over the 1970-2006 period. This is achieved through reviewing the various national development plans.

The rest of the paper is organised as follows. Section 2 provides an overview of Fiji's economic performance and development strategies over the past four decades. Section 3 reviews Fiji's social development indicators. Section 4 analyzes Fiji's post-independence social policies and section 5 discusses social policies in crisis situations. Section 6 provides an analysis of the four thematic issues – namely democracy, the power of jurisdiction, social cohesion and the social welfare state, and finally section 7 draws together some concluding remarks.

2. An overview of Fiji's development performance

2.1. Politics

On 10 October 1970, after 96 years of British rule, Fiji gained sovereign and independent status and a new constitution based on communal voting. The 1972 elections resulted in an Alliance majority, with the National Federation Party (NFP) in opposition led by Siddique Koya. The Alliance won the 1977 and 1982 elections as well.

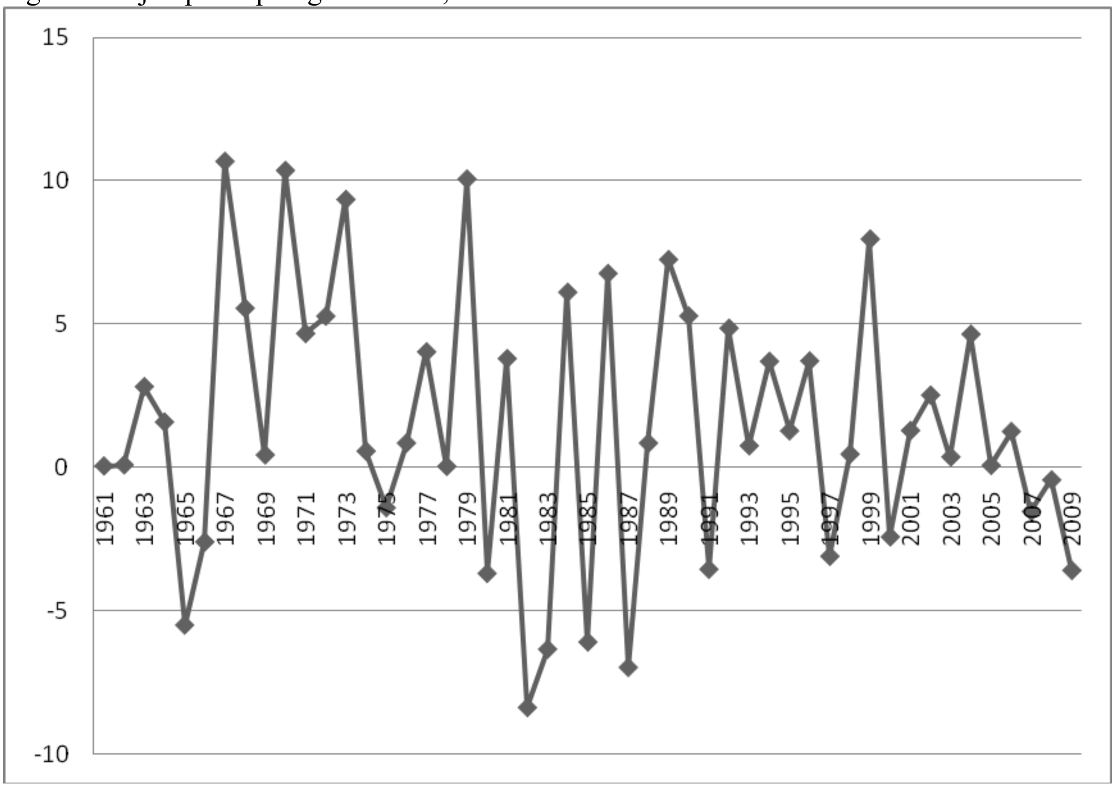
In 1987, Dr. Timoci Bavadra of the Fiji Labour Party (FLP) won the general election drawing on Indo-Fijian support. Following this election victory, tensions mounted due to the fear that Indo-Fijians would dominate the economy and take away iTaukei land – that is to say, the land of the original and native settlers of Fiji. Extremists, who opposed the FLP, used the building momentum of these fears to spread anti-FLP sentiments. One month after the election, Col. Sitiveni Rabuka took power through a military coup. Fiji became a republic and its new constitution gave the iTaukei a larger share of power in the new government. The coup received international condemnation, leading to Fiji's expulsion from the Commonwealth and the new government being officially "unrecognized" by many states, including New Zealand and Australia. Rabuka became prime minister in 1992 and Ratu Sir Kamisese Mara was appointed president in 1994.

A new constitution was adopted in 1997 after Rabuka managed to convince the Great Council of Chiefs, and elections were held in 1999. The People's Coalition led by Mahendra Chaudhry settled into government May 1999 after claiming majority. A year later the government was deposed by George Speight and his followers. Elections were held in 2001 and the interim Prime Minister, Laisenia Qarase, led his newly formed Soqosoqo Duavata ni Lewenivanua (SDL) party into victory. The SDL won a majority again in the 2006 election but was removed in a military coup in December 2006.

2.2. Economic strategy and performance

Fiji’s economic growth performance has been highly volatile, as can be seen in the GDP per capita growth rate (see Figure 1). Four distinct periods are noticeable. The first period corresponds to the pre-independence period, 1960-1969, when the per capita growth rate, which was initially low, fell to -5.5 per cent (1965) before recovering to over 10 per cent by 1967. These two extreme years of growth rate had been accompanied by fairly stagnant and subdued growth rate.

Figure 1: Fiji’s per capita growth rate, 1960-2009



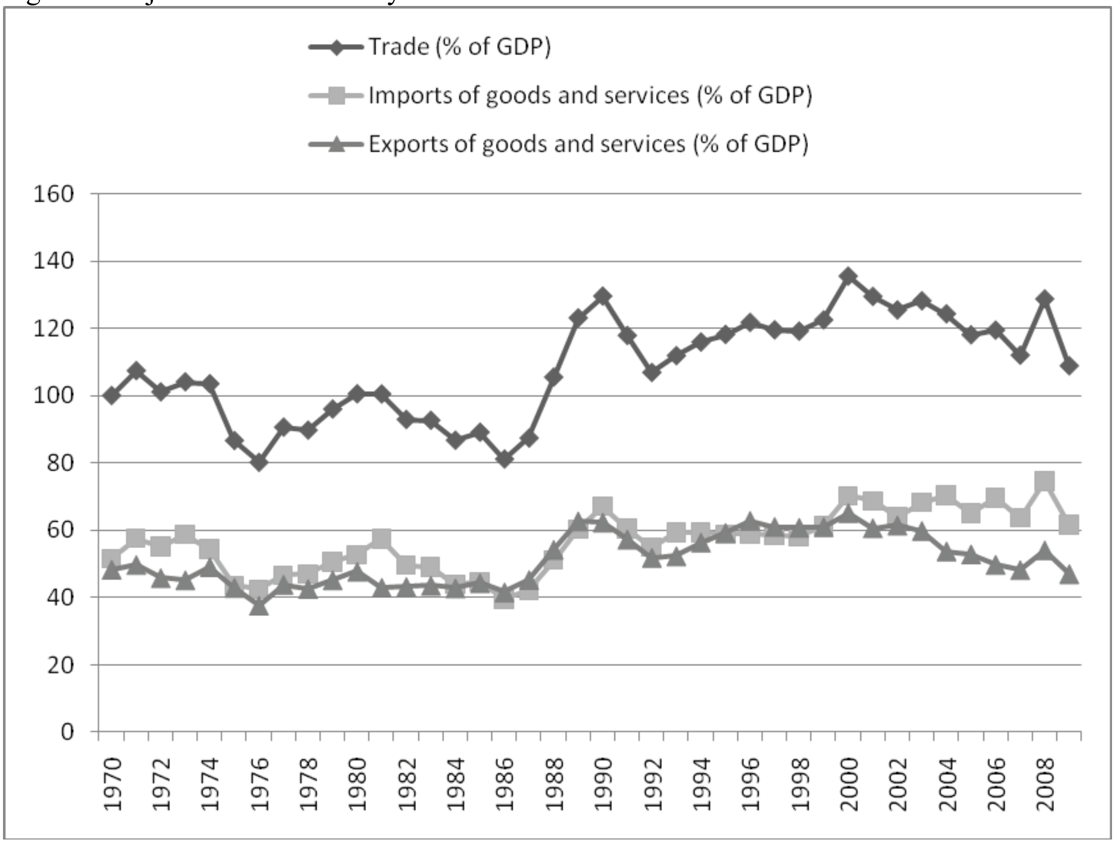
Source: World Bank. World Development Indicators (2011)

In the 1970s, in the immediate post-independence period, per capita growth rates were positive with the exception of 1975 with a growth rate of -1.4%. This relatively favourable growth trajectory was achieved despite unfavourable international conditions, including the oil price crisis in 1974, and UK and US recessions. On the other hand, the third phase of growth from 1980-1989 was extremely volatile, marked by both domestic and international crises. The international crises included the second oil price shock of 1979, the UK and US recessions of 1982 and the financial crisis sparked by the 1987 American stock market crash. Domestically, the 1987 political coups led to a drop in tourism, exports and investment levels. In turn, the weak performance of the export sector led to a 33 per cent devaluation of the Fiji dollar.

During the fourth period, from the mid-1990s to 2009, growth performance has been mixed. During this time, Fiji has experienced both positive and negative growth. In general, Fiji’s performance was characterized by positive, but fairly low growth, which was the result of a number of factors, including the 2000 and 2006 coups, the expiry of trade agreements which covered sugar and garment exports, the expiry of land leases which devastated the agricultural sector, particularly sugar, and the loss of skilled human capital.

Like many small states, Fiji is a relatively open economy, particularly in the period following the military coup of 1987 (see figure 2). As seen in the figures on trade (as a percentage of GDP), Fiji made a decisive economic policy shift towards export-oriented growth strategy after the 1987 military coups. Product market deregulation began in 1988, and trade liberalisation and structural reforms have continued since. The genesis of trade liberalisation in Fiji can be traced back to economic decline during the mid-1980s (Sepheri and Akram-Lodhi 2000). After the 1987 military coups, the government advocated export-promotion based on tax-free factories and export-processing zones. This strategy required further trade liberalisation measures.

Figure 2: Fiji's external economy 1970 - 2009

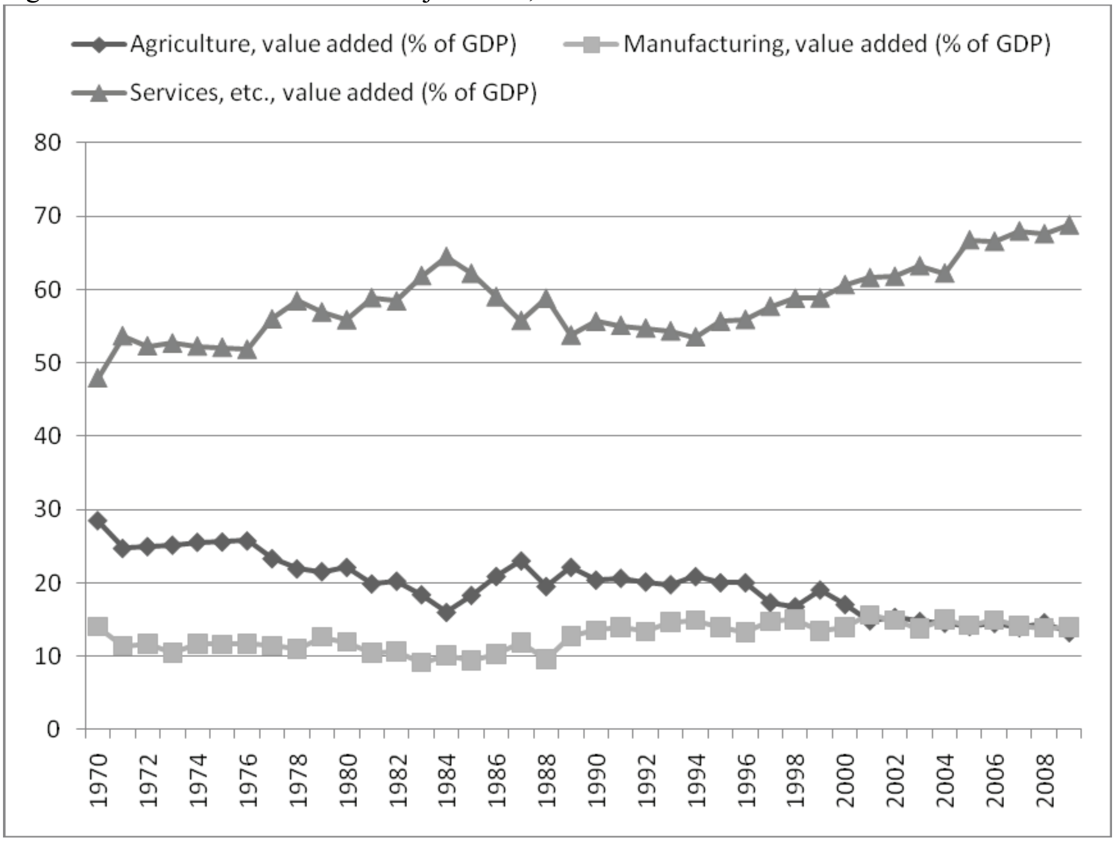


Source: World Bank. World Development Indicators (2011)

Fiji adopted a phased programme to eliminate quantitative import licenses, reduce tariffs, deregulate the financial market, remove statutory wage guidelines and promote enterprise bargaining, reform taxation to promote indirect taxes, reform public enterprise to promote corporatisation and privatization, and promote and develop exports. Despite these attempts the pace of liberalization is considered to be slow (Ministry of Finance 2003). The figure above shows that Fiji's terms of trade has improved in recent years. The Fijian economy has maintained a remarkably balanced current account in the post independence period. Although, imports have tended to be greater than exports, the difference has not been considerable.

In Fiji, traditional agriculture has been the backbone of the economy. The contribution of agriculture has been almost exclusively driven by the sugar sector. While the agricultural sector has been the main employment creator, its contribution to GDP has remained below that of the service sector in the post-independence period (see figure 3). For example, in 1970, while the agricultural sector contributed around 29 per cent of GDP, the service sector's contribution was valued at around 48 per cent of GDP; by 2009, the contribution of the agricultural sector had declined to 13 per cent, while the service sector's contribution rose to around 69 per cent. The decline of agriculture was mainly due to the expiry of land leases which severely affected Fiji's sugar industry.

Figure 3: Sectoral contribution to Fiji's GDP, 1970-2009



Source: World Bank. World Development Indicators (2011)

The service sector's rise has been mainly due to the tourism industry, which has grown to become Fiji's largest employer and foreign exchange earner. The growing tourism industry has also contributed to a growth in domestic transportation. The growth rate in visitor arrivals is plotted in Figure 4. Two observations can be drawn from this data. First, the growth rate in visitor arrivals was higher in the pre-independence period than the post-independence period. Second, the post-independence period has been marked by periods of sharp declines in visitor arrivals, particularly evident in 1987 and 2000; both years witnessed coups, which were followed by plummeting visitor arrivals to Fiji.