

GOVERNMENT OF FIJI

**Sustainable Economic and Empowerment
Development Strategy (SEEDS) 2008-
2010**

“A Better Fiji for All”

November 2007

Ministry of Finance, National Planning & Sugar Industry
Suva, Fiji.

www.mfnp.gov.fj

Abbreviations

ADB	Asian Development Bank
ADR	Alternative Dispute Resolution
ALTA	Agricultural Landlord and Tenant Act
AMA	Agriculture Marketing Authority
ASA	Air Services Agreement
BFHI	Baby Friendly Hospital Initiatives
BNPL	Basic Needs Poverty Line
BQA	Bilateral Quarantine Agreements
CAAFI	Civil Aviation Authority of the Fiji Islands
CFB	Customary Fisheries Bill
CFC	Chlorofluorocarbons
CHARM	Comprehensive Hazard and Risk Management
CID	Criminal Investigations Division
CIDA	Coconut Industry Development Authority
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CMDA	Capital Markets Development Authority
CO ₂	Carbon Dioxide
COIFS	Commission of Inquiry into Financial Services
DNR	Department of National Roads
DPP	Director of Public Prosecutions
EEO	Equal Employment Opportunity
EEZ	Exclusive Economic Zone
EFF	Export Finance Facility
EGM	Emperor Gold Mining Company Limited
EIA	Environmental Impact Assessment
EMA	Environment Management Act
ERA	Employment Relations Act
EU	European Union
FASANOC	Fiji Association of Sports and National Olympic Committee
FDB	Fiji Development Bank
FDI	Foreign Direct Investment
FEA	Fiji Electricity Authority
FHCL	Fiji Hardwood Corporation Limited
FIC	Forum Island Country
FICL	Fiji Investment Corporation Limited
FIMSA	Fiji Islands Maritime Safety Administration

FIRCA	Fiji Islands Revenue and Customs Authority
FIT	Fiji Institute of Technology
FIU	Financial Intelligence Unit
FMF	Flour Mills of Fiji
FNPF	Fiji National Provident Fund
FSAP	Financial Sector Assessment Programme
FSC	Fiji Sugar Corporation
FSFE	Fiji Seventh Form Examination
FSLC	Fiji School Leaving Certificate
FSMed	Fiji School of Medicine
FSN	Fiji School of Nursing
FTIB	Fiji Islands Trade and Investment Bureau
FTR	Financial Transactions Reporting
FVB	Fiji Visitors Bureau
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GWh	Gega Watts per hour
HA	Housing Authority
HACCP	Hazard Analysis and Critical Control Point
HART	Housing Assistance Relief Trust
HIES	Household Income Expenditure Survey
HRIS	Human Resource Management Information System
ICAO	International Civil Aviation Organization
ICT	Information & Communication Technology
IHR	International Health Regulation
IHRDPEP	Integrated Human Resource Development Programme for Employment Promotion
ILO	International Labour Organization
IMCI	Integrated Management of Childhood Illnesses
IPP	Independent Power Producers
IRB	International Rugby Board
ISO	International Organisation for Standardisation
ISPS	International Ships and Ports Authority
IT	Information Technology
ITC	Information Technology & Computing
KM	kilometres
KPI	Key Performance Indicator
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LTA	Land Transport Authority
MoA	Ministry of Agriculture

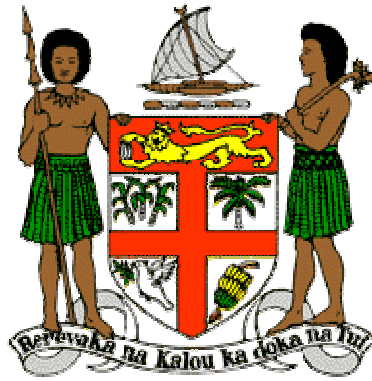
MDG	Millennium Development Goal
MFI	Micro-finance Institutions
MLA	Mutual Legal Assistance
MoE	Ministry of Environment
MoH	Ministry of Health
MPA	Marine Protected Areas
MSME	Micro, Small and Medium Enterprises
MT	metric tonnes
NAS	National Adaptation Strategy
NCCC	National Coordinating Committee on Children
NCD	Non Communicable Diseases
NEC	National Environment Council
NEP	National Energy Policy
NGO	Non Governmental Organizations
NLTB	Native Lands Trust Board
NRSC	National Road Safety Council
NCSMED	National Center for Small & Micro Enterprise Development
NSFC	National Sports Funding Commission
NSP	National Sports Policy
NZ	New Zealand
ODS	Ozone Depleting Substances
OHSA	Occupational Health and Safety Act
PACER	Pacific Agreement on Closer Economic Relations
PALP	Pacific Anti-Money Laundering Programme
PDCs	Provincial Development Committees
PIB	Prices and Incomes Board
PICTA	Pacific Islands Countries Trade Agreement
PMTCT	Prevention of Maternal To Child Transmission
PPP	Public Private Partnership
PRB	Public Rental Board
PSIP	Public Sector Investment Programme
RBF	Reserve Bank of Fiji
RFMF	Republic of Fiji Military Forces
ROI	Rural and Outer Island
RTGS	Real Time Gross Settlement
SCARF	Seed Capital Revolving Fund
SCGC	Sugar Cane Growers Council
SME	Small and Medium Enterprise
SMME	Small, Medium and Micro Enterprises
SOPAC	South Pacific Applied Geo-science Commission

SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
SRU	Squatter Resettlement Unit
TAC	Total Allowable Catch
TCF	Textile, Clothing and Footwear
TCTS	Tonnes of Cane per Ton of Sugar
TPAF	Training Productivity Authority of Fiji
TVET	Technical and Vocational Education and Training
UGMP	Urban Growth Management Plan
UN	United Nations
UNCEDAW	United Nation Convention on the Elimination of All Forms of Discrimination Against Women
UNCRC	United Nations Convention of the Rights of the Children
UNDP	United Nations Development Programme
UPAP	Urban Policy Action Plan
USP	University of the South Pacific
VCCT	Voluntary Counselling and Confidential Testing
WHO	World Health Organization
WNC	World Netball Championships
WOSED	Women's Socio-Economic Development
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation

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Chapter 1

Statement of Vision, Mission and Guiding Principles

Chapter 1 Vision, Mission and Guiding Principles

1.1 Introduction

The Sustainable Economic and Empowerment Development Strategy (SEEDS) 2008-2010 for Fiji is the culmination of consultations with key stakeholders. The Strategy builds on the mandate given to the Interim Government by His Excellency the President to achieve the Vision of a better Fiji for all. The mandate covers the following broad areas:

- to continue to uphold the Constitution;
- where necessary facilitate all legal protection and immunity, both criminal and civil, to the Commander, Officers and all members of the RFMF;
- give effect to the actions of the RFMF including the respective suspension, dismissals and temporary removal from office of civil servants, Chief Executive Officer's, those appointed by the Judicial Services and Constitutional Services Commissions, the Judiciary and Government appointed Board members;
- steady our economy through sustained economic growth and correct the economic mismanagement of the past six years;
- lift up the living standards of the growing poor and underprivileged of our country;
- restructure the Native Land Trust Board to ensure more benefits flow to the ordinary indigenous Fijians;
- eradicate systemic corruption by including the setting up of an Anti-Corruption Unit through the Attorney General's Office and set new standards of Governmental and institutional transparency;
- improve our relations with our neighbours and the international community;
- take our country to democratic elections after an advanced electoral office and systems are in place and the political and economic conditions are conducive to the holding of such elections;
- immediately as practicable introduce a Code of Conduct and Freedom of Information provisions; and
- give paramountcy to national security and territorial integrity of Fiji.

The Vision which drives the Strategy 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 the Interim Government's aspirations for Fiji in the short, medium to long term. The Mission and Guiding Principles summarize the approach and philosophy that Government will take in designing and implementing policies to achieve the Vision.

The mix of policies needed to steer the country towards that Vision is dependant on the current political, economic and social situation and trends. Chapter two highlights the

country's present economic and social situation and the development challenges that the country faces.

Government's Short and Medium Term Strategy is outlined in the third chapter and sets the framework for the plans for the future presented in the succeeding chapters. The strategy, which can be summarized as *Strengthening Good Governance, Raising Growth and Enhancing Social and Community Development*, identifies the Strategic Priorities on which the Interim Government must concentrate during the next three years. The Strategic Priorities are: Good Governance, Growing the Economy, Reform of Public Service and Financial Institutions, Access to Land and Land Utilization and Social and Community Development.

1.2 Vision: "A Better Fiji for All"

The objective of the Plan is to identify and implement policies to take us forward to our vision of, "A Better Fiji for All". We believe that this vision is one that should be shared by all citizens of Fiji. A better Fiji is one that is well governed, prosperous, non-racial, united and peaceful.

1.2.1 Good Governance

Good Governance is a fundamental prerequisite for a "Better Fiji for All". It is an important process of improving the ethical and professional standards and quality of the public sector, stressing increased transparency and accountability at all levels. It requires changes in people's attitudes to work and efficient and accountable delivery of services. All levels of the public sector should be involved, including a new Parliament, national and local government agencies.

The Interim Government is committed to improving good governance and increasing transparency and accountability in the public and private sectors. The Fiji Independent Commission Against Corruption (FICAC) has been established to tackle corruption. The promulgation of anti corruption laws and the promulgation of a corresponding anti-bribery law, has added strength to the work of the Anti-corruption Commission.

The key institutions for effective governance including the Judiciary, the Offices of Auditor General and the Ombudsman, Human Rights Commission and the Law Reform Commission will be strengthened. In addition, the indigenous Fijian institutions will be reviewed to increase the efficiency and effectiveness, including the Great Council of Chiefs, Native Lands Trust Board, Fijian Affairs Board Ministry of Fijian Affairs and Provincial Development and Provincial Councils. The Attorney Generals Chamber is in the process of finalizing the Code of Conduct and Freedom of Information Promulgations. The formulation of these provisions should lead to accountability on the part of holders of high public office and to wider access by our citizens to Government information and processes.

The return to Parliamentary democracy, will pave the way forward for good governance principles to be adhered to by all sections of our communities. The Interim Government will promote accountability by: (i) processes which fully inform public 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.

1.2.2 Prosperity for All

The Interim Government firmly believes that it has a social responsibility to its citizens to put in place policies that will achieve prosperity, for all races including the poorest, disadvantaged and most vulnerable citizens. Prosperity and decent living standards can only be achieved when the economy is growing. The economic recovery measures on enhancing investments and exports announced in the 2007 Budget are in progress and these are expected to contribute to higher growth in 2008 and beyond.

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 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.

Political stability is fundamental to achieving sustained high economic growth that will be able to provide job opportunities 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. The Interim Government has a social responsibility to provide a safety net as well as to ensure the poor are equipped with good education and are in good health, in order to benefit from income earning opportunities.

The Interim 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.

1.2.3 Peaceful, Non-Racial and United Society

The Interim Government believes in the principles of peace, non racial and harmonizing co-existence of all sections of our communities. The Constitution guarantees the rights and freedoms of our people.

Achieving peace and unity in our multi-cultural country is a long term commitment that must be vigorously pursued through building understanding amongst leaders and communities at all levels - from local to national, 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. A review of the Affirmative Action programmes under the Social Justice Act 2001 will be undertaken to gauge its efficiency in improving the living standards of the disadvantaged. Affirmative Action programmes will be available to all races who are eligible to access the programme.

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 programme 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 next few years.

The guarantee of fundamental rights and freedoms for every citizen of Fiji and their equal protection under the law as entrenched in the Constitution, are also an essential part of our vision for A Better Fiji For All. 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 and social cohesion in our multi-cultural society. Of particular importance is the freedom for every citizen to practice the religion of his or her choice.

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 Good Governance, Prosperity and Peace. Government has consulted widely with the private sector and with non-government organizations to identify the policies appropriate to the current social and economic situation in Fiji. Based upon these shared priorities, the Strategy 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, and other communities in Fiji

- 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 Organization, 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

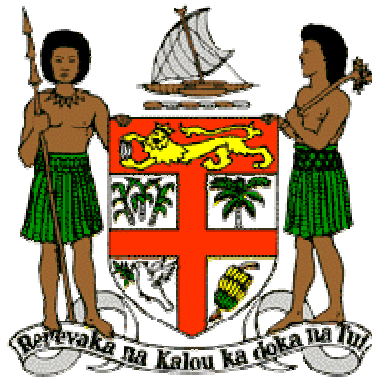
Government is committed to achieving these Goals and gives assurance that the policies in this Plan are consistent with the Millennium Development Goals (MDGs). Targets and Indicators for the achievement of the MDGs, which have been developed by the various UN departments, the World Bank, the International Monetary Fund (IMF), and the Organization for Economic Cooperation and Development (OECD), and the relevant MDG indicators are incorporated as Key Performance Indicators in Chapters 4 to 9.

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 Strategy 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 Sustainable Economic and Empowerment Development Strategy, 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.



Chapter 2

Review of Economic and Social Development

Chapter 2 Review of Economic and Social Development

2.1 Review of Economic Development

2.1.1 Economic Performance 2001 2006

Volatile movements in the growth of real GDP were experienced between 2001 and 2006, with large increases and decreases in the economy's growth rate. But despite these movements over the period in question, the growth rate has remained positive, albeit at varying values. In addition, the economy has seemed to rebound after apparent slowdowns in growth as experienced in both 2003 and 2005, where GDP growth was just 0.7% for the latter year.

The mixed performances of the various sectors in the economy can be considered as one of the causes of this volatility in GDP growth. While provisional estimates from the Fiji Islands Bureau of Statistics (FIBOS) show the domestic economy grew by around 3.6% in 2006, this was characterized by the following industrial behaviour:

- The sugar, fishing, electricity, and building and construction industries all performed better than in the prior year (2005). Specifically, the building and construction industry continued its robust performance throughout 2006, with a 37% increase (up to September 2006) in both private and public sector contracts. The performance of this industry seemed to signal a growth in investment levels too as 2006 data (up to November) showed that the import payments for investment type goods increased by 17.3% compared to the previous year (2005).
- But outputs in the tourism, clothing and footwear, timber and copra industries were lower than in 2005. Notably, gold extraction declined significantly, with output in 2006 being 49% lower than in 2005. Further declines are also likely as the Vatukoula gold mine was closed on the 5th of December 2006.

A potential consequence of the relatively non-robust performance of the domestic economy can be seen in terms of the balance of trade. There was a continued trend of increased imports during this period and while the value of imported goods (f.o.b.) in 2001 was F\$1693.9 million, the figure at the end of 2006 stood at F\$2688.0 million – an increase of 58.69%. Somewhat worryingly, the value of exported goods (f.o.b.) has remained relatively constant around the F\$1000 million level. The outcome of these movements, particularly of the increase in imports, has led to an increasing trade deficit. As a result, the surplus present in the financial account is so small in magnitude that it is unable to compensate for the growing deficits in both the current and trade accounts. The increasing balance of payments deficit has ultimately led to declining reserves of foreign exchange.

Official foreign reserves declined between 2004 and 2005 by 21.35%. However, this downward trend was somewhat reversed in 2006, when reserves increased to F\$879.9 million from F\$822.4 million. This increase is likely to have resulted due to the

tightening of monetary policy i.e. the increase in interest rates and the reserve deposit requirement ratio.

The real interest rates, those net of inflation, increased from 2005 to 2006, in a contrary motion to the general declining trend in these rates that had been observed prior to 2005. The time deposit rate saw the most notable increase between the two years: increasing by 345.81% from 2.03% in 2005, to 9.05% in 2006.

The increase in real interest rates derived from the increases in the indicator rate that were undertaken by the RBF in October 2005, February 2006 and June 2006. These increases took the indicator rate from an initial value of 1.75% (prior to October 2005) to 4.25% by June 2006. In addition, the RBF also raised the commercial bank's statutory reserve deposit requirement ratio from 5% to 7%, which would have also contributed to the increase in real interest rates in 2006. These monetary measures were undertaken in accordance with a policy of demand management i.e. to encourage savings and dampening the growth in consumption, particularly of imports. Ultimately this policy was an attempt to reverse the decline in foreign exchange reserves.

In addition to controlling the decline in foreign exchange reserves, the tighter monetary measures will prove prudent in managing the economy's inflation rate. Despite a significant increase in inflation in 2003 (4.2%) from 2002 (1.6%), the inflation rate declined to around 2.7% in 2005, but since increased to 3.1% in 2006. Further inflationary pressures may become evident given the increasing volumes of imports.

2.12 Impact of the 5th December Events on the Economy

The economy suffered a significant setback following the political events of December 2006. The removal of the democratically elected Government resulted in a significant shock to the economy characterized by:

- declining tourist arrivals;
- decreases in retail and wholesale trade;
- reductions in working hours or the laying off of workers as companies attempted to ensure that they remained profitable;
- postponing of private sector investment projects due to political and economic uncertainties;
- ever-static export levels; and
- declining business confidence.

In response to the macro-economic instability that resulted, the Interim Government announced a series of monetary and fiscal policies aimed at stabilizing the financial system and securing government finances.

On the monetary policy front, the Reserve Bank of Fiji introduced the following policies that included exchange control measures to protect the foreign reserve position:

- i. a credit ceiling on commercial banks' lending to the private sector was introduced with special consideration given to investment projects, exports, and small business sectors;
- ii. the interest rates on Reserve Bank lending facilities to commercial banks were raised;
- iii. the tightening of exchange control measures included the delegation authority of commercial banks on some transactions to be withheld;
- iv. non-resident business borrowings from domestic sources were reduced, in addition, from 1 January 2008, local borrowings by non-resident to purchase properties will be withdrawn;

As a result of these measures, stability in Fiji's financial system was maintained. Further, interest rates have declined recently, indicating improvements in liquidity in the financial system.

The Government also announced a series of fiscal policy measures to prevent further increases in the budget deficit.

Policies to curb Government expenditure included:

- i. a 5 percent salary and wages cut for all civil servants;
- ii. a review of the Partnership Agreement with the Unions;
- iii. the deferment of the implementation of the Job Evaluation Review for the disciplinary forces;
- iv. a freeze on all new recruitments and the creation of new posts; and
- v. the reduction in allocations to non-priority sectors while at the same time focusing on improving the efficiency and better management of resources.

While policies to improve Government revenue included:

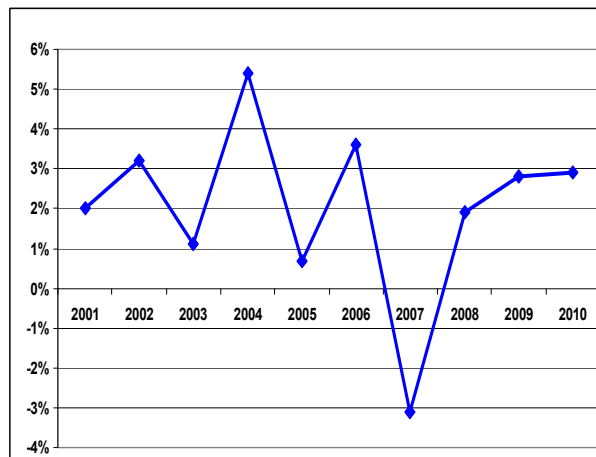
- i. maintaining VAT at 12.5 percent;
- ii. increasing the duty on luxury and non-essential items (white goods) to ease import pressures and prevent the further widening of the trade deficit;
- iii. the introduction of appropriate (performance based) incentives and the creation of tax free zones to assist export industries and promote import substitution e.g. Kalabu Tax Free Zone, ICT incentives;
- iv. the removal of unfair and distortionary tax concessions to ensure a level playing field for all tax payers; and
- v. implementing the appropriate amendments to tax legislation to assist in improving the efficiency and effectiveness of tax policy administration.

Consequently, total revenue as at June 2007 had improved against forecast, although expenditure control continues to be a significant challenge for Government.

213 Assessment of Economic Indicators in 2007

213.1 Economic Growth

Figure 1: Actual and Projected Real GDP Growth



Sources: Fiji Island Bureau of Statistics & Macroeconomic Committee

The domestic economy is forecast to contract by 3.1% in 2007. This figure is underpinned by expected declines in the building and construction and community, social and personal services sectors. The closure of the gold mine for the first eight months of the year will further affect the performance of the mining industry although there are indications that gold mining operations will resume. The restaurant & hotel industry as well as the manufacture of garments and sugar are all expected to decline in 2007.

outperform others and consequently experience positive growth in 2007. These industries include: finance, insurance, real estate and business services, manufacturing (excluding sugar and garments), agriculture (excluding sugarcane and subsistence), forestry, fishing and subsistence as well as electricity and water. But the positive performance of these industries is anticipated to be insufficient to offset the declines expected in the other sectors.

In a similar fashion to previous years, certain sectors are likely to

213.2 Consumption, Savings and Investments

Consumption activity slowed into the first half of 2007. Net Value Added Tax (VAT) collections registered a decline of around 8.4% cumulative to June, compared with the same period in 2006. Lending for consumption purposes has also slowed from double-digit growth last year and into early this year, to 6.6% in June of 2007. Furthermore, the results of the Reserve Bank of Fiji's (RBF) December 2006 Retail Sales Survey indicate that retail sales will likely contract by around 16.3% this year, in contrast to growth of 8.6% that was estimated for 2006. Factors contributing to the anticipated decrease in retail sales include, the current economic decline, lower anticipated visitor arrivals, the impact of the RBF's monetary policy tightening, and the unanticipated closure of the Vatukoula Gold Mine with its related job losses.

A partial indicator of individual incomes, Pay As You Earn (PAYE) collections, rose in the review period and cumulative to June, PAYE tax receipts grew by 1.9% which was greater than the comparable period in 2006.

Savings in theory should be encouraged as a result of the relatively lucrative nominal interest rates on time deposits available in the market. However, this may not be the case, particularly in the short term. There has been a sharp increase in domestic inflation and as a result the real returns to savings and investing in financial instruments are likely to decline. This will act as a disincentive to this type of activity.

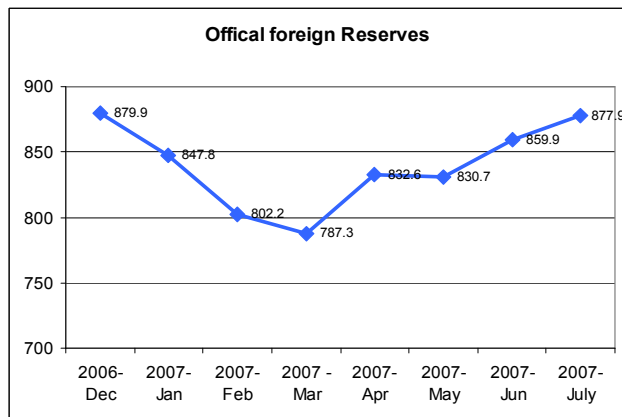
As a percentage of GDP, investment rose from 15.4% in 2000 to 18.3% in 2005 and was estimated to be around 18.4% in 2006. Over the same period, private sector investment as a percent of GDP increased from 10.2% to 11.9%, but was still less than the figure of 13.6% that was recorded in 1985. For 2007, investment is expected to be around 14.0% percent of GDP, much lower than 2006 levels.

213.3 Balance of Trade and Payments

Until recently, the deteriorating trade balance and worsening of the current account deficit, together with the modest imbalance in the capital account have been partly offset by a surplus in the financial account. However, the trade deficit has recently been widening at such a pace that this small surplus is no longer sufficient to offset the widening trade imbalance.

The Macroeconomic Policy Committee forecasts import growth to decline in 2007 by 2.1%, with actual data from the Fiji Islands Bureau of Statistics confirming that cumulative to May 2007, imports of all consumer, capital, and intermediate goods showed negative growth. This is a complete turnaround when comparing this decline to the 13.8% growth experienced in 2006. Similarly, export growth is also expected to decline by 2.6% in 2007, in comparison to the positive growth of 0.8% that was experienced in the previous year. However, due to the fact that the level of exports is significantly lower than that of imports and that exports are due to decline to a greater extent than imports, the trade imbalance will persist.

Figure 2: Foreign Exchange Reserves (F\$M)



Source: RBF

Given the large trade deficit that is being driven by poor export performance and high import bills, a considerable pressure has been exerted on official foreign exchange reserves. Given that the maintenance of an adequate level of foreign reserves is a key aim of the Reserve Bank, since 2004 it has aimed to ensure a tighter fiscal stance. Contractionary monetary policy measures have included the raising of interest rates and the implementation of other monetary policy measures that aim to dampen consumption, particularly of imports.

As a result there has been some improvement in the levels of official foreign reserves since March 2007, although current levels have not achieved those that were apparent at the end of 2006.

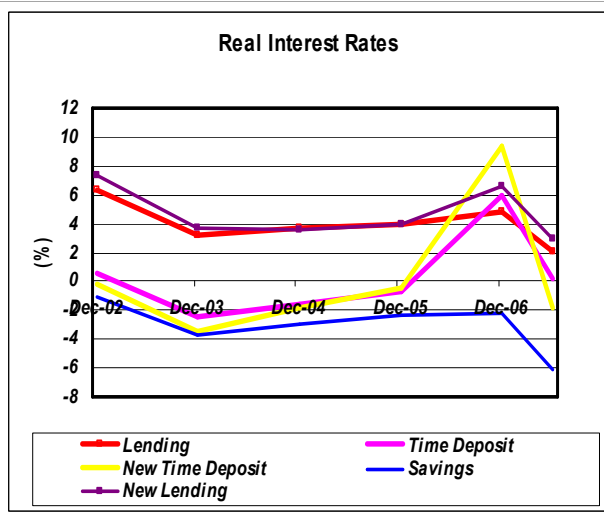
213.4 Inflation

The inflation rate for July stood at 6.4% compared with 7.1% in June. Inflation has continued to rise since the beginning of the year largely due to significant increases in prices of both domestic and imported food items. In addition, the impact of increases in fiscal and excise duties from the Revised 2007 National Budget have also been reflected in higher consumer prices. In line with these increases, the inflation rate for 2007 year end is forecast at 7.0%.

213.5 Interest Rates

As mentioned above the Reserve Bank has used interest rates, one of its monetary policy instruments, as a means of controlling the declining levels of official foreign reserves. After increases in the policy indicator rate (PIR) in October 2005, February 2006 and June 2006, the Reserve Bank has left the PIR unchanged since this last date. Other monetary policy tools, such as those listed in section 2.2, have been used to dampen import demand and safeguard foreign reserves. While the Reserve Bank introduced a ceiling on overall commercial banks' lending, steps were taken in May 2007 to ease upward pressure on interest rates. Liquidity was injected into the banking system following the reduction in commercial banks' statutory reserve deposit requirement ratio from 7 % to 6%.

Figure 3: Real Interest Rates



Source: RBF

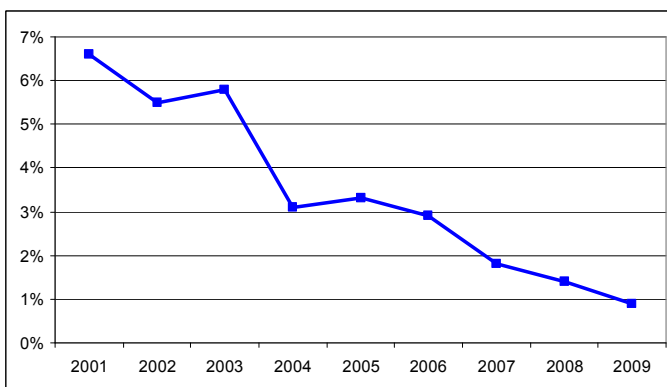
These initiatives have had a significant impact on the lending and deposit rates offered by banks. Compounded with the recent sharp increase in inflation, the real rates of interest, net of inflation, have fallen by over 55 percent from 6.65% in 2006 to 2.92% by June 2007. The real rate on time deposit has fallen sharply from 5.95% in 2006 to 0.17% percent in June 2007. Similarly, real rates on new time deposits were negative, -1.87%, in June 2007 compared to 9.31% in 2006.

213.6 Budget Deficit

For the period 2003-2006, the annual net deficit averaged 3.8% of GDP due primarily to issues related to expenditure:

- i. slower than expected reductions in the costs of national security and 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.

Figure 4: Actual and Projected Fiscal Balance



Source: RBF

Revenue performed to expectations with the exception of the delayed realization of asset sales proceeds in 2004.

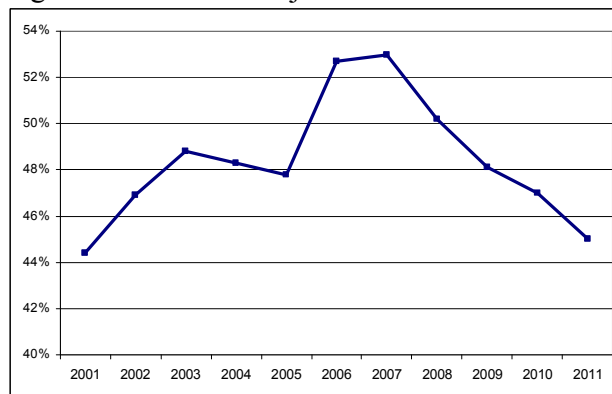
Since 2004 Government has managed to reduce the annual deficit below -3.1% of GDP, however, further reductions require that expenditure, particularly for current operations, is restrained to match growth levels in the revenue base. As illustrated in

Figure 4, the projected annual deficit for 2009 is significantly lower at a value of 0.9% of GDP. A balanced budget is the ultimate aim of the Government and if policies to reduce

expenditure and increase revenue are adhered to, this is projected to be possible from 2010. Once progress is made in the right direction with respect to the budget deficit, then the issue of public debt can be tackled.

213.7 Debt Management and Contingent Liabilities

Figure 5: Actual & Projected Debt to GDP

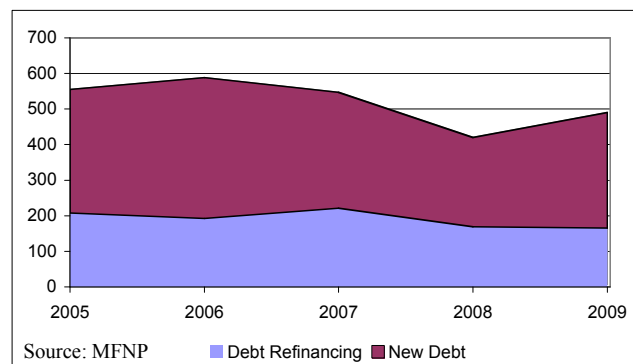


Source: RBF& MFNP

The increasing budget deficit has led to an increase in public debt from 44.4% of GDP in 2001 to 52.7% of GDP in 2006 (Figure 5). It is necessary for Government to limit the level of debt in order to retain confidence in the country and its finances. Additionally, an ever-rising level of debt results in an increase in the annual cost of servicing the debt, which ultimately leads to either further increases in the budget deficit or reductions in the funds available for other

government expenditure programmes.

Figure 6: Estimated Financing and Refinancing



Source: MFNP

The reduction in the ratio of debt to GDP does not mean that Government will no longer borrow. Total debt service is between \$300m and \$350m per year and the nominal value of this debt is likely to continue to rise as Government borrows to refinance loans repaid and raise new debts to fund public sector investment (and not current spending). However, the increase in public debt is likely to be more sustainable if

Government commits to the expenditure reducing and revenue raising policies as mentioned in section 2.2 to achieve a balanced budget.

Annual borrowing for refinancing and new debt is estimated to be about \$400m to \$500m per year (Figure 6). This is consistent with macroeconomic objectives and, by turning over the debt portfolio provides an opportunity to restructure the debt.

Borrowing for off-budget entities does not form part of government debt although it does count as a contingent liability in the form of Government guarantees. These liabilities have been on a downward trend as a ratio to GDP, but in 2005 did amount to 54.8% of

GDP. Total liabilities are made up in large part by Government guarantees for the FNPF liabilities, whose major assets are loans made to the Government. Thus, the contingent liabilities associated with FNPF relate to debt which Government owes to FNPF; effectively double counting Government's obligation to repay the debt and the contingent liability to guarantee FNPF, if it does not do so. Government's contingent liabilities net of the FNPF liability accounts for 20% of GDP, which is additional to the public debt. There is no commonly used benchmark for the sustainable level of contingent liabilities, but Government will encourage statutory authorities and companies that are majority owned by Government to borrow on the strength of their balance sheets and cash flows. In addition, Government guarantee will be restricted and used only as a last resort.

Although contingent liabilities are not a current concern in terms of direct impact on Government finances they are an issue as they impede the process of restructuring public enterprises for which debt had been guaranteed.

214 Long Term Structural Developments

The performance of the Fiji Islands economy has been uneven, reflecting the economic consequences of the political and constitutional shocks experienced between 2000 and 2006. 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 returning to a democratic parliamentary process and re-establishing bilateral relationships with major trading partners.

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 December 2006 have impacted the most on private sector investment in Fiji. There were positive developments in other economic sectors prior to the political crisis, but these still require further change and restructuring. Tourism has grown strongly, providing additional employment in the areas frequented by visitors to Fiji. 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

Stability and confidence needs to be considerably rebuilt and private sector investment must increase significantly. However, fundamental issues remain in terms of land leases and constitutional and public sector reform. These hinder incentives for increased private investment due to the uncertainty they convey on the economy. The combination of macro-economic stability and public sector restructuring is increasingly necessary as the Government pursues public-private partnerships. Such joint initiatives achieve both a private contribution to Fiji's physical asset base as well as allowing the economy to also benefit from the private sector's unique entrepreneurship i.e. their ability to manage assets profitably and promote self-financing economic growth.

215 Private Sector Requirements

The business regulatory environment in Fiji needs to be improved to enable businesses to operate successfully. The institutional environment is characterized by complex bureaucracies or supply-side constraints that incur time and cost penalties to doing businesses, but often have no discernable benefits to the country, indeed they often incur costs for the country as well. This has resulted due to deficiencies in the institutional environment that creates perverse incentives, blocks access to assets, information and markets, generates uncertainties about whether entrepreneurs will be able to keep the profits they make, and increases transaction costs. 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.

Entrepreneurs are a set of economic agents that discover profit opportunities, which increase the productivity of resources and ultimately drives sustainable growth. In contrast to the situation outlined above, such entrepreneurs need a set of stable and streamlined “rules” to work effectively. These include property rights, regulatory regimes and legal systems which allow the private sector to work efficiently. Specifically, these “rules” facilitate their access to assets, markets, skills and financial resources as well as protecting entrepreneurial gains from expropriation.

Since the December 2006 political crisis, private sector participation in the economy has been affected. However, the event has revealed opportunities for Government to review its focus on encouraging private sector led development through the following initiatives:

- the reorganisation of the office of the Registrar of Companies and the physical securitization of the title records held in the Ministry of Justice;
- the rationalization of the physical planning process currently under various agencies of Government;
- the rationalization of the property registration process;
- the streamlining and reform of the contract enforcement process to allow creditors to recover debts more efficiently and cost effectively; and
- the reform of the process for winding up bankrupt businesses efficiently in order to allow creditors to recover as much as possible and maintain adequate levels of working capital.

In addition, Government is committed to reducing the cost of doing business, which it believes are constrain economic growth and is implementing the following reforms:

- the promulgating of the Telecommunication Bill. The Bill will facilitate the liberalization of the telecommunication sector as well as the establishment of a telecommunications regulator – the Telecommunications Authority of Fiji; and
- review concessions so as to place everyone on a level playing field.

216 Public Sector Challenges

Progress needs to be made in eliminating the issues outlined above 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. This is in addition to the reforms to the policy framework that will create opportunities for enterprises to be developed in line with desired national directions.

Institutional Challenges

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

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 add to transaction costs, distort decision making, increasing uncertainty and the opportunities for corruption as Ministers and officials are required to exercise their discretion when intervening in 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. Instead, a thorough review is needed to create a legal environment for firms that makes it easier:

- to commence and operate businesses;
- to enforce contracts and collect debts;
- 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 profits of fundamentally viable ventures and aware that they may be withdrawn at any time. More marginal enterprises may require incentives which are limited in scope and cover only a transitional period, until they are able to cover their costs. However, caution must be exercised when using ‘infant-industry’ arguments as a means to justifying intervention in a market. Often such industries do not become

efficient and come to rely heavily on the subsidies or incentives provided by Government. Given the current fiscal position of the economy, such incentives already in place as well as the implementation of new policies of this sort should be critically examined.

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 the further development of markets for equity and all forms of debt. The bond market is weak as it is dominated by Government who plays the role of 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 developments, institutional arrangements in the labour market pose fewer problems for entrepreneurs. However, there are still issues of labour market efficiency and responsiveness that need to be addressed. The main weakness of existing institutional arrangements is the inadequate framework 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. Greater effort is required to plan, fund and coordinate the provision of training programmes that are needed to provide the skilled labour force necessary to Fiji for the next few years, and in the longer-term.

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.

Fiji is suffering from such an "external shock" due to the present and further reduction of preferential market access for sugar and garments. This has reduced export revenues and, thus, reserves. Government expenditure policies aimed at increasing growth have resulted in increases in imports and have led to further declines in official foreign reserves as well as causing Government to amass further public debt. 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.

The appropriate tightening measures in monetary policy rested heavily on the increasing of interest rates to encourage savings and investment, as opposed to consumption and debt. However, this regime of higher interest rates will also lead to higher Government debt service costs. Although using the proceeds of asset sales to repay debt is the quickest way to strengthen the Government's balance sheet and maintain macroeconomic stability. Proposals to transfer under-performing assets to private ownership are included in Chapter 6. Reducing debt to a more conservative level requires the reduction of the

Government's budget deficit through increased control and management of revenue and expenditure, as outlined in section 2.2.

In late 2004, in an attempt to encourage greater competition and hence entrepreneurship in Fiji, Government approved a competition policy based on:

- promoting a market system in which competition is left to market forces to induce lower costs, innovation and greater efficiency;
- promoting contestability by removing entry and exit barriers to markets; and
- constraining economic concentration through limitations on anticompetitive conduct.

On the other hand, price controls by weight affect 50% 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 benefit is achieved by maintaining such a regime, which merely adds to transaction costs and creates uncertainties and risks for entrepreneurs'. The removal of such risks may more cost-effectively promote private sector investment than fiscal incentives and exemptions. In addition, 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 can also create some challenges for competition policy. To offset these risks and create social justice, effective affirmative action must include strong programmes which enable Fijians and Rotumans, women, and people with disabilities to compete equally both nationally and internationally and additionally help to develop the necessary entrepreneurial skills. A review of the affirmative action programme needs to be undertaken to establish its efficacy in view of its intended outcomes and beneficiaries.

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 given the assurances with regards to fiscal discipline that are necessary.

Fiji is a small open economy and an export-oriented growth strategy requires competitiveness in both the domestic and international economies. Tariffs on imports become a tax on exports and policies that increase protection for domestic industries distort investment decisions in favour of uncompetitive producers. In an economy driven by intervention - exemptions, incentives, tariffs, protection - the switch from consumption to export driven growth requires a whole new set of policies to achieve the desired level of outputs as well as the removal of well-established interventions, such as those listed previously.

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.

22 Review of Social Development

221 Social Development - Quality of Life

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 61st in 1997, but its position steadily eroded over the late 1990s and based on the 2006 UNDP Human Development Report, it currently stands at 90th out of 177. This latest UN HD ranking indicated that Fiji's position has improved 2 positions better than the 2005 ranking of 92nd.

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.

This section covers the main MDGs and reports on progress in achieving the MDG targets and indicators.

22.2 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 and the share of consumption going to the poorest 20%.

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 recognizes 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 Indo-Fijian community.

Figure 7: Ethnic and Rural – Urban Distribution of Incidence of Poverty

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

Source: 2002/03 HIES Report

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 households and individuals receiving Family Assistance, 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.

One major consideration which impacts on the analysis of poverty and standards of living is the size of the households. The 02/03 HIES revealed that Fijian Households have larger family sizes, indicating the extent of the ‘extra burden’ which an average is borne by every Fijian adult of working age. In addition, the survey revealed that rural Fijian Households most of those who are in poverty give away a significant 14% of their income.

On the basis of the 2002/03 HIES, 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.

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.

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. 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. Rural livelihood development projects, including the proposed Rural and Outer Island Development Project and the Northern Development Programme 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, at current 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 level of poverty, the nature of the problem, and the 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.

22.3 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 increased from 88% in 2002 and 93% in 2006. Class 5 survival ratios stood at 95.2%, indicating that more effort needs to be made to keep students at primary school. The 2004/2005 Employment and Unemployment Survey revealed that some 10% of persons aged 5 to 14 were not attending school with 11% Fijians and 8% for the Indo-Fijians. The gap widened at higher educational level, where 31% Fijians and 24% Indo-Fijians of the 15-19 age group were found to be not at school. Though some parents cannot afford school costs, particularly in rural areas, these dropouts are of concern given the need to maximize the education potential of the workforce.

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 Fiji Junior Certificate (FJC), Fiji School Leaving Certificate (FSLC) and Fiji Seventh Form Certificate (FSFE). Similar gaps are also evident between rural and urban schools. Priority spending in education is a major factor that could contribute to the differential in performance. The 02/03 HIES showed that Indo-Fijian families spent some 116% more on average per child than Fijian families.

Development Constraints and Challenges

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.

22.4 Gender Equality and Women in Development

The target for MDG 3 is to eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later by 2015. School enrolment data published annually by the Ministry of Education and enrolment data provided by tertiary education providers provide figures for the ratio of girls to boys. In Fiji, the sex ratio for primary in 2005 (0.95) is closely balanced and the enrolment figures reflect the overall population ratio (0.96) released by FIBOS in the 2004/05 EUS. At secondary and tertiary education the ratio of girls to boys has reversed; 1.06 and 1.08 respectively. The gaps between girls and boys begin to widen with girls outnumbering boys as education level increases. These differences in ratio do not continue in the employment world.

Women's composition in the labour force has dropped from 40% in the 1996 Census to 31% in the 2004/05 Labour Force Survey (LFS). This significant reduction could be attributed to the closure of some of the bigger garment industries after the 2000 events. However, the 2004/05 LFS revealed that there was an increasing number of female self employments from 13% in 1996 to 24% in 2005. The Government is committed to creating an enabling environment, to enable women to participate fully in the socio-economic development of the country.

Although recent indicators show little difference in the educational levels and achievements of men and women, and despite Government's commitments to gender equality, occupational discrimination and gender segregation are strong and persistent. Of the economically active population, women's share of formal employment is significantly lower than men's and women are less often promoted and are concentrated at the low-pay end of the labour market in the public and private sector. Studies show that sexual harassment of women in the workplace is a problem.

Of the economically active female population, only about 30% are engaged in the formal economy. Recent studies from the 04/05 EUS indicated that female representation in senior management and professional occupations has increased. For instance, female technicians and associate professionals increased from 28% in 1996 to 33% in 2005. However, few women own businesses, because the inheritance laws practiced by both major ethnic groups in the Fiji Islands usually exclude women from inheriting land or other fixed assets.

In government, women hold about 17% of Senior Executive positions, mainly in the social sectors. In the education sector, for example, there is a proportion of 28% of female teachers at the first line of management in the school system. As one progresses into the middle and top management positions the proportion of female Principals administrators to 12% and 8%.

Women predominate among workers in the shrinking manufacturing sector. Labour costs in Fiji are interestingly competitive, but imported raw materials added to the cost of production, makes the country's products less competitive without subsidies or special terms for market entry. Women process workers cannot sustain their livelihood with low wages.

Women's higher risk of poverty and destitution is associated with labor force discrimination, increasing divorce and separation rates and problems in collecting maintenance payments from departed spouse. Women constitute the majority of beneficiaries under the Social Welfare Department's Family Assistance Scheme. Female unemployment increased slightly from 7.8% in 1996 to 8.7% in 2005, perhaps as a result of loss of jobs in the garment and further industries.

These facts indicate the need for effective social safety nets for the unemployed in particular, training and investment to promote alternative livelihoods for women displaced from the manufacturing sector. New models are necessary to provide women with micro finance for self employment.

Government has endorsed MDG 3 for women's empowerment, for which a key indicator is the proportion of seats held by women in National Parliament. In 2006 there are three women Cabinet Ministers and two State Ministers. There are eight women parliamentarians amongst the 71 members of the House of Representatives and five

women Senators amongst the 42 members. Two out sixteen are women in the Interim Cabinet in 2007.

Government policy requires that 50% of those appointed to Government Boards and other public bodies should be women. At present, women comprise 19% of the total appointments and are concentrated on minor Health and Welfare Boards and Committees. In Government Owned Companies Board of Directors there is 8% membership of female members.

In accordance with MDG 5 for improved maternal health it is important that Government must review its efforts to promote rural family programme. The fertility rate 4:4 among rural Fijian women suggests the need for renewed efforts.

In 2004 for the first time, more women among new cases were confirmed HIV positive than men. Experts consider that the Fiji Islands may be moving towards an AIDS epidemic. A strong emphasis on gender issues is needed to reduce HIV transmission, in keeping with MDG 6.

The overall strategy outlined in the Strategic Development Plan on Gender Equality and Development is aimed to supporting Government's priorities to maintaining stability and sustaining growth.

Development Constraints and Challenges

Development constraints and challenges include:

- Implementation and monitoring of sectoral programmes, government policies and administrative practices and procedures have incorporated gender perspectives;
- Implementation and monitoring of the EEO policy in all workplaces, presence of occupational discrimination and gender segregation in labor markets;
- Monitoring the compliance of laws and administrative practices and procedures to CEDAW Articles;
- Maintaining effective social safety nets for the employed in particular training and investment to promote alternative livelihoods for women displaced from the manufacturing sector;
- Promoting rural women's advancement in economic activities without destroying sustainability of women's fisheries and therefore household food security;
- Continuing social impact analysis of trade agreements on impact on women's health of imported, low quality foods;
- Advancing women's participation in Parliaments and other decision making bodies;
- Increasing incidence of domestic violence;
- Decreasing fertility of women especially rural Fijian women;
- Spreading of HIV/AIDS as an epidemic; and
- Collection and analysis of gender sensitive data.

22.5 Health

Government has consistently given priority to health care provision, with sustained increases in resources and manpower provided to health activities.

Review of health performance, however, suggests that whilst inputs provided by Government have increased, the resulting outcomes, in terms of improved health indicators, have not increased proportionally. This suggests substantial challenges remain in terms of both the health benefits received by the people and the effectiveness of the health service in delivering improved services.

Of the eight Millennium Development Goals, three directly concerns health issues. MDG 4 is to reduce child mortality with targets set for 2/3 reduction in child and infant mortality and to increase the proportion of 1-year-old children immunized against measles between 1990 and 2015. The current statistics is shown in **Figure 8**, which portrays a slow progress in improving the infant mortality rate and the immunization coverage. However, looking at the recent causes of deaths from 2000-2005 for this indicator, it shows that majority of conditions listed are prenatal in origin. For example, in 2005, 68% of infants (253 out of 370) deaths originate from perinatal period. These deaths could mean conditions that, at most are not preventable (genetic, hormonal), or could only be managed by sophisticated intensive neonatal care (staff specialists and machines).

To address this high mortality attributed to perinatal conditions would require much more than an annual increase of health budget but it has to be very significant and committed to obstetrics and neonatology strategies and activities – and these are not cheap interventions and procedures.

The outbreak of measles last year showed some lessons: there could be divisional differences in EPI coverage (low in the West compared to the Central and Northern divisions) but also the limited spread of the outbreak in the West with a total of 132 cases nationally implies that there is sufficient herd immunity to limit the outbreak (of course in addition to the prompt vaccination campaign)

Figure 8: Progress to MDG 4 Reduction in Child Mortality

MDG 4: Reduce Child Mortality Rate							
Target	Indicator	1990 Baseline	Status of Progress				2015 Target
			1995	2000	2002	2006	
Reduce by 2/3 between 1990 and 2015 the under-five mortality rate.	Under-five mortality rate per 1000 live births.	27.8	19.4	21.8	22.4	25.8	9.3
	Infant mortality rate per 1000 live births	16.8	14.7	16.2	17.8	19.5	5.6
	Proportion of 1 year old children immunized against measles.	86%	75%	74%	76%	74.2%	increase

Source: Ministry of Health

MDG 5 is to Improve Maternal Health with the key target set as a 75% reduction in the maternal mortality rate, supported by an increased proportion of births attended by skilled

health personnel. Increased Government resources have ensured that almost all births are attended by skilled health personnel. However, as shown in **Figure 9**, this did result in improvements in the early years of this decade but there is currently a significant setback which needs to be addressed. Achieving the MDG target by 2015 will be a substantial challenge requiring much more improved services such as having emergency obstetric services in all district hospitals and training staff to be competent with such advanced care.

Figure 9: Progress to MDG 5 Improved Maternal Health

MDG 5: Improve Maternal Health							
Target	Indicator	1990 Baseline	Status of Progress				2015 Target
			1995	2000	2002	2006	
Reduce by 3/4, between 1990 and 2015, the maternal mortality rate.	Maternal mortality rate per 100,000 live births	41.1	60.4	57.6	35.3	32.6	10.3
	Proportion of births attended by skilled health personnel.	98%	99%	99%	99.6%	99%	increase

Source: Ministry of Health

MDG 6 is to Combat HIV/AIDS and other Diseases, such as tuberculosis. The progress against some of the indicators for this MDG is presented in **Figure 9**.

Figure 10: Progress to MDG 6 Combat HIV/AIDS and Other Diseases

MDG 6: Combat HIV/AIDS and other Diseases							
Target	Indicator	1990 Baseline	Status of Progress				2015 Target
			1995	2000	2002	2006	
Have halted by 2015 and begun to reverse the spread of HIV/AIDS	HIV prevalence among 15-24 year old pregnant women	0.00%	0.01%	0.01%	0.01%	0.04%	0.00%
	Contraceptive prevalence rate	31%	38%	44%	35%	49%	increase
Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.	Prevalence of tuberculosis per 100,000	na	21.1 (1997)	18.00	22.00	13.7%	reduce
	Death rate of tuberculosis per 100,000	na	0.37 (1997)	0.37	0.73 (2001)		reduce

Source: Ministry of Health

There is limited surveillance of HIV/AIDS in Fiji, with three of the six MDG indicators not monitored. The MoH obtains information about HIV positive cases from laboratory test results and disaggregates data by age, sex, and race. Fiji is a low prevalent country (less than 0.1% in general population), even in high-risk or vulnerable populations. The total cumulative confirmed HIV positive from 1989 to March 2007 is 244. Fiji has passed the slow burning stage of the disease and is currently in the explosive proliferative stage. With the new WHO/UNAIDS two yearly estimates projected, the actual number of HIV positive people in Fiji in 2007 is approximately 520.

Of the other diseases specifically monitored in the MDG, malaria is not an issue in Fiji. Tuberculosis is monitored but, as shown in **Figure 10**, there is no significant trend for progress. ‘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. NCDs are the commonest cause of morbidity and mortality in Fiji. Changing lifestyles and diet, obesity, declining physical activity, and increasing tobacco consumption are some of the main reasons for these diseases. Other factors include poverty and low socio economic status, squatters, unemployment,

education level especially of mothers and baby carers, infrastructure and communications, good housing and sanitation, safe and adequate water supply. These issues also needs to addressed comprehensively through all of government cross cutting strategies that will have a remarkable spin off benefit in the MDG 4, MDG 5 and MDG 6.

The progress towards MDGs suggests that the substantial and increased input of resources by Government is not achieving the impacts on the health of citizens which Government intends. Increasing annual budget allocations in itself is healthy and positive but if it is still below a critical level of less than 5% GDP (Fiji averages less than 3%), then may be it is not sufficient to adequately fund important interventions that would specifically address the MDG targets.

Also a lack of improvement in outcomes suggests that the improvement in the nation's health is not simply, perhaps not primarily, a matter of increasing the resources allocated to health. It may be necessary to give greater attention to the management and use of the resources which are allocated in the context of policies to restructure the public sector and build public private partnerships for delivery of public services. A re-orientation away from a supply driven process to a demand driven, outcome focused process may be appropriate.

Development Constraints and Challenges

Development constraints and challenges include:

- to improve efficiency and effectiveness of the use of resources in health service delivery;
- to respond to the increasing numbers of HIV/AIDS and STIs cases;
- to reverse the deteriorating rates of child mortality, infant mortality and maternal mortality;
- to reduce the incidence of Non-Communicable and life-style diseases;
- the emigration of skilled health care professionals;
- limited capacity at FSMed;
- the increasing demand and cost for health care; and
- the need for health financing reform, aimed at increasing health budgets from the current 2.92% to at least 5% of GDP by 2011.

22.6 Environmental Sustainability

“Ensuring environmental sustainability” is the seventh MDG, which provides a framework for integrating the principles of Sustainable Development into national policies, thus ensuring availability of safe drinking water, improving sanitation, and reducing other social ills such as poverty and unemployment.

Achieving sustainable development, while overcoming environmental challenges such as deforestation, land degradation, logging of watersheds, over-exploitation of terrestrial and aquatic biological resources, improper waste management and pollution control, impact

of climate change, and the attitude of people in terms of the unsustainable use of their resources, is a central challenge to governments of small island states such as Fiji.

Increasing population, urbanization, industrial, agricultural and other economic development have placed increasing pressure on coastal zones leading to loss of habitat and affecting ecological processes. This is a result of coastal development, pollution, increased water demand from freshwater lenses, over exploitation of resources and other related issues. The absence of consistent monitoring of development within coastal zone development makes it difficult to assess the extent and seriousness of damage and degradation in coastal zones of Fiji.

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

The Department of Environment, in partnership with other Government Ministries and Departments, Institutions NGOs and through donor funding, has implemented various environment programmes throughout Fiji related to biodiversity conservation, sustainable biological resource use, climate change, waste and pollution, development control and other programmes related to Fiji's obligations under regional and multilateral agreements. The production of Fiji's National Environment Strategy, the State of the Environment Report, Biodiversity Strategy and Action Plan, National Land Use Policy (Land Use Department, 2005), the First National Communication on Climate Change Strategic Actions (2005), National Solid and Liquid Waste Management Strategy (2006), Endangered and Protected Species ACT (2002), Environment Management Act (EMA) 2005 and the scheduled Litter Act for 2008 will provide a framework for sustainable management of land and water 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 strategies;
- The requirement for Environment Impact Assessments to be binding on all parties, including Government;
- Permits to discharge waste and pollutants into the environment;
- National Resource Inventories, National Resource Management Plan, National State of the Environment Report, and the National Environment Strategy; and
- Declarations, enforcement orders, stop work notices will ensure environmental compliance according to the EMA requirements.

Government has endorsed the Fiji Biodiversity Strategy Action Plan (2003), with implementation being ongoing through various Government Ministries and Departments, Institutions and NGOs. Through such partnerships, the Department of Environment is

conducting research programmes to identify areas of high biodiversity and sustainable productive areas, such as Marine Protected Areas (MPA), which are being recommended for protection. In Fiji, 177 out of 189 sites have been identified as MPAs (area coverage of 7000 sq. meters of Qoliqoli area). The Kadavu MPA is legally gazetted while the rest have traditional bans (Taboo) imposed. 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.

The Solid and Liquid Waste Management strategy 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 urban areas, 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 Programme. 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. DoE has developed a waste management programme in the Wailea Squatter Settlement and hopes to replicate the best practices to other squatters in Fiji.

The Department of Environment has been implementing the Ozone Depleting Substances Act 1998 and its Regulations (2000). With this legislation, DoE regulates the import, export, sale, storage and use of ozone depleting substances (ODS), such as refrigerators and air-conditioning gases, to give effect to Fiji's obligation under the Vienna Convention for the protection of the Ozone layer and the Montreal Protocol on substances that deplete the Ozone layer. Government had endorsed Fiji's methyl bromide phase out action plan, one of the ozone depleting chemicals, and the management plan for total phasing out of methyl bromide and chlorofluorocarbon (CFC) by 2010.

Development Constraints and Challenges

The major environmental problems include: deforestation, land degradation, air and water pollution, inappropriate refuse disposal, climate change and sea-level rise, outdated legislation and its inadequate enforcement, and limited public awareness. It is hoped that the implementation of the Environment Management Act and related programmes, 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 laboratory has been accredited, that of the Institute of Applied Sciences of USP, and the accreditation is only for a limited range of parameters. There is an urgent need to address this gap in country to avoid high costs of foreign laboratories. Accredited laboratories will enable better environmental monitoring and enforcement.

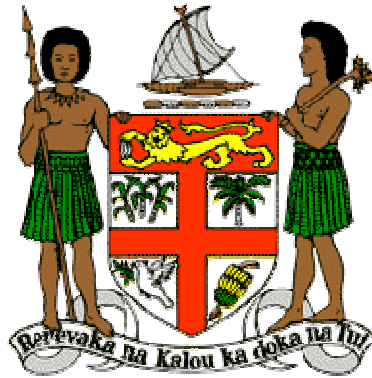
22.7 Global Partnership for Development

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 were 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. Government is committed to increase the effectiveness of aid through adhering to the principles of the Paris Declaration.



Chapter 3

Short and Medium Term Strategic Priorities

Chapter 3 Short and Medium Term Strategy: Strengthening Good Governance, Restoring Growth and Enhancing Social and Community Development

“Strengthening Good Governance, Raising Growth and Enhancing Social and Community Development to Achieve a Better Fiji for All”

Strategic Priorities

This chapter outlines Government's Medium Term Strategy for steering the country forward to the Vision of a better Fiji for all. Government's strategy can be summarised as *“Strengthening Good Governance, Raising Growth and Enhancing Social and Community Development”*.

The Strategy identifies the Strategic Priorities that must be addressed in the medium term. The Strategic Priorities were selected after taking into consideration the current political, social and economic situation of Fiji and the underlying causes of our poor social and economic development performance as outlined in Chapter 2.

As described in Chapter 2, the economy faced significant imbalances following the events of December 2006, Economic growth and investment level has declined, export continues to be static, imports have recorded a decline, government revenue continues to be affected by negative growth, external pressures on inflation through oil price increases continues to mount, unemployment has increased and private sector confidence have declined to its lowest level.

The short term strategies announced in the Revised 2007 Budget were focused on restoring macro-economic stability, securing government finances and achieving economic recovery. Political stability through a speedy return to democratic governance will play a pivotal role in the achievement of these short term strategies. The key to unlock potential in both social and economic development is considered to be the return to democratic governance and removal of constraints, which hold back economic development and, thus, also limit our ability to make social progress.

This Medium Term Strategic Priorities aims to continue the progress in the previous Plan but strengthen achievement by increasing emphasis on good governance, achieve economic recovery and 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.

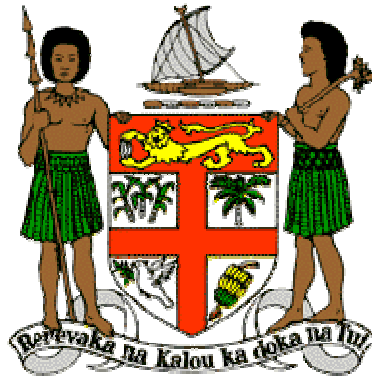
The Strategic Priorities for 2008-2010 are divided into six key areas. These include (i) Good Governance; (ii) Growing the Economy (iii) Reform of Public Service; (iv) Reform of Public Financial Institutions; (v) Access to Land and Land Utilisation; and (vi) Social and Community Development. Specific sectors, with policy objectives and key performance indicators, and contributing towards these key priority areas are listed from Chapters 4-9.

With the achievement of the intended outcomes of these priorities, Fiji's return to Parliamentary democracy will reinforce and support the Medium Term Strategy, of "traversing" from the country's historically 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.

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.



Chapter 4

Good Governance

Chapter 4 Good Governance

4.1 Strengthening Good Governance

Good Governance is a fundamental prerequisite for sustainable development and economic growth and is consistent with Government's Vision. It is an important process of improving the ethical and professional standards and quality of the public sector, stressing increased transparency and accountability at all levels and removal of areas of administrative duplication of effort.

Government is committed to returning the country to parliamentary democracy by the first quarter of 2009 with necessary support from development partners, eradicating corruption and implementing public sector reforms to achieve productivity and efficiency.

4.1.1 Return to Democratic Rule

The Interim Government, comprising sixteen (16) Cabinet Ministers, is in place to carry out the role of governing the country based on the mandate given to it by His Excellency the President. The economy and government finances have now stabilized under the policy guidance of the Interim Government.

In summary, the mandate given to the Interim Government by the President covers the following broad areas:-

- to continue to uphold the Constitution;
- where necessary facilitate all legal protection and immunity, both criminal and civil, to the Commander, Officers and all members of the RFMF;
- give effect to the actions of the RFMF including the respective suspension, dismissals and temporary removal from office of civil servants, Chief Executive Officer's, those appointed by the Judicial Services and Constitutional Services Commissions, the Judiciary and Government appointed Board members;
- steady our economy through sustained economic growth and correct the economic mismanagement of the past six years;
- lift up the living standards of the growing poor and underprivileged of our country;
- restructure the Native Land Trust Board to ensure more benefits flow to the ordinary indigenous Fijians;
- eradicate systemic corruption by including the setting up of an Anti-Corruption Unit through the Attorney General's Office and set new standards of Governmental and institutional transparency;
- improve our relations with our neighbors and the international community;

- take our country to democratic elections after an advanced electoral office and systems are in place and the political and economic conditions are conducive to the holding of such elections;
- immediately as practicable introduce a Code of Conduct and Freedom of Information provisions; and
- give paramountcy to national security and territorial integrity of Fiji.

To achieve these objectives, the Interim Government is implementing necessary measures to return Fiji to democratic rule as soon as conveniently possible. The Fiji Islands Bureau of Statistics (FIBOS) has been mandated to carry out a national population census in 2007. Fiji's last census was conducted in 1996 and since then there have been a lot of internal as well as external migration in Fiji's population, which have changed the distribution of population.

FIBOS will take 12-15 months to complete a Census Report before it can be gainfully utilised by the Boundaries Commission. This process will take place in 2007/2008. The Boundaries Commission will need approximately 6 months to prepare the new Constituency Boundaries to be used in the next election. This work will be done after the Census Report is completed in 2008 and likely to be completed in 2009.

Following the adoption of new Constitution Boundaries, the Elections Office will need up to 12 months to prepare for a General Election. The preparatory work will be done between 2008 and 2009. In line with this timeframe, the national election is earmarked to be held in June 2010.

A technical assessment of the timetable to prepare for and conduct of the next parliamentary elections has concluded that elections could be held in the first quarter of 2009. However, if FIBOS has additional resources to allow it to bring forward the release of provisional and final population figures, the elections could be held in November 2008. The Interim Government concurs in principle to hold the elections earlier with necessary assistance from bilateral and multilateral donors.

4.1.2 Eradicating Corruption

Corruption can be described as the abuse of entrusted power for private gain. Corruption and the abuse of positions and privileges have long been features of Fiji's economic and political landscape. Systemic corruption and low levels of transparency and accountability are considered as major sources of development failure.

Where corruption exists, there is loss of legitimacy, trust and support from individuals. As corruption increases regimes become more secretive, and basic social and economic rights are threatened, thus abusing basic human rights of earning a honest living.

There are various forms of corruption, which include, but are not limited to, misappropriation or diversion of funds, kickbacks, under- and over invoicing, bribery, false declarations and abuse of office. Fiji is rated as below par in the Corruption

Perception Index (CPI). The CPI by Transparency International (TI), which relates to perceptions of the degree of corruption in each country as seen by business sector and country analysts has ranked Fiji 55 out of 158 countries. The 2005 CPI score for Fiji is 4 with 10 being highly clean and 0 being highly corrupt.

The government is totally committed to tackling corruption and increasing transparency and accountability. Measures introduced to date include the following:

- The establishment of the Fiji Independent Commission Against Corruption (FICAC). The promulgation of anti corruption legislation has given the much needed powers to the independent commission, which has powers to arrest, search and seizure. The FICAC through a commissioner reports directly to His Excellency, the President;
- The promulgation of a corresponding anti-bribery law has added strength to the work of the Anti-corruption Commission. The acts of blackmail, unfairly conducted contracts, tenders and auctions have specifically been made an offence in the Prevention of Bribery (POB) promulgation; and
- The reconstitution of boards and audit of major national institutions such as the Fiji National Provident Fund (FNPF) and the Native Lands Trust Board (NLTB) ensures that conflict of interest is minimized and financial and natural resources are well managed.

4.1.3 Modernising Fijian Administration

The Fijian Administration is charged under the Fijian Affairs Act to be responsible for the good governance and well being of the Fijian people. However, the structure and systems of the Fijian administration which were designed for this purpose are no longer adequate to meet the concerns, needs and aspirations of Fijians at large, including those residing in urban areas and who have adopted an urban lifestyle. The Review of the Fijian Administration commissioned by Government in 2000 to address these concerns, made recommendations which unfortunately were not accepted by Government and which instead adopted the province as the unit of development and consequently realigned administrative boundaries in the country to follow provincial boundaries. That realignment saw the strengthening of the Ministry of Provincial Development with additional resources, particularly staffing, aimed at improving turn-around time and facilitating the monitoring of development projects in rural areas.

A study commissioned by the Fijian Affairs Board in 2005 made substantial recommendations on the institutional strengthening of the Board and the provincial councils. Those recommendations were endorsed by Government in 2005 but implementation was to be staggered because of the prohibitive cost of the exercise. The Fijian Administration has therefore remained relatively undisturbed without being improved to address the concerns of the Fijian people.

With a view to improving indigenous Fijian governance and development, the Interim Government commissioned the Independent Investigation of Institutions Fijian (IITIF) in

early 2007 to review the roles and to recommend reforms in, the Native Land Trust Board, Fijian Affairs Board, Provincial Councils, and business development initiatives such as Yasana Holdings.

In addition, the Interim Government has appointed a six member taskforce to review the role of the Great Council of Chiefs (GCC) in its traditional and national role. The review is expected to recommend changes to the membership structure of the Council and the direction it should take in its traditional and national roles.

The recommended institutional changes and reforms emanating from the foregoing reviews will hopefully enhance contributions of these institutions towards Fijian development for:

- more effective participation by the landowners in Fiji's mainstream economy and its further growth and development in partnership with other communities.
- strengthen transparency and accountability of the leadership in these institutions;
- modernize and enhance traditional chiefly leadership at all levels so that the GCC leadership is more strongly linked to, and also accountable to, ordinary Fijians;
- develop leadership among indigenous Fijians that is visionary, progressive, and mindful of the interests of other communities and also the national interest;
- strengthen dialogue and cooperation between indigenous governance institutions and other communities and stakeholders in the development of land, such as organisations and enterprises needing access to land for development;
- identify strategies and measures to enhance growth of Fijian entrepreneurship and enterprise; and
- enable the Fijian Administration to monitor development activities to ensure that such activities and initiatives are for the good governance and welfare of the Fijian people.

4.2 Security

Goal: Maintaining national security effectively and efficiently

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 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'être*.

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 and Customs Department are responsible for the security and management of Fiji's border, administration of citizenship, facilitation of migration 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 their capacity to ensure that it performs its core roles and functions effectively. The Department of Immigration has shown also that it is a revenue generation agency with potential for cost recovery. The basis of this work is strong intelligence and to which the intelligence gathering and analysis capability is a key focus of the Ministry.

Related to terrorist activities but also to corruption and wider economic crimes is the need to monitor flows of funds through the financial system both domestically and internationally. The Fiji Financial Intelligence Unit (FIU) has been established to monitor

flows of funds through the banking system to identify and investigate suspicious transactions related to money laundering, corruption and other illegal activities to provide inputs to investigation and enforcement agencies. At a regional level, a Pacific Anti-money Laundering Programme (PALP) has been established in 2006 in the Suva-based Forum Secretariat with support and cooperation of US and UN agencies. This programme will strengthen anti-money laundering activities through training and capacity building with a practical, hands-on approach. These national and regional measures address the immediate and long term need to protect the integrity of the financial system from money laundering, corrupt practices and criminal abuse.

Development Constraints and Challenges

The major challenge is how to collaborate effectively with other law enforcement agencies also those National Agencies tasked with National Security nationally, regionally, and internationally in order to combat terrorist, criminal and economic threats to Fiji.

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 Strategy 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 from political, social, terrorist, criminal, economic and environmental threats, and its sovereignty and territorial integrity are ensured.	<ul style="list-style-type: none"> • Implementation of Security and Defence review recommendations. • Strengthened security and management services with establishment of Counter Terrorism Official Group, improved border management system and the national emergency capability. • Ratify the 8 remaining UN 	<ul style="list-style-type: none"> • Terrorist activities on Fiji’s territory prevented. • Prosecution of money laundering cases increased from 1 to at least 10 per year. • Increase detection rate of intended unlawful entry by 15% annually from a benchmark of 42 in 2004. • Number of illegal

Policy Objectives	Strategies	Key performance Indicators
	Counter Terrorism Conventions and implement all conventions. <ul style="list-style-type: none"> • Strengthening of networking between border and security agencies. • Strengthening key point management and legislation • Implementation and strengthening of Anti-Money Laundering Legislation, Counter Terrorism Legislation, Mutual Legal Assistance Legislation, and review relevant international treaties, including extradition treaties and MLA treaties. • Strengthen coordination and effective use of financial data to secure prosecutions. • Review Fiji’s airport and seaport security arrangements. • Strengthen Fiji’s capacity and capability to enforce and prosecute people trafficking (Immigration Act) and establish an Anti-People Trafficking Framework by the end of 2007. 	immigrants removed from Fiji increased by 15% annually from a benchmark of 26 in 2004.

4.3 Law and Justice

Goal: Maintaining law and justice and upholding the rule of law effectively and efficiently

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.

Government is committed to better equip the Police with additional financial and other resources to fight against and prevent crime. 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 strengthening of the Fiji Police Intelligence Bureau (FPIU) first established in 2005 is looking at all areas on trans-national crimes and is working closely with Reserve Bank of Fiji on the issuance of money laundering.

The Fiji Law Revision Project office was set up in 2003 with the appointment of a Fiji Law Reform Commissioner who 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.

In its effort to fight corruption, the Government has established the Fiji Independent Commission on Anti Corruption under the Fiji Independence Commission on Anti-Corruption Promulgation with its powers to investigate and prosecute corruption and bribery offences (bribery offences are set out in the Prevention of Bribery Promulgation).

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.

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 programme support;
- lack of government resources (human, equipment, vehicles 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.

Development Rationale

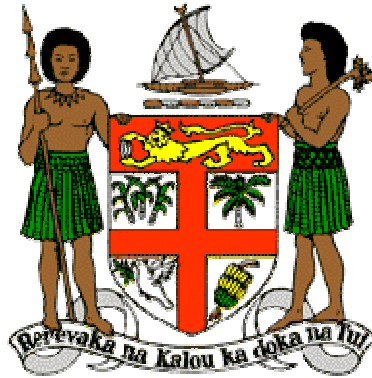
The Strategy recognizes the need for strong institutions for policing, administration of justice, containment and rehabilitation of law breakers. Independence of institutions is recognized in the different policy objectives and strategies for each aspect of law and justice. Further, it is also recognized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

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>To enhance community safety and respect for the law.</p>	<ul style="list-style-type: none"> • 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. • Increase capacity and capability to collate and analyse intelligence and investigate serious and complex fraud. • Develop evidence based approach to investigations through the use of scientific and analytical systems. • Promote human rights awareness and educational programmes, increase enforcement of human rights, revise laws and regulations to eliminate exclusionary language, and strengthening human rights compliance during investigations and interrogations. • Enhancing traffic law, enforcement, and awareness programmes. 	<ul style="list-style-type: none"> • Reduction in total crime and youth offender rates by at least 20% from 19,050. • Maintain the crime detection rate over 50% • Reduction in complaints against police by at least 50% from the present 558 per year. • Decrease in the number of motor vehicle accident fatalities by at least 20% from the present 76 per year. • Fiji’s ranking under Transparency International’s Corruption Perception Index, covering 159 countries, improved from the present rank of 55th.
<p>People are served by an ethical, professional, independent, transparent and accountable judiciary that is responsive and efficient.</p>	<ul style="list-style-type: none"> • Increase opportunities for justice and accessible processes that are responsive to the diverse needs. • Reinforce the institutional independence and accountability of the Judiciary. 	<ul style="list-style-type: none"> • Effective recording of non custodial sentences and alternative dispute resolution from 2007 and an annual 20% increase in their use.

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> • Improve delivery of benchmark of court judgements. • Reduce adjournments. • Introduce audio recording and electronic case management systems. • Develop alternatives to custodial sentences by the courts. • Increase use of Alternative Dispute Resolution (ADR) Mechanisms. 	
<p>People are served by ethical, professional, independent, transparent and accountable legal and registry services to enhance access to justice and good governance.</p>	<ul style="list-style-type: none"> • Strengthen the Legal Aid Commission to expand its services and increase its accessibility to more eligible citizens of Fiji. • Develop a law and justice sector information system to enable greater use and sharing of information. • Complete the revision and consolidation of Laws of Fiji (1985 Edition). • Review and reform anomalies in Fiji's laws. • Increase capacity and capability to prosecute complex and financial crimes. • Develop support services for victims of crime. • Improve the legal and regulatory environment to encourage business investment. • Improve legislative drafting, legal advisory, civil litigation, and civil registry services. • Strengthen the 	<ul style="list-style-type: none"> • Fiji's laws are consistent with international obligations and human rights standards.

Policy Objectives	Strategies	Key Performance Indicators
	Ombudsman Commission and ensure effective protection of “whistle blowers”.	
The community is served by professional, efficient, effective and innovative community corrections programmes and rehabilitation services.	<ul style="list-style-type: none"> • Provision of capacity building programmes for prison officers. • Provision of programmes for offenders and prisoners. • Improve prison infrastructure • Improve methods for prisoner case management . • Increased use of non-custodial sentences by the courts. • Enhanced community-based capacity for supervising offenders placed on probation, community work and parole. 	<ul style="list-style-type: none"> • Prisoner escapees reduced by at least 10% per year from the present level of 33 per year. • Re-offending rates reduced by at least 5% per year from the present level of 150 per year.



Chapter 5

Growing the Economy

Chapter 5 Growing the Economy

5.1 Macroeconomic Management

The economy experienced significant twist after the December 5th political event. The economic shock has placed significant pressures on key sectors of Fiji's economy which is expected to decline by 3.1 percent in 2007, compared to a pre-coup projection growth of 2.0 percent. Such economic situation emanates when key macroeconomic fundamentals are affected through declining investment confidence, low tourism arrivals, increased government operating expenditure and rising inflation and interest rates. The major challenges for Government are to address these economic constraints in the short to medium term which will ensure maintaining prudent fiscal structures and sustainable fiscal deficits and debt levels.

The Interim Government has embarked on securing financial and economic stability through protecting and stabilizing Government finances, resources are directed to productive areas that will contribute to a quick recovery of the economy, and laying down a solid platform for fiscal and economic sustainability through responsible financial management and building exports in the medium to long term. These medium term strategies are to maintain financial stability through fiscal consolidation and provide the necessary expenditure to sustain economic growth and investment.

Monetary Policy

Exchange Rate and Reserves

The real effective exchange rate index of the Fiji dollar, a gauge of our international competitiveness, rose by 5.3 percent during July 2007. The increase in this index over the year reflects deterioration in our international competitiveness and was largely due to higher domestic inflation outcomes. The official foreign reserves at the end of July stood at \$877.9million, sufficient to cover 4.0months of imports of goods.

In order for the economy to restore and maintain this reserves, the Reserve Bank of Fiji felt it necessary to put in place a combination of measures to protect Fiji's financial position through continued demand management to support exports and investment and hence the balance of payment will be managed to restore and maintain reserves equal to some 3 to 4 months cover for imported goods in the medium to long term.

Inflation

In July 2007, the inflation rate was 6.4 percent compared to 7.1 percent in June. This was mainly driven by a rise in fuel prices in July and the effects of higher fiscal and excise duties announced in the 2007 Revised National Budget, mainly in the food, miscellaneous and alcoholic drinks & tobacco categories.

For 2007, the year end inflation rate is projected at 7.0 percent in light of the inflationary pressures emanating from exorbitant domestic and imported food items coupled with volatile crude oil prices. In 2008, inflation is expected to ease to 2.5 percent against the backdrop of lower trading partner inflation resulting from a slightly weaker global economy and anticipated steadiness in international crude oil prices.

Fiscal Policy

Budget Deficit

With the current economic projections and risks, it is critical that Government's stability continues to be protected to ensure its ability to respond to future economic shocks and at the same time refrain from driving debt to critical levels. To ensure financial stability, Government will continue to consolidate its fiscal position. This requires reductions in net deficit levels to achieve the targeted debt to GDP projection of 45 percent in the medium term. The medium term fiscal framework has therefore been set in cognisance of the macroeconomic challenges facing the economy. A net deficit of 1.4% percent of GDP, equivalent to \$80.4 million is targeted for 2008 and projected to fall to \$57.6 m which is 0.9% of GDP by 2009 and, potentially, to a balance by 2010. 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 50.4% by 2009 and to a medium term target of 48 .0% by 2010.

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 some 25.6% of GDP in 2006. 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 and strengthened by the following revenue measures which will be pursued by FIRCA and the Ministry to ensure that Government's overall revenue and policy objectives for 2007 are achieved.

- FIRCA and the Ministry will constantly monitor the implementation and impact of revenue and taxation policies introduced in the revised 2007 Budget with the

- aim of ensuring that the intent of policies are achieved and revenue targets are realized;
- Government's revenue collection projections for 2007 will continue to be revised in line with RBF's assessments on the status of the economy. Hence, as such, Government's revenue targets will accurately reflect changes to the prevailing macroeconomic environment therefore allowing for more accurate decision making and fine-tuning of more focused and effective policies.
 - In terms of policy focus, the Ministry will closely examine the effectiveness of appropriate growth enhancing incentives introduced in the Budget, particularly in resource based sectors and areas associated with export and import substitution initiatives. The outcome of such an appraisal will enable the Ministry to provide and immediate adjustments to its policy programme to assist the above sectors in boosting economic growth and address current concern on Fiji's balance of Payments and foreign reserves.

Expenditure

Government's fiscal policy objectives for the medium term are to maintain fiscal stability and provide the necessary expenditure to achieve economic recovery and sustain growth and investment. Having achieved net deficit levels of 2.9 percent in 2006 of GDP and 3.3 percent in 2005 of GDP in the last two years, the strategy proposes a fiscal framework that ensures that Government continues on the path of fiscal consolidation in the medium term 2008 - 2010.

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 and their alignment to the appropriate financing mix. 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.

Summary and Key Performance Indicators

Goal

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

Link to Strategic Priorities

Macro-economic management in the short term is focused on achieving financial stability and securing government finances. This 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.	<ul style="list-style-type: none"> • 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. • Promote growth consistent with criteria of the UNDP Human Life Quality Index. 	<ul style="list-style-type: none"> • Annual growth rate to reach 5% by 2009. • Inflation is to be kept around 3% per year from 2008.

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> • 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. • Transparent, market based interest rates maintained at levels consistent with low inflation and a comfortable level of foreign reserves. • To maintain a sustainable ratio of debt to GDP by restricting spending to levels consistent with debt targets. • Government revenue regime is used to promote economic growth through appropriate levels of taxation, a broader tax base, reduced distortions, increased compliance and development of the user pays principle. 	<ul style="list-style-type: none"> • Reserves equivalent to 3-4 months of import cover for goods only. • Interest rates on deposits are at least positive in real terms. • Inflation and foreign reserve targets (above) are met and interest rate spreads reduced. • Debt to be reduced from 52.0% of GDP to less than 50.4% of GDP by 2009 and towards 48.0% in 2010. • Revenue to be not less than 27% of GDP in each year of the plan period. • Annual investment increased to 25% of GDP with 15% private sector investment in 2010. • Top corporate and income tax rates no more than 30%. • Tax collected within 3 months of the due date to be not less than 95% of the tax due.

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> • To reduce government spending as a proportion of GDP through tight control of Ministerial expenditure within budget provisions and through improved cost recovery measures. • 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. 	<ul style="list-style-type: none"> • Government deficit to be 1.5% of GDP for 2008. • Net expenditure to be limited to revenue plus the target level of deficit. • Capital to operating expenditure mix of 20:80 for 2008 and to be 25:75 by 2010. • Maintenance expenditure to be not less than 7.5% of total expenditure.

52 Tourism

Goal: A sustainable, growing and globally competitive industry.

Tourism in Fiji is a myriad of partnerships between a diverse range of private sector businesses, the communities and government. It has grown steadily over the past few years, it has recovered from a significant decline following the 2000 coup with growth in visitor numbers and economic contribution and strong investment in infrastructure.

However, a number of factors slowed down the growth in the 2006. The factors cited by the tourist industry include the implementation of the Hotel Turnover Tax, loss of price competitiveness and adverse publicity during early 2005. The adverse publicity affected key source markets Australia, New Zealand and United Kingdom. The coup in 2006 has resulted in additional impact on visitor numbers. However, Fiji managed the late 2006 coup well and the establishment of an interim Civilian Government without major civil disturbance and certainly minimum disruption to tourist experience.

In 2005 Fiji had a population of 847,000 with about 21,460 working in tourism. The tourism industry is 12.5 % of GDP, with \$736 million earnings in 2006 having an estimated tax revenue to government of \$140million.

The Tourism Development Plan 2007-2016 has been approved in 2007. The Plan has been prepared on the basis of two phases: a recovery period in 2007-2009 in which visitor numbers will recover to at least 550,000 annually and a growth phase at 9% from 2008 onwards.

Development Constraints and Challenges

The development constraints and challenges include:

- Major and on-going Brand Fiji marketing campaign;
- Major growth in key source markets and at least two new source markets;
- Attractive investment incentives and proactive approval process;
- Supporting infrastructure and domestic (air, land and sea) transport linkages;
- Constant supply of trained staff;
- Additional capacity on existing airline routes and new routes established; and
- Negative travel advisories from key source markets such as Australia and New Zealand

Development Rationale

The plan adopting the managed growth scenario will see tourism growth increase its major contribution to the economy and significant employer. Government revenues from tourism could be expected to outstrip the cost of supporting tourism and result in the ability to provide other government services and community benefits.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>Fiji benefits from a sustainable increase economic contribution and retention of the tourist dollar from an environmentally and socially sustainable and equitable tourism sector.</p>	<ul style="list-style-type: none"> • Additional rooms are constructed to maintain a balance between supply and demand. • New markets are developed and needed physical and institutional infrastructure established. • Promote high growth niche markets for specialized tourism. • Cruise ship and yachting tourism promoted, using improved outer island jetty and navigational aids. • Promote human resources development and introduce accreditation schemes for quality of services, training and productivity. • Increase institutional capacity and resources of tourism facilitating agencies, including a sustainable funding formula for FVB. 	<ul style="list-style-type: none"> • Target 10,389 rooms by 2010 • 5% annual growth rate in tourism businesses • 8% annual growth rate in Tourism GDP • 10% annual growth rate in tourism investment • E-Fiji online dynamic packaging sales packaging system established for all tourism businesses • Target 4,840 jobs created by 2010 • At least 4 natural and cultural attractions developed by 2010. • Target 654,064 visitors in 2010 and 1.1 million by 2016 • Average tourist spend increase by 10% per year • Average length of stay

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> • Increased local supply of quality agriculture, seafood and organic produce for hotels and restaurants. • On-going review of the tourism investment regime. • Spending on destination marketing and branding of Fiji to be at least 3% of tourism earnings. • At least 15% of FVB's marketing budget dedicated to promotion of Vanua Levu. 	<p>increase to 10 nights by 2010.</p> <ul style="list-style-type: none"> • Average Occupancy rate increased from 65% in 2007 to 85% by 2010 • Retention rate increased from 46% in 2007 to 60% by 2010
Resource owners benefit from greater participation in the tourism industry.	<ul style="list-style-type: none"> • Promote licensed and accredited tourism development on native lands with equity participation by resource owners. • Develop resource owner capacity to develop and participate in sustainable tourism industry and tourism related activities • Support training of resource owners to participate in tourism development in employment, service and supply provision • Development of natural and cultural attraction including scenic views, foot treks etc 	<ul style="list-style-type: none"> • 5% growth in businesses (51% or more ownership) owned by resource owners established and licensed per year. • At least 50 per cent of nature-based and community-based tourism operations meet or exceed recommended best practice guidelines and standards by 2010.

5.3 Manufacturing and Commerce

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

Manufacturing is a major sector, contributing 14.5% of GDP in 2005, 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.

The limited growth of investment and technological innovation has constrained the labour absorption capacity of the manufacturing sector. This lack of capacity has exacerbated poverty, especially in urban areas. Two other factors—problems associated with the transition away from high-cost industries that are heavily dependent on imports and the impact of globalization on domestic industries that are unable to compete with imported substitutes—also appear to have contributed to the limited growth of domestic production and employment.

If the secondary sector, especially manufacturing and services, does not grow sufficiently to absorb the inflow of labour to urban areas or rural areas are not transformed enough to stem the rate of rural-urban migration, the rate of urban unemployment could soar.

Export earnings should be diversified. In the short run, the emphasis should be on the export of food and other primary products, with value added to exports over time. Incentives will be given to domestic producers in manufacturing and agriculture to exploit opportunities provided by the numerous bilateral and multilateral trade concessions.

Development Constraints and Challenges

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.

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 Strategy 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.

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"> • Preparation of plans and development of competitive, high value-added manufacturing industries, including agro-based and niche products. • Promote competitiveness through divestment of public enterprises, annual review of tariff barriers. • Enforcement of international 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. • Enforcement of anti-dumping legislation and increased vigilance at ports of entry to ensure that imported goods meet Fiji standards, including labelling and environmentally friendly packaging. • Develop private-public partnership for infrastructure development. • Implement decentralisation programme to encourage commercial and manufacturing activities in rural areas. • Implement electronic commerce policy and legislation. • National programme improving competitiveness through the National Productivity Charter. 	<ul style="list-style-type: none"> • Annual Foreign direct investment to be 6% of GDP in 2011. • Annual value of domestic private investment to be 9% of GDP. • Annual exports of goods and services to be not less than 65% of GDP. • Fiji to be in the top ten of the World Bank Doing Business rankings.
<p>Communities should benefit from</p>	<ul style="list-style-type: none"> • Merge PIB, Fair Trading Department, and Commerce 	<ul style="list-style-type: none"> • Consumer complaints solved through

Policy Objectives	Strategies	Key Performance Indicators
enhanced consumer protection and awareness.	<p>Commission to increase effectiveness of monitoring, enforcement and service delivery.</p> <ul style="list-style-type: none"> • Consumer Council to promote consumer awareness and education through research and investigation. • Improve Government and Donor support to the Consumer Council by 10% per year from the present funding of \$569,170 to better protect consumers from unfair trade and services and to enforce weights and measures standards. 	mediation increased from 15% (201/1305) in 2005 to 30%.

5.4 Information and Telecommunications

Goal: Universal access to internationally competitive information and telecommunication services.

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 1.1 % up to 2010. The mobile phone has spread throughout much of the developing world more quickly and deeply than previous technology-based product e.g. the fixed telephone lines. The telecom sector has the potential to significantly stimulate a Country's overall economic growth, particularly when the sector is liberalised. This is so because competitive telecom industry brings with it a range of beneficial "networking effect". A London Business School Study has concluded after a study at 92 countries, rich and poor, between 1980 and 2003 that "an increase of 10mobile phones per hundred people boosts GDP growth by 0.6% a year. This may not seem much, but compounded over a few years it can add up to a big increase in living standard. 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 annually and make greater use of ICT, in order to improve internal processes. Government has secured a US\$20 million loan from the China EXIM Bank to provide for the needed capital in the e-Government development programme. Initial works has already begun and are continuing and experts from NCS Singapore are currently working closely with ITCS.

The current initiative of Government to develop and E-Commerce Bill will ensure that the interests of suppliers and buyers engaged in transactions over the internet are adequately protected. E-community learning centres are being established in rural areas to enable communities to access information, Government services, and business products and services on the internet.

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 enacted in 2007. 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. The National ICT Deveopment implementation agency e-Fiji needs to be established and operationalised to provide the needed direction and impetus to the three major e-strategies – e-Governmentg, e-Business and e-Community.

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.

The availability of timely and accurate information in Government and society generally contributes to the ability of leaders and communities to make better informed decisions and to reinforce the foundations of peace.

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"> • Reduce telecom rates in the short term by promoting more discussions between potential investors in ICT services and providers of telecommunication services. • Increased coverage of telecommunication services especially to rural areas by continuing to provide telecommunication access to unconnected villages. • Develop Fiji as an attractive info-communications hub in the region. • A well informed citizenship in the medium term require the liberalisation of the telecommunications sector and free to air television services. • Ensure the regulatory and legal framework functions. • Align ICT training to developments in the employment market. • Establish an appropriate framework and promote e-commerce development. 	<ul style="list-style-type: none"> • Reduction in telephone charges by at least 25% by 2011. • Telephone lines and cellular subscribers to be not less than 25% in rural areas and 75% in urban areas (MDG). • Increase number of rural tele-centres from 5 to 25 by 2011. • Increase bandwidth to all service providers to not less than 1000 Mbytes by 2011. • Increase number of free-to-air TV

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> • Introduce e-government in order to raise efficiency of service delivery. • Provide appropriate support for provision of ITC infrastructure. • Enactment of the new Telecommunications Bill in 2007 • Operation of new regulator in 2008 • Grant of at least another free to air television broadcast licence by December 2007 	<ul style="list-style-type: none"> • broadcast providers by additional 2 by 2011. • Licence additional 2 cellular mobile operators.

5.5 Micro, Small and Medium Enterprises

Goal: Creating sustainable livelihoods through enterprise development.

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.

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 are being established.

Microfinance is being supported by the government to allow those who have difficult access to financial services be given a chance to deposit savings and access a loan for the purpose of starting an enterprise. Microfinance has the opportunity to be incorporated into financial sector policy in the future and is part of the worldwide movement of promoting financially inclusive systems. Work is being carried out to institutionalize the microfinance service to a more formal structure in the form of a Microfinance Bank. The National Microfinance Unit, under the National Centre for Small, Medium Enterprise Development has more than 27,474 clients and \$1,598,267 million of savings deposit as at 30 June, 2007.

While there are positive signs of growth, increased production through coordinated programme is essential. For these MSMEs to survive, it is equally important that larger institutions are established which depends on domestic inputs and these MSMEs having a linkage to these larger institutions.

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.

Small firms are more likely than large ones to take on young people and people without qualifications. Employees as well as owner – managers of MSMEs usually have limited opportunities for professional development. These factors make the training and employment in MSMEs a crucial public policy area.

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.

The Interim Government has launched a Northern Development Programme which has a budgetary allocation of \$5m. Its primary objective is to enhance the livelihoods of the people of the Northern Division through the development of micro, small and medium enterprises (MSME).

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"> • 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. • To improve business support services and infrastructure by: <ul style="list-style-type: none"> • reviewing MSME laws and regulations; • extending micro finance facilities to all provinces; • providing incentives for large firms to develop MSME suppliers; • publishing MSME establishment costs on a 	<ul style="list-style-type: none"> • At least 500 MSMEs established each year. • Jobs in the MSME sector increased to 200,000. • Loans and savings clients of MFIs increased from the 2006

Policy Objectives	Strategies	Key Performance Indicators
	<p>regular basis;</p> <ul style="list-style-type: none"> • conducting of training of trainers and refresher courses; • addressing quality and productivity issues; AND • developing marketing for MSMEs through research conducted regularly on new markets and opportunities. • Develop and implement strategies to promote the long term sustainability of MSMEs and microfinance institutions. • Provide readily available information through establishment of MSME database and promote and facilitate access to on-line technology information and methods supporting MSMEs. • Provide counselling services to recipients of remittances to promote sound use and management of funds for long term purposes as education, training (including enterprise skills), housing, savings and MSME investment; ministries serving citizens overseas to provide information and contacts. • Encourage financial institutions to provide access to finance. 	<p>total of 22,000 to 30,000 in 2011.</p> <ul style="list-style-type: none"> • Business Incubations Centres support development of 200 new enterprises during the plan period, of which 50 develop to be medium enterprises.

5.6 Transport

Goal: To provide efficient transport services at reduced costs to enhance access to services and markets

Sectoral Review

Transport remains to be a vital component of the economy contributing to around 10 percent to GDP. The transport sector includes land, sea and air transport.

Land Transport

Major developments included the completion of the 50 KM Kings Lodon roads, upgrading on portions of roads and bridges within the Suva/Nausori and Lautoka/Nadi corridors together with the rehabilitation of most of the road sections around the country.

Progress on the FRUP III is anticipated to be completed in December 2009. Given the completion date of these four contracts, Government will need at least F\$39 million to fund these contracts even if we prefer to arrange for direct payment. An extra F\$18 million will be required to meet the full amount given the F\$21 million allocation in the 2007 Budget.

The rural roading programme will continue to provide basic all weather access roads to rural dwellers and villages in a cost effective manner. This will improve the quality of life of the rural population and promote economic growth by reducing rural transport costs. The priority is to connect all rural communities and villages in the interior of Vitilevu and Vanualevu by road.

Progress on the reorganization of the Department of National Roads (DNR) has moved into phase two to be completed by 2008. Phase one included the computerization of the entities accounts and physical separation of the DNR. The second phase is to commercialize the entity through the creation of internal business units to undertake maintenance and construction under contract. The separation of DNR is a transistional arrangement leading to the establishment of a statutory authority, Fiji Roads Authority, to be responsible for the quality of the national road network.

The objective of merging LTA and DNR is to transfer approved license fees from LTA to the new dedicated RoAD Fund (RF) to finance the maintenance of roads carried out by DNR. A long term sustainable funding of road maintenance is to introduce road user charges and to the Road Fund to manage the collection and expenditure of the revenues to meet annual maintenance requirements based on the needs.

Heavy commercial goods retailers will be controlled, regulated and administered under licensing system to introduce safety control measures on dangerous goods carried on the road. Also to impose appropriate license fees to pay for the use of the roads which through heavy, inflammable, explosive and dangerous goods are handed by heavy goods volume on roads through residential, schools, commercial centres and public places and not paying any money by way of tariff to the state for using public roads.

With the assistance of the Government of the People's Republic of China under soft loan of 2%, most if mnot all new rural roads will be constructed and unlinked roads will be connected.

Development Constraints and Challenges

- Expenditure on road maintenance has not increased commensurately with the increase in length of road network and the volume of traffic
- Condition of the roads is aggravated by congested traffic during peak hours particularly along the Suva/Nausori corridor and the Nadi/Lautoka area.
- Degradation of roads in Fiji caused by (1) poor design and workmanship on road has seen many roads being damaged soon after its construction. These are either not being designed to account for the potential users or the weather conditions, and (2) the current road structures have not accommodated the modern vehicles available on our roads.
- There are certain areas within the vicinity of Fiji's international ports that could be developed for agricultural commodities. Linking roads with better bridges in the interiors of Viti Levu (Viria and Vunidawa for example) could see immediate supply of traditional crops both for local and export markets.

- LTA's targeted revenue for 2007 is \$22.6 million. This has been revised downwards to \$19.3 million mainly due to reduced vehicle sales and registration and the delays in implementing changes to the Land transport Act that was expected in early 2007. This however does not limit the LTA in reducing administrative cost, enhanced and effective revenue collection measures which would in turn increase dividends.

Sea Transport

Expansion in cargo movements 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.

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 on main domestic routes 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 islands.

However the Shipping Franchise Subsidy Scheme is currently under review due to its overall ineffectiveness. A Ship Route Licensing System is now being processed with the view to commence from January 1st 2008. There will be two Classes of ship route licenses.

1. 'A' License authorizes a ship owner to sail his/her registered ship on specific authorized traditional ship route encompassing the Maritime division including the islands in the provinces of Lau, Lomaiviti, Kdavu, Rotuma, Cakaudrove, Bua, Tasilevu, Ra, and Ba;

'B' License authorizes a ship owner to sail his/her registered ship or boat for the purpose of the tourists industry in the areas of cruising, game fishing, diving, surf riding, reef excursion and other water sport activities including island resorts transfers.

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.

The Government fleet, operated by the Government Shipping Services (GSS) is being set up primarily to manage the government shipping fleet in meeting the sea transport needs of Government. However, on the other hand Government has been making various efforts to resolve the problem of providing adequate shipping services to the outer distant and remote islands of Fiji, which are typically characterized by its uneconomical routes

through its Shipping Franchise Scheme (SFS). Although it was tasked to keep accurate record keeping and monitoring the trading and movements within the maritime zones, it has been a problematic area for FIMSA and GSS. The re-organisation of FIMSA is expected to centralize maritime functions and thus improve service delivery to the community.

Current operations of port services need to be outsourced to various Stevedoring companies to encourage efficiency and productivity and enhance trade facilitation. This will augment the improvements currently being carried out in our major ports and will be further boosted with the commencement of the new Wairiki Port in Bua in late 2007. Other new developments are expected to follow in the near future. In line with Government's 'Look North' Policy, the economy of the northern division is expected to greatly benefit from these projects.

Development Constraints and Challenges

- need to re-organise FIMSA and consolidate maritime functions to improve services and meet international obligations.
- Frozen and unfunded vacant positions coupled with shortage of skilled professionals in maritime, naval architecture, hydrography, maritime law, maritime economics, etc.
- lack of equipment for hydrography, marine radio communication, vessel traffic management, port security, and Ports Offices in outstations
- all services in the sector provided by government to be reviewed
- short falls in budget for maintenance of maritime infrastructure, jetties, aids to navigation, etc.
- lack of passenger terminals, jetties and related facilities at ports.

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 and Nausori runways, 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.

Overseas business and trade promotions travel opportunities around the Asian and European countries have provided avenues to talk to State Aeronautical Authorities of the possibility of engaging in air services with Fiji. These include India, China, Singapore and others. On Air Services Agreement (ASA), government have been holding talks with counterparts in Nauru and Aeronautical Authorities in PNG, the Solomon Islands, Tonga, Tuvalu and others. The review of the Fiji-Tonga Air Services Agreement aims to allow Fiji to increase capacity on the route. Fiji is presently serving the route with 350 passenger capacity and aims to increase this to 1000 capacity in each direction.

Development Constraints and Challenges

- 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.
- Lack of competition with Air Pacific on regional routes impacts development of tourism in Fiji and the capacity for raising exports of goods into the region when PICTA comes into force. 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 thus the need to utilise this excess capacity needs to be immediately looked into.

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

The development of an efficient, affordable, accessible and cost effective transport system is a pre-requisite for economic growth. The promotion by Government and the private sector of shipping and aviation services are essential to raise export earnings and for rural and outer island development. In general, cost effective transport will attract investments, including PPP. Improved services, creation of employment and poverty alleviation are some impacts of such productive investments.

The development strategies identified focus on development of infrastructure which will facilitate private sector investment resulting 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.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Land Transport To enhance livelihood by reducing cost of transport of people and goods.	<ul style="list-style-type: none"> • Protect investment in the national land transport network through effective controls on vehicle overloading and adequate maintenance. • Reform the land transport sector to improve efficiency. • Self funding mechanism developed for LTA, DNR, NRSC, Police 	<ul style="list-style-type: none"> • Not less than 125km of national roads resealed and 40km rehabilitated each year. • Annual CO₂ emissions per capita reduced from 1.6mt to 1.0mt. • Average vehicle emission levels reduced from

Policy Objectives	Strategies	Key Performance Indicators
	<p>Traffic and municipalities.</p> <ul style="list-style-type: none"> • Improve traffic management schemes and reduce traffic congestions at main trunk routes. • Control on the importation ages of second hand vehicles. • Introduction of alternative fuel powered vehicles. • Increasing compliance of road regulations and identified accident black spots to reduce accidents. • Enhanced workmanship by DNR with existing allocations • Strengthen management of roads by adoption of private sector management practices. 	<p>40,000 ppm to 20,000 ppm.</p> <ul style="list-style-type: none"> • Reduce vehicle emission opacity from 70% to 35%. • Road death tolls reduced from xx to xx
<p>Marine Transport Communities and the country enjoy better access to passenger and cargo shipping services.</p>	<ul style="list-style-type: none"> • Improve efficiency at ports and provide competitive international port charges, facilitate trade, transshipment and other related functions. • Develop and upgrade seaways and main rivers. • Ensure compliance with international conventions to maintain a high level of safety and security in sea transport and prevent marine pollution. • Ensure optimal location, updated design and construction of existing and new jetties, passenger terminal buildings and related facilities. • Commence implementation of Rokobili Port. • Introduce improved and new revenue collection mechanisms. • Enhancing quality and regularity of inter island services • Re-organisation of FIMSA to centralize functions and improve maritime service delivery. 	<ul style="list-style-type: none"> • Annual tonnage of international cargo handled in Fiji ports increased from 3.3 million revenue tons in 2005 to 5 million by 2011. • Minimum of 2 trips per month on each outer island route. • Fiji maintains its White List Status. • Main Ports maintain ISPS Code status.
<p>Air Transport To promote development of tourism and</p>	<ul style="list-style-type: none"> • Continued improvements in airport infrastructure and facilities, including capacity extension at Nausori to accommodate 737-800, widening at 	<ul style="list-style-type: none"> • 3 or more airlines with unsubsidised, scheduled domestic flights. • Passenger seat km on

Policy Objectives	Strategies	Key Performance Indicators
exports to expand industries relying on air freight.	Savusavu, and upgrading at Rotuma. <ul style="list-style-type: none"> • Design a model that will take care or manage non-core activities of CAAFI • Increased number of passenger seats per annum. • Improved runway capacity to meet additional cargo requirements. • Utilization of additional air traffic rights under existing ASAs by 2008. • Restructure and reform within the aviation industry in line standards by 2008. • Airstrips to be compliant with ICAO international standards. • A new international airport in Vanua Levu to be evaluated and considered by 2008. • Review the role of Air Pacific in the development of the tourism and export sector • Encourage domestic and regional aviation competition to benefit Fiji's travelling public, tourism and export sector. 	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. <ul style="list-style-type: none"> • International airfreight capacity increased from 700 million tonne/km in 2005 to not less than 1,000 million tonne/km by 2010.

5.7 Energy

Goal: To facilitate the development of a resource efficient, cost effective and environmentally sustainable energy sector.

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 contribution of the electricity industry to GDP was 1.2% in 2005, 4.1% in 2006 and is expected to fall to 2.0% in 2007. The decline is due to the closure of EGM who is a large consumer of electricity, large investments in Tourism Sector and Construction Sector are put on hold and decline in the Manufacturing sector.

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. FEA hopes that additional national investments, including private, in hydro, geothermal, wind, biomass and municipal waste will help it reach its highly-ambitious goal of 100% renewable energy by 2011. If these are not developed, the demand for diesel fuel, or possibly diesel fuel substitutes, will grow rapidly after 2008.

Government has developed a National Energy Policy (NEP) and a strategic action plan that provides the framework for energy sector activities. The NEP provides a common framework for all (both public and private) associated with the energy sector to work towards for optimum utilization of energy resources for the overall growth and development of the economy over the next five years. There are four key strategic areas that the NEP focuses on: National Energy Planning, Energy Security, Power Sector and Renewable Energy.

Development Constraints and Challenges

Development constraints and challenges include;

- 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.

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.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
The community has increased secure access to affordable and reliable energy supplies.	<ul style="list-style-type: none"> • Enact enforce appropriate legislation to improve sustainable energy use, including the National Energy Policy (NEP) and Renewable Energy Based Rural Electrification Act. • Monitor Customer satisfaction through survey and develop and implement an awareness programme. • Establish a reliable energy information 	<ul style="list-style-type: none"> • GDP per kg oil equivalent, at constant 1995 prices, increased from \$5 in 2004 to \$8 by 2010. • Household power outages on Grid Lines are each not more than 5 minutes

Policy Objectives	Strategies	Key Performance Indicators
	<p>system for end use decision making at all levels.</p> <ul style="list-style-type: none"> • A better understanding of Fiji’s energy security situation developed and maintained to guide future policy decisions. • Greater collaboration within the industry and with other sectors and strengthens private sector involvement in all forms of energy, including review of tariffs, cost recovery and competition in energy production. • Reduce inefficient use of energy through energy efficiency research, demonstration, energy audits, regulation, and building codes, and create a robust market for energy • Promote measures to reduce fossil fuel consumption, including in the transport sector, and encourage alternative fuels for the power, transport and other sectors. efficiency services. • Develop and implement a national electrification master plan covering both grid and stand-alone systems. • Formation of an appropriate independent regulatory agency and review the Electricity Act. • Assess local renewable energy resource potential, undertake research, identify technologies appropriate to Fiji • Encourage competition in the generation of energy. 	<p>by 2010.</p> <ul style="list-style-type: none"> • 88% national electrification coverage by 2010 with urban increased from 95% to 98% and rural areas from 70% to 80%. • IPP to produce not less than 250GWh of energy per year by 2010 (DOE will identify current levels of IPP output for comparison). • Improvement in the national electricity mix from 40/60 renewables to fossil fuel to 90/10 for the grid and from 5/95 to 45/55 for off grid energy by 2010 (Increase 10% renewable to 45, 10% per year). • 20% of fuel for transport is bio-fuel, LPG or LNG by 2010 (Current alternative fuel use is 3% (taxi))

5.8 Water and Sewerage

Goal: Increasing access to continual safe drinking water and appropriate sanitary waste disposal systems.

Despite Fiji being blessed with an abundance of water resources, there are continued problems with the supply of water. According to 1996 reports, approximately 70 percent of Fiji’s population has access to piped water. The proportion of population connected to sewerage facilities were then about 15 percent.

The supply of sufficient and reliable water and sewerage services are crucial for both rural and urban population, for economic growth and for commercial developments. Government acknowledges these strategic policy objectives are sets out to achieve firm improvements. 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 environmentally friendly sewerage systems.

The Suva/Nausori Regional Water Supply and Sewerage Scheme are currently undergoing upgrading and augmentation works to improve the level of service to consumers in terms of reliability, quality and quantity. There are altogether 25 packages under this project of which 7 have either been completed or currently being implemented and namely these are: PMU Reforms Consultancy (completed); Nagatugatu Reservoir System (under-construction); Wainibuku/Navitoka Reservoir System (under-construction); Nausori – Rewa Delta Water Distribution System (completed); Savura Raising Main (completed); Raw Water Mains – Savura Creek to Tamavua Water Treatment Plant (completed); and Leak Detection and Repair, Meter Repair and Replacement, and Replacement of Service Pipes (completed).

Sewerage rehabilitation and augmentation works have begun and includes the Kinoya Sewerage Treatment Plant, major pump station rehabilitation, Tacirua Sewer extension, Samabula North Sewer, Navitoka Sewerage, and the Suva Point Sewerage. Apart from the above, the investigation and design for most of the other components of the project will commence in the third quarter of 2007.

The Nadi and Lautoka regional water supply scheme involves the upgrading of the raw water supply capacity pipeline from the Vaturu Dam to Nadago Water Treatment Plant to allow for better transfer of water to Lautoka. With regards to the Natadola Water Project, the pipeline between the Sigatoka and the Voua Reservoir at the Fijian Hotel has been completed. Discussions are in progress on implementing the remainder of works, including pipeline from Voua Reservoir to Natadola and construction of Natadola reservoir and pump stations.

Government will continue to pursue reform programmes for the Water and Sewerage Department. A water management policy will be developed and implemented. 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

Development constraints and challenges include:

- financing infrastructure upgrading, low level of cost recovery and lack of professional and technical staff;
- Aging of existing infrastructure
- Low levels of cost recovery;

- Increased demand for infrastructure from the upcoming tourism, business centres and industrial estates
- Creation of new water and sewerage company; and
- Acceptance of people for change towards user pay concept.

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"> • Expanding the rural water supply schemes and extending and upgrading major urban and regional water schemes to include rural areas as outlined in their respective master plans. • Expansion of the sewer reticulation network and sewerage treatment facilities and promoting the need for care of the environment • Private sector participation in the provision of capital works of water and sewerage services increased through outsourcing or management contracts and reorganisation of Water and Sewerage as a Fiji Water Authority, supported by review of tariffs and to improve efficiency and effectiveness. • Identify 30 possible water and sewerage projects and prepare cost estimates and tender documents for implementation under contract; and promote aggressive leakage reduction programmes by setting targets for volumetric savings per month. 	<ul style="list-style-type: none"> • 90% of the urban population and 75% of the rural population have access to safe water supply by 2010 • Increase in the annual number of water connections to new customers from approximately 3,000 to 3,500. • Increase in the urban population with sewerage connection to not less than 35% by 2010 • Level of unaccounted for water reduced from approximately 50% to 30% by 2009 and to 25% by 2010.

5.9 Foreign Affairs and External Trade

Goal: Global integration for political and economic advancement.

The Ministry of Foreign Affairs and External Trade core functions are to formulate and implement the Government's foreign policy. This includes the design and implementation of policies that seek to protect Fiji's political interests, national security, ideological goals and economic prosperity. Furthermore, Fiji's international relations and trade policies are promoted through pre-active engagement in the various bilateral, regional and multilateral agreements, treaties and conventions Fiji is party to. The

Ministry also plays an important role in the negotiation and administration of foreign aid and technical assistance.

Fiji's trade regime is implemented at three levels. Bilateral trade agreements (BTAs) are established with our closest neighbours and main trading partners such as Australia, New Zealand and Pacific Island countries such as Tonga, Papua New Guinea, and Samoa. Regional trade agreements (RTAs) are also pursued in the MSG, PICTA, PACER and the PACP EPA with the EU. In the multilateral trading system, Fiji is a signatory to the World Trade Organisation (WTO) and is therefore bound by its rules and principles.

Development Constraints and Challenges

Development constraints and challenges include:

- Improving and enhancing our relations with foreign countries;
- Domestic competitiveness;
- Promoting direct foreign investment in Fiji, identifying potential investment sources, and exploring new markets for our products;
- Deriving maximum benefit from the multilateral trading system, regional trading arrangements and bilateral arrangements.

Development Rationale

Fiji is a small economy by world standards with an equally small domestic market. The small size of the domestic market has a direct implication for the country's export-led trade strategy. The structural openness and the importance of trade to the economy mean that integration with the global trading system is critically important to realise the gains.

Potential gains from trade are significant in terms of influencing the country's economic performance as well as a key source of growth.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Communities should benefit from Fiji's diplomatic and external trade relations and development.	<ul style="list-style-type: none"> • Diversify export markets, particularly in the Asia-Pacific region. • Improve investment and trade facilitation and negotiation capacity. • Continuous recruitment of personnel with expertise in trade, trade negotiations and investment at Fiji's foreign missions. • Enhance existing bilateral and multilateral relations. • Advocate Fiji's interest 	<ul style="list-style-type: none"> • Exports of goods and services to be increased from 58% of GDP in 2005 to at least 65% of GDP. • Agreements in place with Australia and New Zealand on temporary employment of Fiji nationals as skilled and/or seasonal workers. • ODA increased from 0.3% to 0.6% of GDP. • Total grant in aid to be not less than 2005 level of \$50 million.

Policy Objectives	Strategies	Key Performance Indicators
	<p>and profile in regional and international institutions such as the UN, the Pacific Islands Forum Secretariat, and the Commonwealth.</p> <ul style="list-style-type: none"> • Adhere to international declarations, agreements, conventions and treaties of the UN, the Commonwealth, the EU and others of significance. • Develop a South Pacific Policy Statement on regional resource pooling, governance and security. • Secure visa free entry for Fiji citizens to foreign countries. • Establish and maintain a website to provide accurate and timely information on Fiji. 	

5.10 Employment and the Labour Market

Goal: Fullest and most productive utilisation of our human resources.

Around 134, 000 people; 43% of the labour force, are estimated to be in paid or formal sector employment. 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. While the results of the Employment and Unemployment Survey (EUS) 2004-2005 shows unemployment in urban areas at 6.1% and an overall national rate of 4.6%, underemployment is widespread in Fijis Labour Market and stood at 22.5%

With previous trends of low economic growth, the formal sector is unable to create sufficient jobs to effectively absorb the 16,000 people entering the labour force each year. Many are left to make their own opportunities in the rural economy and in small and micro-enterprises. Additional opportunities of securing employment are affected by skill shortages. A fast-track system for approving work permits in sectors faced by skill shortages will be established. Poor dissemination of information on 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) [www.fjichris.gov.fj] would also assist in job placements.

Fiji's wage-setting, is largely based on annual COLA (Cost of Living Adjustment) awards as opposed to merit or productivity based increments. 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. The Plan will emphasise on pay increases based on performance and productivity. 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.

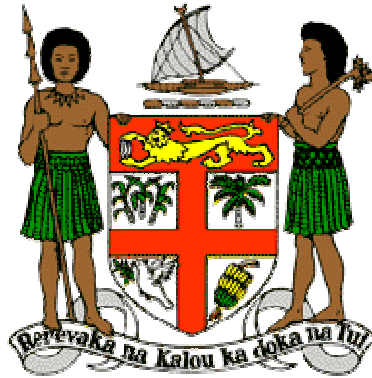
Development Rationale

The employment reforms promote the role of women in development and employment of school leavers. The reforms will improve maternal health for working mothers; reduces child mortality through enhanced maternity protection; and promotes education of children through its child protection policy. The Labour Reform brought about by the enactment of the Employment Relations Act (ERA) 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.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
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.	<ul style="list-style-type: none"> • 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. • The implementation of the ERA and its subsequent legislation that includes the establishment of Productivity Committees consistent with the 2005 Productivity Charter • Improved functioning of the labour market and to facilitate Labour Mobility through the establishment of a Policy and Legal framework. • Harmonise existing training and education system. 	<ul style="list-style-type: none"> • Unemployment reduced from 6% in the HIES to less than 4.2% by 2011. • Increasing people in paid employment from 136,411 by 5% per year or the rate of GDP growth, whichever is the higher. • Increase intake at tertiary and vocational institutions to meet skills needs by 10% annually beginning 2008. • Increase the number of people entering apprenticeships from

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> • In cases of market failures, the recruitment of expatriate workers where there are appropriate shortages. • Formulation of the NSHRP 	<ul style="list-style-type: none"> • 100 to 300 annually. • Each year, 10 organisations to attain compliance with the productivity clause of the ERA, once enacted. • The proportion of the economically active rural population in full time paid work increased from 43.6% in HIES 2003 to not less than 60%. • Increased compliance of the OHSA. • NSHRP to be in force by December 2008. • Workers Compensation claims reduced from 2,300 to less than 2,000.



Chapter 6

Reform of Public Service

Chapter 6 Reform of Public Service

6.1 The Public Sector

6.1.1 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.

The size of the public service increased from 10,000 in 1971 to 25,888 in 2005, much more rapidly than the growth in population. The number of established and un-established posts increased between 2003 and 2005 by 1,787 or (6.5%) of the overall establishment. The public sector is consuming an increasing proportion of the nation's assets due to wage growth and the increasing size of the workforce. This growth in expenditure undermines the Government's fiscal policy, service provision and economic growth.

To restrain expenditure growth in the public service, Government introduced a policy that all permanent secretaries are to reduce expenditures within their ministries by 10% by 31st December 2007.

6.1.2 The Approach to Restructuring

To meet these challenges, Government has developed plans to address: (a) financial management reform - discussed above in 5.2; and (b) public sector reform, including both civil service reform and public enterprise reform - discussed in this chapter. Significant reform, though difficult, is essential and it is incumbent on officials to respond by strategically realigning resources and offering value for money.

Reform must be made in a planned and coordinated manner. Improvements in governance, planning, coordination, and communication between the key stakeholders need to be efficiently harmonized and synchronized. To support such an approach, a Civil Service Reform Programme is currently being developed for implementation over the Plan period through a common management structure.

Such a programme requires commitment and leadership at the highest levels of Government to champion the cause of reform and lead its implementation. To this end, a Steering Committee comprising of key line ministries Permanent Secretaries under the chairmanship of the Permanent Secretary of Public Service and Public Sector Reform shall oversee the restructure programme.

Restructuring will also require legislative reform, improved management of capital infrastructure and the fleet, systems, training and strengthening of accountability mechanisms. A broad based reform strategy can address many of these issues without

diminishing service delivery. This can be achieved through restructuring, job redesign and strengthening and streamlining policy and procedure.

The broad objectives for Public Sector restructuring can be summarized as:

- **Objective 1:** Mobilize programme resources, commence and sustain communication and consultation with all key stakeholders;
- **Objective 2:** Divest functions to the private sector and restructure and right size all Government Ministries and Departments to maximize the efficient and effective use of public resources and enable them to operate within a sustainable budget base;
- **Objective 3:** To strengthen systems and processes in human resource management, fleet and capital infrastructure;
- **Objective 4:** Create a cadre of future leaders, delegates and corporate resource managers who are better informed, trained and equipped to manage the major assets of Government; and
- **Objective 5:** To strengthen the ethics, values, integrity and impartiality of key decision makers.

Communication and the opportunity for involvement by the community, the private sector, unions and the workforce in the design and implementation of new structures is an essential component to successful restructuring. Effective communication will address community concerns and emphasize the Government's commitment to effective public sector management, the desire to lift productivity and improve efficiency in service delivery.

The objectives require that parts of the present public sector be re-organized and corporatised or privatized by divesting functions that are better delivered by private enterprise. This public enterprise restructuring is discussed in 6.3. The core functions then need to be addressed and re-organized to increase productivity and efficiency whilst improving service delivery. This civil service reform is addressed in 6.2.

Recognizing their vital importance during the Plan period, a Steering Committee Working Group on Public Sector Restructuring will be dedicated exclusively to support, monitor and evaluate implementation of the Plans in this Chapter.

6.2 Civil Service

6.2.1 Civil Service Structure

The reform of the civil service aims at reducing costs – by restructuring, right-sizing 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.

At present the civil service comprises 41 Ministries, Departments and Statutory Authorities. Comparative industry benchmarking suggests this is disproportionate to the size of the civil service, representing a significant over investment in senior management and service structures. Preliminary analysis suggests that the number of ministries could be reduced. There is significant scope to flatten management structures, remove overlapping functions, broaden roles and responsibilities and shift delegations away from central agencies to increase flexibility and responsiveness in the deployment of resources.

To strengthen management, a leadership development programme must implement a succession planning approach to identify the next generation of leaders. This needs to target talented employees with the potential for future leadership positions. Selected employees could be exposed to training in leadership, people management, public administration, corporate governance and the importance of strategically managing public assets. This would be delivered through accredited tertiary study, job rotation and mentoring in the work place. Emphasis will be placed on improved knowledge and skills in resource management, strengthened ethics and integrity and the importance of impartiality in decision making.

6.2.2 Human Resources

The number of industrial disputes has declined in recent years but there has been little evident progress to improve productivity through initiatives such as performance management or service excellence. Thus, a new approach is needed to restructure in order to achieve greater productivity and seek to secure genuine productivity agreements that build on the consensus reached under the *Productivity Charter Fiji 2005*.

Right-sizing employee numbers during restructuring can include natural attrition, recruitment freezes, divestment or outsourcing of functions and the application of departure packages either by voluntary or targeted redundancy programmes. While a ‘no redundancy policy’ has been maintained to date, redundancy is a viable strategy that can help employees who cannot be retrained and redeployed. Without this provision meaningful restructuring may not succeed but, if adopted, this strategy must be adequately funded.

The approval of this strategy would be subject to consultation with the unions and the preparation of a redeployment and redundancy policy that is supported by a fully costed business case. The policy and procedures would need to ensure that skilled employees are not lost to the service with these officers being redeployed and retrained rather than declared redundant.

6.2.3 Human Resources Management

The weakness of present human resources management is demonstrated by the apparent discrepancy between the number of authorized positions and the number of positions funded in the budget. The *World Bank Report in (2005)* estimated this variation to be as much as 4,381 positions - a number almost equal to the 5,000 target reduction in civil service employment. This discrepancy must be addressed urgently to establish effective control of human resources and establish a baseline for measuring reform performance.

At present, human resources management is dependent upon stand-alone databases and hard copy record-keeping which severely limits the ability to manage a workforce of over 25,000 employees. New technologies common elsewhere have revolutionized how human resource management information is captured, stored and used as a powerful tool to strengthen accountability and improve strategic workforce planning.

To advance this key strategy, structural integration of the payroll and establishment functions must occur to align human resource policy and procedures with future systems development. A fully integrated and networked Human Resources Management Information System (HRIS) needs to be implemented. It should be noted that the progressive loss of control over resources can largely be attributed to the lack of access to the reliable and credible management information needed for control and decision making.

6.2.4 Asset Management

To complement stronger human resources management capability, a strategy to improve the management of capital assets must be developed which provides the basis for restructuring and consolidation of the existing functions.

It is imperative to introduce more modern, effective asset management systems with clearer control and accountability..

6.3 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.

6.3.1 Restructuring Principles

Government has endorsed a three-step reform process: (i) introduce measures to reorganize, commercialize and corporatise 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, is adopting a programme of accelerated restructuring so that substantial progress is made in this Plan period and effective consolidation of the gains is achieved before 2009.

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 achieve efficient resource allocation and use.

6.3.2 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.

Reorganization

Reorganization 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-organizations is to create organizations which are: (i) more efficient and productive; (ii) more accountable; and (iii) better organized. Government companies, statutory authorities, ministries and departments may all be nominated for the re-organization 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 privatized as a going concern or contributed to a PPP as Government equity it will increase the value realized by Government and contribute to a reduction in Government debt and/or capital expenditure programmes. Re-organized entities are likely to move on into other ownership arrangements.

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 at competitive prices.

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 resources, thus allowing 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.

Privatization

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 privatization 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 reorganized entities should be moved from reorganization to privatization. Reorganization 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 are more productively used elsewhere in the economy.

In cases of privatization, 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.

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.

6.3.3 Accelerated Restructuring Programme

Slow progress in the pace of restructuring 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 reorganization, corporatisation and divestment giving priority to the most difficult areas; develop public awareness of the benefits of restructuring;
- between mid-2008 and mid-2009 : review the measures taken and concentrate new efforts on perfecting the reforms and promoting their benefits; and
- by end of 2009: 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-2010 includes:

- re-organization 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 (vi) Government Printing and Stationery Department; and
- divestment/privatization 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 PAFCO; (vii) Airports Fiji Ltd; (viii) Fiji Ships and Heavy Industries Ltd; and (ix) Rewa Rice Ltd..

This can be considered an ambitious, stretch target which recognizes 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.

6.4 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.

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 partnerships (PPP). Achievement of these 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.

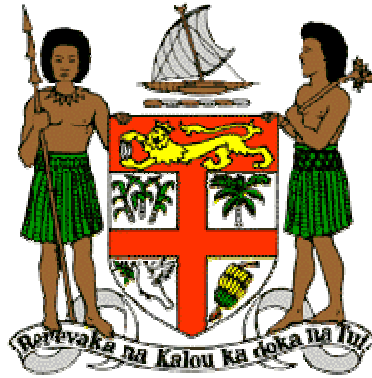
The boundary between public and private sectors will be moved so that each undertakes those tasks which it is best able to do. Private goods and services and the assets to produce them will be transferred from inefficient public sector management to gain productivity from the entrepreneurial skills which 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
People are better served by increased civil service efficiency, productivity, and quality.	<ul style="list-style-type: none"> Restructuring the civil service appropriate to the needs of efficient provision of public goods and services at national and local government level. Establish and implement, where needed, a redundancy policy to support expeditious restructuring. Provide an institutional, operational and legislative framework for more accountability and transparency in policy making 	<ul style="list-style-type: none"> Cost of running Government machinery reduced from 14% to 9% of GDP. Ministries Expenditures reduced by 10% end of 2008. The number of civil servants reduced from 25,000 to 20,000 by 200.

Policy Objectives	Strategies	Key Performance Indicators
	<p>and management of public resources at all levels of Government.</p> <ul style="list-style-type: none"> • Enforce the principles of good governance, including transparency in decision-making and accountability in public services, including a Code of Conduct for Leaders, as provided for in the Constitution, and a Code of Conduct for Local Government. • Introduce a strategic procurement policy for all government departments and public enterprises. • To ensure full consultation with all stakeholders in all relevant matters pertaining to reforms and promote general public awareness of reform strategies. • Ensure that Government is seen as an equal opportunity employer by members of all communities. • Improve access to public services and improve quality, productivity and efficiency of service delivery in national, provincial and local Government. 	
<p>The country achieves greater productivity in the use of assets currently owned and/or managed by public sector commercial entities.</p>	<ul style="list-style-type: none"> • Accelerate the designation of departments as re-organisation enterprises to increase efficiency through improved operational systems, contracting out and privatization by 2008. • Strengthen the monitoring of companies that provide low returns by the monitoring agencies in order to increase 	<ul style="list-style-type: none"> • Aggregate rates of return in public enterprises listed under the Public Enterprise Act increased from 3% to 10%. • Government's contingent liabilities incurred on behalf of public enterprises, excluding FNPF, not

Policy Objectives	Strategies	Key Performance Indicators
	<p>profitability and provide high returns.</p> <ul style="list-style-type: none"> • 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 by 2008. • Undertake regulatory reform and establish appropriate regulatory institutions prior to the corporatisation or divestment of the entities to be regulated. • 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 by 2008. • To review the constraints on public enterprises ability to achieve the target 10% return on shareholder funds and identify means to improve their returns by 2008. 	<p>more than 10% of GDP by 2010.</p> <ul style="list-style-type: none"> • Not less than 10 public entities sold into public ownership by 2009.



Chapter 7

Reform of Public Financial Institutions

Chapter 7 Reform of Public Financial Institutions

7.1 Financial Services

Goal: An effective, competitive and stable financial system that will enhance economic growth and development.

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 Constraints and Challenges

There has been significant improvement in the financial services sector, however, much is yet to be accomplished to address the constraints and challenges to make the sector efficient and manageable/transparent. Such measures include:

- improved efficiency in resource allocation (human and financial);
- alignment of domestic prudential regulation to latest world best practice;
- enhanced stability and soundness of the financial system; and
- establishment of appropriate indicators, such as financial soundness Indicators, to assist in the assessment of strengths and vulnerabilities of financial systems and also serve as critical inputs for policy formulation.

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 Programme (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.

Moreover, such development may bring out more success to the economic and social activities in the rural areas, if promotion of accessibility are continued along with transparency planning, co-ordination and consultation between the Government of the day and Reserve Bank of Fiji are undertaken so that rural 'unbanked' areas to be also part of the new modern banking system that is available in the urban areas. To ensure that the financial system is adequately supervised, a financial services regulator will be identified.

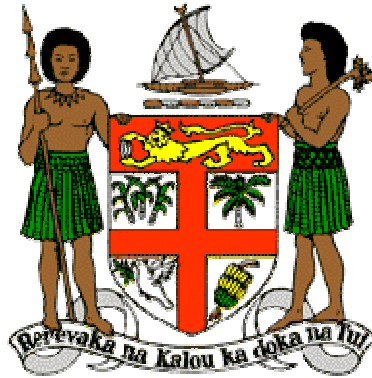
Review of the appropriate legislations including the RBF legislations and the Banking and Insurance legislation coupled with increased data coverage will reflect performance and standards of the financial sector. In addition, the Reserve Bank of Fiji will spearhead all new rural banking initiatives that in line with the Banking Act 1995 definition to increase the coverage of basic banking in rural as well as that considered 'urban', but which do not have access at present.. 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

Policy Objectives	Strategies	Key Performance Indicators
<p>People and organizations in Fiji have access to appropriate modes of transparent, sound and secure financial and banking facilities.</p>	<ul style="list-style-type: none"> • To review, evaluate, implement and monitor appropriate recommendations of the COIFS report, the FSAP, EFF review, Action plan for Insurance and Guarantee, FPNF studies and restructure of Fiji's superannuation sector, FDB review recommendations and the Rural banking survey recommendations. • Promote development of formal financial institutions in all rural and outer island areas. • Develop, promote and monitor financial instruments which provide cost effective export finance to remove financial constraints on exports. • Introduce, monitor and develop a RTGS system to increase efficiency. • Enhance safety and protection of financial institutions and financial services from their use and abuse by criminals for money laundering, corruption, fraud and other serious crimes. • Examine the feasibility of an ombudsman to promote and protect customer interests in financial services. • Review legislations and regulatory procedures, including micro-finance regulations and legislation on RBF, Banking, Insurance, and 	<ul style="list-style-type: none"> • Improvement in the accessibility by micro, small and medium enterprises to loanable funds for economic purposes. • Encourage promotion of access to basic banking services for rural areas and the reduction in unbanked areas by 2010. • Establish an indicator, which allows the Government to both measure and monitor this accessibility on an on-going basis. • 50% of exports are financed by export finance at competitive rates. • Increased awareness of Suspicious Transactions Reporting (STR) and issues relating to money laundering and

Policy Objectives	Strategies	Key Performance Indicators
	<p>Superannuation.</p> <ul style="list-style-type: none"> • Enhanced monitoring of bank fees and charges. • Collect and analyse data from credit unions, micro finance operators and similar sources. • Provide legal backing to Fiji Accounting Standards and Fiji Standards on Auditing. • Establish an active capital market of international standard and encourage debt and equity products to list on the stock exchange. • Adopt international best insurance and funds management practices. • Enhance the public debt management system. • Broaden the range of instruments in consultation between Government, RBF and CMDA • A survey to be undertaken in identifying/establishing an appropriate financial services regulator. 	<p>financing of terrorism throughout all sectors of the economy.</p> <ul style="list-style-type: none"> • To formalise and finalise all reporting lines of STRs by 2009. • Achieved full implementation of the requirements of the Financial Transactions Reporting (FTR) Act by 2008. • Ensure that financial institutions under the FTR Act put in place appropriate know-your-customer rules and procedures and develop and employ due diligence policies.. • Total equity market capitalization of listed entities increased to 100% of GDP from 25% by 2010. • Value of shares traded on the stock exchange annually increased to 2% of market capitalisation by 2010. • The completion of the sector regulator survey by 2009 and the identification

Policy Objectives	Strategies	Key Performance Indicators
		/initial plans towards implementation by 2010.



Chapter 8

Access to Land and Land Utilization

Chapter 8 Access to Land and Land Utilization

8.1 Land Resource Development and Management

Goal: Effective and coordinated land management to support economic development

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.

The Interim Government will undertake comprehensive awareness campaigns involving landowners and tenants on the benefits of extending expiring ALTA leases within provisions of existing laws. Consideration will be given to the revival of the proposal for a Land Use Commission purely to promote higher utilization of available land for the maximum benefit to landowners, the tenants and the country as a whole.

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 encouraging 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.

Government is also intending to create commercial agricultural subdivisions to increase the utilization and productivity of total land resource. The intention is to identify, develop and apportion available arable land into manageable sizes, which can be leased out to potential farmers. Government would engage and seek concurrence from all stakeholders to facilitate this intention. It is intended to be a partnership project between the Government, landowners and the NLTB.

With regards to the management of crown land, several policies need to be reviewed such as approval process, buy-back policy, dispute resolution, and the development of regulations across various functions of the department.

Land development will be facilitated through improvement in the investment approval process.

Development Constraints and Challenges

Development constraints and challenges include:

- Availability of suitable land for farming;

- Inappropriate farming practices, deforestation and other land uses contributing to environmental problems such as the loss of soil biodiversity;
- Restrictive land tenure system;
- Prime agricultural land used for non agricultural purposes;
- The inability to mobilize native land as a means to accessing credit is restrictive.

The review of NLTB commissioned by the Interim Government in early 2007 is geared at identifying strategies to address these constraints to allow native land to be put to more productive use. The report of the review team has been presented to the Board of NLTB with discussion on the implementing the recommendations ongoing.

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.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Resource owners and land users securing long term incomes from environmentally sustainable land development and management.	<ul style="list-style-type: none"> • Encourage dialogue and consensus in adopting appropriate land tenure legislation which has support of all stakeholders. • Strengthen institutional capacity and adequately resource the Land Resource Planning and Development Unit and the Land Conservation Board to enforce land use policies. • Complete review of the Land Conservation Act. • Strengthen resource management and awareness on appropriate land use and watershed management practices from the community level. • Strengthen coordination between agencies involved in land development to ensure land is put to its most productive use. 	<ul style="list-style-type: none"> • A land tenure system is in place which allows equitable returns to owners and users through an effective market for land use rights. • Number of cases on improper landuse practices and rate of prosecutions.

8.2 Sugar

Goal: A locally vibrant and globally competitive sugar industry.

The changes required of the sugar sector result from global developments, primarily the WTO driven trade liberalization, 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 5.9% in 2006. Cane production has fallen in the same period from around 3.9 million tons in 1995 to 3.2 million tons in 2006. Consequently, sugar production levels are now around 310,000 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 sugar production for 2007 is expected to decline to around 271,831 tons, 12.35% below the 2006 level, from 2.75 million tons of cane. This represents a TCTS¹ ratio of 10.1 which is high and inefficient when compared to the TCTS of 8.7 in 1995. The Industry's negative outlook is largely attributed to the unfavourable weather conditions (drought), exacerbated by high cost of production, low yield, inefficient sugar mills and a land tenure system that does not provide incentives to improve. A desirable TCTS ratio for the industry would be around 8. Sugar production forecasts for 2008 and 2009 currently stand at 336,842 tons and 380,435 tons respectively. Total sugar exports for 2007 is projected to decline to \$227m from the \$244m recorded for 2006. The downward trend is due to the relatively low yield and sugar production levels and the imposition of the first 5% of the total 36% reduction in the EU preferential sugar prices. Projections for 2008 and 2009 currently stand at \$203.6m and \$177.8m 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 36% 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, in the form of a grant funded National Adaptation Strategy, and also through other trade arrangements such as the Economic Partnership Agreements, which are being negotiated.

Development Constraints and Challenges

Development constraints and challenges include:

- Industry viability depends upon the commercial values in all aspects of operation, from farming and harvesting, to transportation and milling;
- Effectiveness of the extension services, research and development work of SRIF and support from both the FSC and SCGC;;
- Effectiveness of recapitalisation program;
- Loss of experienced farmers;

¹ Ratio showing how many tons of cane required to produce a ton of sugar

- Renewal of productive land leases; and
- Support provided by the EU and confirmation of funding.

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 programmes and projects under the National Adaptation Strategy 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 and ethanol production.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
To re-structure the sugar industry into a commercially viable, profitable and sustainable industry.	<ul style="list-style-type: none"> • Implementation of the sugar industry reform plan, including the National Adaptation Strategy. • Encourage dialogue and consultation to ensure land availability for the industry. • Promote milling efficiency and cane quality payment system. • To improve efficiency and productivity of cane production in farms through improved extension and research services. • Review the cane transportation system and harvesting with the objective of making it more cost effective, efficient and practical. • Increased range of crops produced (including aquaculture) in the cane belt. • Design and implement sugar product diversification such as cogeneration and ethanol production. • Implement measures to address the social impact of the industry restructure. 	<ul style="list-style-type: none"> • Yield per ha increased from 61mt/ha in 2006 to 70mt/ha by 2010. • TCTS ratio improved from 11 TCTS in 2006 to 8 TCTS by 2010. • Extraction rate of sucrose increased from an average of 72% in 2006 to 85% by 2010. • Reduce milling costs from \$280/mt raw sugar in 2006 to \$140/mt raw sugar by 2010. • Reduce production cost of per ton cane from \$35 to \$20 by 2010. • Sale of up to 137GWh of electricity to the national grid by 2011. • FSC return on investment not less than 10% and a debt to equity ratio of not more than 60:40. • Returns per farm labour day to remain at least the present levels.

Policy Objectives	Strategies	Key Performance Indicators
		<ul style="list-style-type: none"> Monitor school enrolment in cane belt areas.

8.3 Agriculture and Livestock

Goal: Sustainable community livelihood through competitive exports and efficient food security.

The agriculture sector, excluding sugarcane, contributes around 7.3% to GDP, accounts for around 14% of agriculture exports, for 15% of total food imports and sustained 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.

Over the years the rate of growth in agricultural production has stagnated and failed to keep pace with the needs of a rapidly growing population, resulting in a progressive increase in import bills for food and industrial raw materials. The potential of the agri-business sector as a major employer of the growing labour force and an earner of foreign exchange has also been undermined. As a result, the large majority of Fiji's population, many of whom live in rural areas (approximately 50 percent), remain poor. Under the Strategy, agricultural development will be vigorously pursued, with the aim of achieving food security and reducing poverty.

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. Emphasis must be placed on increasing the production, quality and standards of agricultural produce demanded by Fiji's hotel and resorts through the adaptation of the Value Chain Concept.

Anticipating a substantial exit of farmers and farm workers from cane production, programmes and projects under the National Adaptation Strategy (NAS) will also fund activities to diversify agriculture in the cane belts, including commercial agriculture activities. Non commercial sugar and non-sugar activities of the NAS, will be funded through Government programmes targeted at 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 focuses in the agricultural sector will be on introducing demand driven approaches both for the export as well as import substitution commodities, promoting investment,

commercialization and strengthening industry organizations and agri-business networks, promotion of young farmer training and recognition by government of industry priorities.

Reviving the livestock industry will be a priority with assistance targeted at breeding of genetically superior livestock, the provision of training on pasture feed management, good animal health provisions and for management and marketing. Investment in the industry will be encouraged, particularly in the dairy and beef segments of the industry.

Development Constraints and Challenges

Development constraints and challenges inhibiting private sector participation in the transformation of agricultural production include the following:

- The rapid shift of the population from rural to urban areas and the shift in consumption patterns from local to imported food items;
- Lack of appropriate Quarantine Regulations to enhance Export;
- The land tenure system that inhibits long term investment and loss of available land to other industries particularly tourism;
- Inadequate/inefficient agricultural extension services and the lack of traditional capacity or technologies responsive to local conditions
- Lack of development funds, inadequate processing and storage facilities, and inefficiencies in supply chain;
- Continued dependence on rain-fed agriculture and the absence of economies of scale;
- A degraded environment that has reduced agricultural yields; and
- Lack of appropriate infrastructure.

Development Rationale

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.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Fiji is served by a thriving commercial agriculture sector, sustaining Fiji's food sector and incoming security for all.	<ul style="list-style-type: none"> • Through the Rural and Outer Islands Project (ROI), rescoped Alternative Livelihood Project (ALP) and related rural development projects, build the capacity of rural communities to diversify agriculture to higher value crops and commercial agriculture to improve on and off farm livelihoods and opportunities for processing and 	<ul style="list-style-type: none"> • Maintain agriculture sector's contribution to GDP at 12%. • Value of non-sugar agriculture exports increased from \$32.8m in 2006 to \$80m by 2010. • Value of fruits and vegetables imports reduced from \$150m in 2007 to \$80 in 2010.

Policy Objectives	Strategies	Key Performance Indicators
	<p>value added.</p> <ul style="list-style-type: none"> • Establish commodity protocols with existing and new markets (China, Australia, NZ, EU, US, Japan) and promote formation of industry councils to spearhead/coordinate commodity development. • Strengthen agricultural training institutions to improve training services to all stakeholders. • Strengthen demand driven research and expansion in partnership with the private sector. • Improve accessibility of farmers to saving and credit facilities and develop micro-finance institutions. • Provide demand driven infrastructure to facilitate market access of agricultural produce, particularly in the remote areas and outer islands. • Enhance tourism industry and agriculture sector linkages to match demand and supply, therefore reducing imports. • Promote food safety and quality programmes. • Revitalise coconut industry to move into value adding and product diversification. 	<ul style="list-style-type: none"> • Increase lending to agriculture sector of commercial banks to 1% of total loan portfolio by 2010 from current level of 0.6% in 2005. • Number of projects implemented through PPP from 10 in 2007 to 50 to 2010. • Agricultural Census conducted by 2008

8.4 Forestry

Goal: Sustainable management and development of forest resources.

The Forestry sector on average contributes 1.3% of GDP and 3.4% of export earnings. 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 has experienced erratic growth between 1999 and 2004. For 2005, the sector declined by 4.2% on the back of lower log production, and fell by a further 4.5% in 2006. This year the industry is projected to grow by 4.3 percent, with growth for 2008 forecast at 5.1%.

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. The formalization of the National Forest Policy in 2007 will also provide a framework for development in the forest sector. The Policy is undergoing the final stages of consultation with the initial processes beginning in 2008.

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

Development constraints and challenges include:

- The need for proper infrastructure;
- Value adding and capacity;
- Market access and recognised certification standards; and
- Sustainable forest management.

Development Rationale

The Strategy 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.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Resource owners benefit	• Provide adequate institutional,	• Adoption of revised

Policy Objectives	Strategies	Key Performance Indicators
<p>from sustainable development and management of the forest resources and maximize the long term economic returns.</p>	<p>policy and technical support to development.</p> <ul style="list-style-type: none"> • Review status of forest reserves with the aim of safeguarding biodiversity of areas under threat. • Address capacity constraints of industry to bring, nursery and plantation establishment, harvesting and processing practices up to world class level. • Improve competition in extraction and marketing segments of the industry, with due regard to liability of resource sustainability and participation of resource owners. • Develop the financial and technical capacity of resource owners to effectively participate in forestry development. • Undertake research and development of new areas such as non wood forest products. • Encourage value adding in the industry through coordinated processing and marketing. • Develop the financial and technical capacity of resource owners to effectively participate in forestry development. • Promote resource utilisation efficiency in primary and secondary processing. • Provide infrastructure to support development in the industry, such as roads for harvesting access. • Improve competition in extraction and marketing segments of the industry, mahogany in particular, with due regard to liability of resource sustainability and participation of resource owners. 	<p>legislation to support the new Forest Policy by 2009.</p> <ul style="list-style-type: none"> • 2 forest native reserves identified and gazetted by 2010. • Forest sector contribution to GDP increased from 1.1% in 2006 to 1.6% by 2011. • Target commercial annual harvesting of mahogany at 100,000 m³, pine at 450,000 m³ and native at 150,000 m³ by 2009. • Double annual export earnings from sector, including value adding, from \$60 million in 2006 to \$120 million by 2011. • Develop a non wood product industry to generate at least \$5million by 2011. • Area of stocked plantation forests increased by 20% by 2010 from 87,000ha to over 105,000ha. • Value of contracts secured by indigenous Fijian businesses not less than 40% by 2010.

8.5 Marine Resources

Goal: Pursuing growth through sustainable marine resource management.

Sectoral Review

Behind agriculture, the fisheries sector is the largest natural resource sector with its contribution to GDP approximately 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 strong growth was subdued however in 2006 when the sector declined by 7.8%.

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 subsidized 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.

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 and the Environmental Management Act (EMA) 2005 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.

Development Constraints and Challenges

Development challenges and constraints include:

- Legislative reforms;
- Institutional approach to fisheries management;
- World market prices for tuna;
- Fuel prices;
- Suitable port facilities; and
- Annual licence renewal

Development Rationale

The Strategy 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. The strategies also reinforce a more facilitative approach from Government in the development of the industry.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>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.</p>	<ul style="list-style-type: none"> • Review existing institutional arrangement including legislations to take account of global and national developments. • Strengthen resource management. • Undertake community awareness on management of inshore fisheries and coral reef management. • Provide appropriate support through institutional strengthening and reform of the Department of Fisheries. • Encourage private public partnerships through demand driven research, training on HACCP and CITES requirements, and well targeted training programmes relevant to needs of sector. • Provide relevant training and technical support to indigenous Fijians currently involved in the industry. • Promote partnerships with the private sector and business mentoring with established players in the industry. 	<ul style="list-style-type: none"> • Ratio of total catch to sustainable yield (or TAC) for each targeted species to be less than 1. • Fisheries sector contribution to GDP increased and maintained at 3% from current level of 2.6% of GDP. • Increase fisheries export from \$97.9m in 2006 to \$110m by 2010. • Proportion of total tuna catch landed by indigenous Fijian licensed vessels to be increased from the present 25% to not less than 40%.

8.6 Mineral and Groundwater

Goal: Pursuing growth through sustainable mineral and groundwater resource management

Fiji has good prospects with regard to epithermal gold (associated with volcanic centres), porphyry copper-gold (Namosi), and smaller base-metal deposits (Udu, Wainivesi). Mining and exploration in Fiji has been dominated by gold production from Vatukoula mine in the past, although 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%. Prospects for the sector looked bleak when operations at Emperor Gold Mine (EGM) in Vatukoula was shut down in early 2006 to allow a reorganisation aimed at bringing the mine back into profitability. While the shut down was supposed to be temporary, a management decision was taken in December 2006 to close the mine, citing the inability to generate viable returns as the central reason for closure. For 2006, gold production declined by 49.2%.

While there exist several gold mining prospects such as Tuvatu, Wainivesi and Mount Kasi, there exists several other solid mineral deposits that could provide more revenue, foreign exchange, and employment than the gold sector alone. Exploitation of these resources could provide a major impetus for growth and development.

Export receipts from bottled water plants at Yaqara and in Nadi areas have been experiencing exponential growth since its inception. With additional bottled-water operations opening, it is 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 will legislate for the access to, use and management of groundwater resources, before separate legislation is formulated.

Development Constraints and Challenges

Development constraints and challenges include:

- Enactment of the new Mineral (Exploration and Exploitation) Bill;
- Fiscal regime for attracting new explorations;
- Security of land tenure

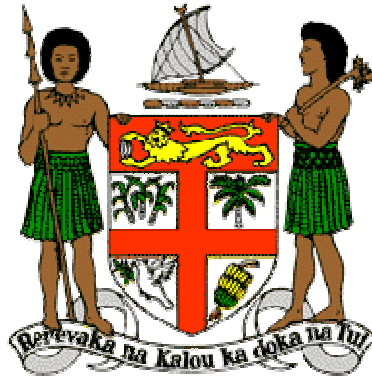
Development Rationale

The ceasing of EGMs operations and subsequent closure of Vatukoula mine was a major setback for the mining industry. However, negotiations with a prospective buyer for the Vatukoula operations is envisaged to be sealed in late 2007. This should provide some hope for resumption of mining in the future. Natural Waters of Fiji is the main player in the groundwater industry with a strong international standing. 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
Communities benefit from sustainable development and management of mineral and	<ul style="list-style-type: none"> • Provide appropriate institutional environment for sector development. • Strengthen resource management by proactive enforcement of provisions of the Environment Management Act 	<ul style="list-style-type: none"> • Water quality at rivers/streams in the vicinity of mining operations maintained at

<p>groundwater resources to increase long term economic returns for the broader community, in particular to indigenous Fijian resource owners.</p>	<p>and other legislations.</p> <ul style="list-style-type: none"> • Implement Vatukoula Rehabilitation Program • Encourage cordial relationship with landowners including awareness on land tenure issues and developments in the industry with investors and landowners. • Explore other mineral potentials such as in petroleum and gas with policy framework developed in consultation with the industry. • Investigate feasibility of marble quarrying. • Legislate water quality control and standards. 	<p>acceptable standards.</p> <ul style="list-style-type: none"> • Sector contribution to GDP restored to 1.4% by 2010. • Annual exploration expenditure doubled to \$12 million by 2010. • Annual gold exports of \$75m restored by 2010. • Annual bottled water exports increased from \$86.9m in 2006 to over \$100m by 2010.
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Chapter 9

Social & Community Development

Chapter 9 Social & Community Development

9.1 Poverty Alleviation

Goal: To significantly improve the quality of life

Inadequate growth is the main cause of poverty in Fiji. The lack of growth is compounded by the volatility of the land leases, which affects a range of activities in the economy. High and growing unemployment increases the number of poor people. Other factors that have contributed to the level and evolution of poverty in Fiji include problems in the productive sector, widening income inequality, and weak governance.

The limited growth of investment and technological innovation has constrained the labour absorption capacity of the nonagricultural sector, especially manufacturing. This lack of capacity has exacerbated poverty, especially in urban areas. Other factors - Problems associated with the transition away from high-cost industries that are heavily dependent on imports and the impact of globalization on domestic industries that are unable to compete with imported substitutes and the removal of trade preferences - also appear to have contributed to the limited growth of domestic production and employment. Evidence from the 2002-2003 Household Income Expenditure Survey (HIES) also suggests that the savings propensity in Fiji is low, providing weak underpinning for the sustained domestic investment growth needed in the fight against poverty.

A comprehensive view of income inequalities and the state of poverty in the country as a whole is available from national household income and expenditure surveys. 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 HIES.

Development Constraints and Challenges

Over the years many measures were adopted to streamline poverty-related institutions, review past poverty alleviation programmes, and harmonize sectoral efforts. However, several major factors hindering the success of government efforts to reduce the level of poverty include:

- Poor coordination
- The absence of a comprehensive policy framework
- Excessive political interference
- Ineffective targeting of the poor, leading to leakage of benefits to unintended beneficiaries
- The unwieldy scope of programmes, which caused resources to be thinly spread across too many projects
- The absence of sustainability mechanisms in programmes and projects

Development Rationale

The underlying objective for poverty alleviation is ensuring that all categories of the poor are able to sustainably and affordably meet their basic needs. Promoting consensus on the definition of the poor and their needs will sharpen and focus 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 significantly improve the quality of life.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>All categories of the poor are able to meet their basic needs.</p>	<ul style="list-style-type: none"> • Reach consensus on the definition of the poor and their needs and ensure the compilation and timely analysis of statistics on poverty, including HIES. • Review and develop poverty targeted policies and implement appropriate programmes in housing, national insurance and social security and National Integrated Poverty Eradication Framework. • Empower communities through liberation education programmes for self-sufficiency, self-reliance and self esteem. • Establish community mechanisms for feedback on public services. • Disseminate information to the nation about anti-poverty programmes. • 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. • 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. 	<ul style="list-style-type: none"> • Proportion of population below the HIES defined basic needs poverty line reduced from 34.4% to 24% (MDG). • Poverty gap ratio reduced from \$2,600 to \$2,000 (MDG). • Percentage share of consumption held by poorest 20% increased from 7% to 10% (MDG). • Not less than 1,500 recipients of family assistance graduate from assistance programmes through income generating projects. • Reduction in number of elderly in State care from 98 to 75.

9.2 Social Justice and Affirmative Action

Goal: Equitable participation of all ethnic groups in socio-economic development

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 almost \$300 million 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 programme 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.

In 2006 the Fiji Human Rights Commission 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. 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.

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.

Development Rationale

The Strategy recognizes the need for balanced development and equality of access to economic and social development benefits. Improving access and participation of all ethnic groups' women, youths, children and people with disabilities to education and training, commerce and business is critical to achieving social justice.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
All ethnic groups enjoy	<ul style="list-style-type: none">Improve education and training for all ethnic groups and build	<ul style="list-style-type: none">Pass rates in FSLC improved from 57% to

Policy Objectives	Strategies	Key Performance Indicators
an improved quality of life and standard of living.	capacity for all leaders. <ul style="list-style-type: none"> • Mid-term review to improve the effectiveness of the Social Justice and Affirmative Action programme. • Harmonisation of existing acts, including the Finance Act, with the Social Justice Act. 	80% and in FSFE from 68% to 85%. <ul style="list-style-type: none"> • Recovery in student loan scheme increased from 1.5% to 50%.
People with disabilities enjoy greater access to an inclusive, barrier free and rights based society.	<ul style="list-style-type: none"> • Improve the provision of and policies for education and vocational training services which meet the needs of people with disabilities. • Implement the National 5 Year Plan of Action on Disabilities. • Provision of incentives to employers to employ people with disabilities. • A policy for persons with disabilities developed and implemented, including regulations to require appropriate access to all public buildings and places. 	<ul style="list-style-type: none"> • Enrolment in regular and special schools increased from 1,068 in 2004 to 2,000 in 2011. • Trained special education teachers with diploma increased from 9 to 20. • Increased number of persons with disabilities in paid employment from 50 to 100.

9.3 Rural and Outer Island Development

Goal: Promoting equal opportunities and access to basic services, livelihoods and markets

The rural and outer islands suffer from inadequate infrastructure, either due to poor design or through lack of capital and maintenance budget allocations. Government infrastructure spending on the transport sector has been focused on land transport, with only about 1.4% spent annually on sea and shipping related activities. Shipping spending is limited to maintenance, most of this small budget is shared between Suva, Lautoka, Savusavu and Levuka – the international ports of entry – rather than to develop inter-island shipping.

The outer islands do not have substantial markets on their own, the main market for most products being Suva or Viti Levu. However the only means to access this market is by sea, leading to un-satisfied demands and needs for better shipping services and maritime infrastructure.

This requires a rural sector wide project to increase access to human and financial assets to better utilise the natural resources in addressing increased market opportunities provided by better infrastructure provision to the rural communities and, especially, the outer islands.

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. The new streamlined structure should enable better coordination of Governments development programmes to improve implementation of projects in the various divisions.

Development Constraints and Challenges

The major development challenges for rural development are to:

Improved access to financial services for rural communities; and Better planning from Central Government in distributing development funds, in particular those relating to transportation, health and education.

Development Rationale

Promoting rural development reduces the pressures for rural-urban migration by providing new opportunities in the rural areas, removing the need for people to migrate and maintaining vital communities in the rural and outer island areas.

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.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
Rural and outer island communities to meet their basic needs, improve living standards and quality of life towards self-sufficiency.	<ul style="list-style-type: none"> • Effective service provision to rural and outer island areas by strengthening the coordination role between relevant key government agencies. • Implement appropriate recommendations planning studies on water and sewerage, electrification, alternative energy sources, and telecommunications. • Awareness programmes to educate rural population on Government assistance and their civic responsibilities. 	<ul style="list-style-type: none"> • Rural population with water-seal toilets or other sanitary waste disposal increased from 45% to 80%. • Increase in rural dwellers trained under the TVET and 'Matua' programmes from 2,000 to 3,000 per year.

Policy Objectives	Strategies	Key Performance Indicators
Rural and outer island dwellers enjoy increased access to markets and government services to ensure income and food security.	<ul style="list-style-type: none"> • Community capacity building programmes at grassroots levels developed. • Volunteer Schemes to use experiences of retired personnel. • Development of commercial agriculture, tourism, SMME enterprises and market networks linking producers, processors and end product markets. • Inter island shipping routes reviewed as well as improvement in inter island maritime infrastructure. • Increased access to formal financial services for savings and credit, including rural banking, microfinance and savings and credit unions. 	<ul style="list-style-type: none"> • Average cash incomes per working age household member increased from F\$550/yr to F\$1,000/yr. • Minimum of 2 trips per month on each of nine franchised outer island shipping routes. • Agricultural sales to local and national private traders increased from 40% to 60% of total sales.

9.4 Environmental Sustainability

Goal: The sustainable use and development of Fiji’s natural resources and ecological processes

“Ensuring environmental sustainability” is the seventh MDG, which provides a framework for integrating the principles of Sustainable Development into national policies, thus ensuring availability of safe drinking water, improving sanitation, and reducing other social ills such as poverty and unemployment.

Achieving sustainable development, while overcoming environmental challenges such as deforestation, land degradation, logging of watersheds, over-exploitation of terrestrial and aquatic biological resources, improper waste management and pollution control, impact of climate change, and the attitude of people in terms of the unsustainable use of their resources, is a central challenge of this plan

The Environmental Management Act (EMA) 2005 which provides the sustainable development of land and water resource management sets out the following:

- The setting up of a National Environment Council (NEC) to coordinate the formulation of environment related policies and strategies;
- The requirement for Environment Impact Assessments to be binding on all parties, including Government;

- Permits to discharge waste and pollutants into the environment;
- National Resource Inventories, National Resource Management Plan, National State of the Environment Report, and the National Environment Strategy; and
- Declarations, enforcement orders, stop work notices to ensure environmental compliance according to the EMA requirements.

Development Constraints and Challenges

The major constraints in implementing the EMA are:

- Inadequate resourcing of the Department of Environment to implement the Environment Management Act;
- Outdated subsequent legislations;
- Absence of accredited laboratories;
- Poor coordination among agencies; and
- Lack of awareness on community and individual responsibility towards an environmentally friendly nation.

Development Rationale

The Strategy recognizes that there is an environmental threshold that development should not cross. The protection of national biological resources through the reduction and elimination of pollution, sound resource managements and proper management of waste is critical to environmental sustainability. Enforcing the EMA and other environmental legislation will be the thrust of the Ministry's operation.

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"> • 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. • 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 EMA. • Enforce the EMA giving priority to early full enforcement of provisions for EIA and Waste Management and Pollution Control. • Continue the implementation of 	<ul style="list-style-type: none"> • Population of inventoried species to be stable or increasing. • Waste disposal at Naboro landfill increased from 60,000 to 80,000 tonnes per year by 2010. • 100% of facilities comply with EMA requirements by 2010. • All new developments to conduct EIA and establish monitoring benchmarks consistent with the EMA by 2000. • Total cessation of non-quarantine pre-shipment application

Policy Objectives	Strategies	Key Performance Indicators
	the Biodiversity Strategy and Action Plan and Endangered and Protected Species Act and the ODS Act 1998.	for methyl bromide and chlorofluorocarbons (CFCs) by 2010.

9.5 Housing

Goal: To provide equal opportunity and access to adequate, quality and affordable accommodation for all citizens with a particular focus on low income groups and the poor.

The rural-urban drift for perceived better opportunities in employment, education and healthcare, the expiry of agricultural land leases, natural population increases, the lack of accessible housing/land options for low income groups and the constraints/limitations of the current urban structures and systems are the main causal factors in the development of informal/ squatter settlements in urban and peri-urban areas. It is estimated for example that there are 100,000 people living in over 200 squatter settlements throughout Fiji with a substantial number located within the Suva-Nausori corridor.

The Government's Squatter Upgrading and Resettlement Programmes are administered through the Housing and Squatter Unit of the Ministry of Women, Social Welfare and Housing. It entails the Resettlement Programme involving the resettlement of those who are evicted from informal/squatter settlements, or the Upgrading Programme which involves developing existing squatter settlements on State(Crown) land.

With the Government's assistance, implementing agencies like the Housing Authority (HA) and the Public Rental Board (PRB) will continue to develop and strengthen their roles for Government. This will be achieved by maintaining a sustainable balance between their commercial and social responsibilities with the proposed Merger of the HA and the PRB expected to reinforce and consolidate the effort towards meeting the Sector Goal.

Government also assists the Housing Assistance Relief Trust (HART), a Non-Government Organisation(NGO). HART's core function is to provide accommodation for destitute families. Government has also worked marginally with other NGOs like Habitat for Humanity and RotaHomes to facilitate the development of landlots and the provision of houses. Other NGOs, such as ECREA, WAC and FRIENDS are engaging residents of informal/squatter settlements in dialogue and various project initiatives

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;
- existing policies only address the provision of affordable lots but do not include the provision of a decent shelter;
- there is lack of incentives for squatters who wish to return to their villages;
- current housing assistance schemes is biased towards urban and peri-urban communities thus promoting urban drift;
- planning approval processes for upgrading and development works is very time consuming and costly; and
- there are no minimum standards required for housing design to cater for people with disabilities and special needs.

Development Rationale

The Strategy 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 and affordable housing towards home ownership.	<ul style="list-style-type: none"> • To significantly upgrade squatter settlements by redevelopment of squatter areas, and provision of basic amenities in current squatter settlements. • Proactively resettle expired ALTA tenants. • Develop housing programmes to reduce the existence of squatter settlements and social housing. • Accessible and affordable mortgage financing for both rural and urban communities. • Develop and implement a Plan to graduate clients of the PRB and Hart's transitional accommodation towards the HA's homeownership programmes 	<ul style="list-style-type: none"> • At least 350 additional families each year benefit from new or improved housing under government and non-government poverty-oriented housing programmes. • Production of 1,000 lots/housing units per annum by HA and PRB for middle to low income earners. • Upgrading of major squatter settlements in the Central and Eastern Divisions increased from 2 in 2003-2005 to 5 by 2011. • Scoping Mission

Policy Objectives	Strategies	Key Performance Indicators
	<ul style="list-style-type: none"> • To strengthen public, private and community partnership and provide support for the provision of housing and land for poor and low income earners. • Housing Authority subsidy threshold increased from \$6,500 to \$8,500. • Annual review of Government subsidies to housing providers and develop and implement strategies to graduate residents of low income HART and PRB housing towards Housing Authority programmes. • Conduct scoping study for merger of Housing Authority and Public Rental Board into a single entity and implement findings • Facilitate the execution of the Scoping Study by consultants on the merger of Housing Authority and Public Rental Board into a single entity and implement findings 	completed by 1 st Quarter of 2008.

9.6 Urban Development

Goal: An efficient, effective and sustainable urban sector raising living standards for all

Fiji is an urbanizing society with about half the population currently living in cities and towns and surrounding peri-urban areas, accessing and taking advantage of urban services, employment and social opportunities. 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. To take account of this urbanizing trend between 2008 and 2010

and beyond, there must be an urbanization strategy in place to ensure an effective and efficient local government structure that implements this strategy.

Currently there exists an Urban Sector Strategy or Urban Policy Action Plan (UPAP). 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; and
- There is lack of policy coordination and integration between environmental planning, urban planning and infrastructure development planning in areas inside and outside the approved town planning scheme boundaries.

Development Constraints and Challenges

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

- Cities and towns suffering from urban sprawl, including unplanned development in peri-urban and rural areas that require a more focused land use and land zoning plan within urban boundaries;
- The lack of supporting infrastructure and services in keeping pace with rapidly expanding urban areas as a result the subsequent lack of an integrated planning framework;
- 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 that needs to facilitate current development trends and also to support investors;
- Poor performance in local government as a result of inadequate resources, processes and procedures that should be enabled in legislation to reflect market conditions;
- Local governments do not have the management capacity to be effective in managing all issues related to its mandate;
- Lack of good governance and transparency in building an effective platform for the benefit of the community; and

Development Rationale

Beneficial urban development that minimizes costs to society and to government whilst ensuring improvements in welfare and environment protection, are key objectives of this strategy. Effective implementation of the urbanization strategy will, to a large extent, minimize the costs associated with these impacts, whilst optimizing the use of limited resources.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key performance indicators
An efficient, effective and sustainable urban sector.	<ul style="list-style-type: none"> • Implementation of Urban Policy Action Plan (UPAP) and Urban Growth Management Plan (UGMP). • Responsive institutional, regulatory and policy frameworks for management of urban development. • Devolution of authority and responsibilities and institutional realignment. • Expanded capacity of local and central government and central government in meeting mandates and stakeholder needs. • Local authority accounts on accruals basis and in line with Fiji accounting standards. • Legislative reviews and preparation and enforcement of relevant regulations. • Improved urban infrastructure and services including affordable land supply. • Implementation of Public Private Partnership policy at local government level. 	<ul style="list-style-type: none"> • Urbanization rate constrained to the current 2% or less. • Fiji Accounting Standards and accrual accounting complied with by all local government units and audited accounts produced as required by law by 2008. • Establish Urban Governance Index by 2008 and monitor improved local government performance thereafter. • Seven Public Private Partnership projects by 2009.

9.7 Health

Goal: Quality, affordable and efficient health services for all

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. Despite consuming a major portion of governments budget (3% of GDP and 9% of total budget), health care funding continues to be lower as compared to other countries in the region.

Whilst many efforts have been made to improve health outcomes, review of health performance indicators suggests that Fiji lags behind in achieving key MDG Goals. This suggests substantial challenges remain in terms of both the health benefits received by the people and the effectiveness of the health service in delivering improved health.

‘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. NCDs are the commonest cause of morbidity and mortality in Fiji. Changing lifestyles and diet, obesity, declining physical activity, and increasing tobacco consumption are some of the main reasons for these diseases.

The SDP will fully review health care services in order to design a strong national health system that can deliver effective, good-quality, and affordable services to all Fijians. The new policies will target priority diseases, such as tuberculosis, HIV/AIDS, and reproductive health-related illnesses. A stronger emphasis on health education will help make Fijians more aware of their rights and obligations regarding health services as well as promote disease prevention. The SDP will also prioritize the creation of a National Health Insurance Scheme. Antenatal, postnatal, and family planning services and outlets will receive targeted support in order to reduce maternal and infant mortality.

Development Constraints and Challenges

Development constraints and challenges include:

- to improve efficiency and effectiveness of the use of resources in health service delivery;
- the emigration of skilled health care professionals;
- limited capacity at FSMed;
- the increasing demand and cost for health care; and
- the need for health financing reform, aimed at increasing health budgets from the current 2.92% to at least 5% of GDP by 2011

Development Rationale

The Strategy recognizes the need for adequate access to primary and preventative health care services for all. These services must be provided efficiently and effectively with the emphasis on the quality and scale of service delivered to beneficiaries. Comprehensive health care programmes 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
Communities are served by adequate primary and preventive health services, thereby protecting, promoting and supporting their well being.	<ul style="list-style-type: none"> • Strengthen and implement integrated programme on maternal and child health, Expanded Programme on Immunisation, Integrated Management of Childhood Illnesses and Reproductive Health. • Implement the safe motherhood programme. 	<ul style="list-style-type: none"> • Child mortality rate reduced from 26 to 20 per 1000 live births (MDG). • Percentage of one year old immunised against measles increased from 68% to 95%. • Maternal mortality ratio reduced from 50 to 20

	<ul style="list-style-type: none"> • Strengthen reproductive programme. • Implement the STI/HIV/AIDS Strategic Plan 2007-2011. • Implement the Non Communicable Diseases Strategic Plan 2005-2008. • Maintain appropriate levels of health care professionals and ensure high standards of health care. 	<ul style="list-style-type: none"> • per 100,000 live births. • HIV/AIDS prevalence among 15-24 year-old pregnant women reduced from 0.04 to 0.03 (MDG). • Prevalence of diabetes reduced from 16% to 14%. • Contraceptive prevalence rate amongst population of child bearing age increased from 46% to 56% (MDG). • Increased Fiji resident medical graduates from FSMed from 40 to 50 per year.
Communities have access to effective, efficient and quality clinical health care and rehabilitation services	<ul style="list-style-type: none"> • Balanced mix of public and private financing for priority health programs. • Improved level of equity, efficiency and effectiveness of health services. • Financial resources shifted towards cost-effective health programmes. • Implementation of a Social Health Insurance Scheme • New fees and charges incorporated in the revised Hospital and Dispensary Act 	<ul style="list-style-type: none"> • Participation of private and health care providers increased from 2 to 10. • Doctors per 100,000 population increased from 36 to 42. • Elimination of stock outs of drugs from present 100 items per month. • Average length of stay for in-patient treatment reduced from 5 to 3 days.

9.8 Education and Training

Goal: Educating the nation for peace and prosperity

Education remains a major spending priority for Government. Total primary school enrolment has decreased from 144,284 in 1999 to 141,089 in 2005. During this period, access to secondary education has increased. Pre-school enrolment increased from 6508 in 2000 to approximately 9009 in 2005, an increase of 38.43%. However, enrolments are still low, with only 16% of the relevant age group in pre-school.

Fiji is on target with MDG 2 “to achieve universal primary education”. However, 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 90% in 2005. 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 75.8% in 2005. 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 Fiji Junior Certificate (FJC), Fiji School Leaving Certificate (FSLC) and Fiji Seventh Form Certificate (FSFE). Similar gaps are also evident between rural and urban schools. Access to Form 7 education is an area of concern since only about 30% of Form 6 students progress to Form 7. A detailed evaluation of movement of form six graduates is required for MOE to determine the actual need for capacity building.

Focusing on the results of all external examination, Government agreed to the need for the improvement of access to quality education in all under-performing schools. In support for this, there will be a review made on school leadership and organization, teacher quality and school resources. Further, the teacher intakes at training institution would be reviewed and also moves are underway to decentralize the school staffing to respective Education Districts as currently based at the Central division.

The new retirement age policy will fetch into new graduated in the profession from 2008. Government intends to rationalize tertiary institutions including USP, TPAF and FIT for operational efficiency, cost effectiveness and higher standard of learning.

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. TVET and enterprise education is considered as life long learning process in enforcing the concept of education.

Development Constraints and Challenges

Development constraints and challenges include:

- to improve efficiency and effectiveness of the use of resources in education;
- the emigration of skilled teachers;
- new retirement age policy;
- limited research and analytical capacity at MOE; and
- the increasing cost for educational materials.

Development Rationale

The Strategy recognizes 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
<p>To ensure access to quality academic and vocational education by all communities in urban and rural areas and strengthen the foundations of peace in society.</p>	<ul style="list-style-type: none"> • Curriculum framework developed to enhance spiritual, intellectual, social and physical development and strengthen instruction in Fijian and Hindi as well as English. • Improvement in the numbers and quality of competent and motivated teachers and reduction of the pupil: teacher ratios. • Increased use of standards improvement measurement in schools. • Enhanced rural education programme by establishing appropriate infrastructure, building standards, review of school performance and piloting distance education programme. • Strengthened partnership between government, communities, donors, municipal councils, school management committees, developers and parents. • Strengthen and expanded Technical and Vocational Educational and Training (TVET). • Effective and efficient 	<ul style="list-style-type: none"> • Net enrolment rates for secondary schools rise from 77% to 90% of the cohorts from class 1 by 2010. • Proportion of pupils who start class 1 who reach class 5 to be not less than 95% (MDG). • Preschool enrolment in rural schools increase from 16% in 2006 to 46% by 2010 • Preschool enrolment in rural schools increases by 10% each year from 16% in 2006. • Proportion of students successfully completing TVET courses not less than 90% to meet current and future demand. • 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.

Policy Objectives	Strategies	Key Performance Indicators
	allocation of subsidies to tertiary institutions. <ul style="list-style-type: none"> • Ensure retention of good quality teachers. • Conduct tracer study to know the fate of school leavers as school-dropouts and qualified graduates in the labour market or in the tertiary institution. 	

9.9 Gender Equality and Women in Development

Goal: Achievement of Gender Equality and Empowerment of Women

Women comprise about 40% of the Fiji labor force, according to the 1996 Census, an increase of 4% from the 1986 census. As in many developing countries, women in Fiji are more likely than men to be poor. They also have fewer options than men for escaping poverty. Partly due to traditional property rights and inheritance practices, widows are more vulnerable to poverty than widowers. Partly because they have less formal education than their male counterparts, women generally benefit less from using employment to fight poverty. A recent study shows that 80% of those surveyed nationally reported having seen someone beaten in the home and police statistics demonstrate the prevalence of Family and Sexual Violence.

Government has made commitments to seven major international agreements and programmes of action on gender equality and the advancement of women. Notably amongst these are the Convention on the Elimination of All Forms of Discrimination Against Women & Children, Beijing Platform for Action, Millennium Development Goals (MDGs), , Commonwealth Plan of Action, and Pacific Plan for Action.

Overall, gender mainstreaming processes to achieve the Government's commitments are still not well integrated into the government institutional structure, planning and budgetary process. Further support is needed to strengthen government capacity to implement its policies on Gender and Development. The following are currently being implemented:

- Preparation of the Country's 1st, 2nd & 3rd Periodic Report to the UN CEDAW Committee;
- Gender advocacy workshops on critical and emerging issues affecting women and gender equality;
- Increased gender responsive initiatives such as the building of improved water and sanitary infrastructures, the conduct of craft skills training programmes and the training of Trainers at village level of HIV Awareness Programme coordinators by

grassroots women's groups, local government agencies, women non government organizations and civil society organisations.

Development Constraints and Challenges

Development constraints and challenges include:

- Maintaining closer partnership with all development partners;
- Monitoring the compliance of laws and administrative practices and procedures to CEDAW Articles;
- Maintaining effective social safety nets for the employed in particular training and investment to promote alternative livelihoods for women displaced from the manufacturing sector;
- Advancing women's participation in Parliaments and other decision making bodies;
- Increasing incidence of domestic violence;
- Decreasing fertility of women especially rural Fijian women;
- Spreading of HIV/AIDS as an epidemic; and
- Capacity in collection and analysis of gender-sensitive data.

Development Rationale

The Strategy emphasizes 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 all forms of discrimination and violence against women and the girl / child; the need for effective social safety nets for the unemployed in particular, training and investment to promote alternative livelihoods for women displaced from the manufacturing and formal sector employment, and increasing accessibility to economic opportunity for rural women. Access to improved public health services in particular maternal health and focused emphasis on gender issues to reduce HIV transmission will provide on enabling environment to fully recognize the benefits outlined in various Action Plans.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objective	Strategies	Key Performance Indicator
Achievement of Gender Equality 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.	<ul style="list-style-type: none"> • Laws in relation to UN CEDAW (articles 1-13) reviewed, implemented and monitored; gender mainstreaming institutions strengthened; a National Women's Plan of Action implemented, 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. 	<ul style="list-style-type: none"> • Share of women in wage employment in the non-agricultural sector increased from 35.9% to 37.9% by 2011 (MDG). • Combined primary and secondary girls : boys ratio of 1:1 (MDG). • The proportion of female school principals, vice and assistant principals to be not less than 25% by 2011. • The proportion of female CEOs in Government to

Policy Objective	Strategies	Key Performance Indicator
	<ul style="list-style-type: none"> • 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. • Empower women, particularly rural women, through training on leadership, awareness of human and indigenous rights issues, health and quality of life through Partnership, Networking and Coordination with women groups and increased collaboration and partnership with NGOs. • Mainstream gender perspectives in all sectoral development programmes. • Strengthen women's groups to increase awareness in the role that women play in societies. • conducting of gender mainstreaming workshops at national and district (including village) level • mobilizing and networking with more men and young boys organizations to work as gender advocates • increased partnerships with women's groups at community level, non government organisations and civil society organisations to conduct empowerment programmes for women • increased partnerships with research institutions such as the academia to provide evidence based research and results to make informed 	<ul style="list-style-type: none"> • be at least 20% by 2011. • At least one woman in each Government board, committee, tribunal, council, and commission. • Proportion of seats held by women in national parliament and municipal elections to be not less than 20% (MDG). • Number of women supported by micro-finance increased from 5,100 in 2006 to not less than 19,500 by 2010. • Cases of domestic violence recorded by police to be monitored and analysed.

Policy Objective	Strategies	Key Performance Indicator
	policy decisions <ul style="list-style-type: none"> • support local and regional organizations in engaging with women’s rights CSO’s and indigenous women’s groups to advocate and advance gender equality initiatives • adoption of a central data & information management information system to reflect gender statistics and indicators disaggregated by ethnicity, age, disability, and employment status and other relevant status. 	

9.10 Children and Youth

Goal: Protection and development of Children and Youth

Fiji’s future prosperity depends on producing children who are well prepared to take their place in tomorrow’s society. The Plans strategy therefore seeks to implement the basic education requirement to increase school enrolment and provide better schools and better-trained teachers. However, there are many factors, apart from education, that affect the development of a child and include issues such as unemployment, teenage pregnancy and sexual and reproductive health, child labour and prostitution.

Joblessness has resulted in a rising incidence of social ills among young people. Policies will target youth empowerment and development in order to reverse the negative consequences associated with the past pattern of development.

Despite some improvements in the management of child abuse there is an urgent need for legal reform to impose severer penalties on offenders, to make the collection of evidence easier, offer additional protection to the survivor of abuse through the legislative process and provide specialized counselling services to children and their families. Community awareness programmes help to change attitudes and stigma associated with child abuse.

Development Constraints and Challenges

Development constraints and challenges include:

- Discrimination of children with disabilities
- Insufficient funding for all the implementing agencies;
- Coordination of implementation of programmes across sectors;
- Adoption of a National Plan of Action for Children;

- Establishment of a central disaggregated database and an Information System for monitoring of the status of Children’s Welfare; and
- Prioritising legislative review and reform for children.

Development Rationale

The Strategy requires the need for protection of youth and children. The National Coordinating Committee on Children will coordinate the implementation of the convention into Fiji’s laws and procedures while the Family Law Act 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"> • Review, implement and monitor legislation with the principles and provisions of the Convention on the Rights of the Child (CRC) and other relevant international instruments. • Strengthened policy formulation, programme implementation and monitoring. • Increase number of youths trained for livelihood activities and lifelong skills and values to be responsible citizens. • Promotion of children and youth issues and their increased participation in decision-making processes, at all levels. • Promote a protective environment for children and combat all forms of child abuse and pornography in partnership with community and faith based organizations and NGOs. 	<ul style="list-style-type: none"> • Offences against children to be recorded monitored and analysed. • Young people benefiting from Placement Services Work Experience Programmes increased from 100 to 120 annually. • Number of SME projects supporting young people increased from 180 to 250 per year. • Teenage pregnancy reduced from 16% to 8% by 2010.

9.11 Culture and Heritage

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

Fiji is a multi-racial, multi-cultural country with a multiplicity of languages, religions and ways of living and the recognition and acceptance of these cultures create harmony and unity amongst all races. Culture refers to the diverse manifestation of human intellectual and artistic creativity that is both culture and heritage and is the living form of cultural expression. Integral to the development of the nation is the conservation, development and promotion of the indigenous identity.

There has been growing concern from Government regarding cultural revitalization. This is reflected through continued government support towards cultural heritage activities such as heritage site management, artistic promotion activities, preservation and protection of artifacts and archaeological documentation, safeguarding and promotion of language. Historic conservation and cultural activities maintain the distinct character of communities. Cultural & natural heritage sites and traditional arts should be conserved and protected. Tourism, as the fastest growing industry in the world, relies to a large extent on cultural heritage for its sustainability. 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 ensure benefits flow to the local economy and the sustainability of Tourism based activities.

Culture has the potential to address the problems of unemployment, poverty & crime, faced by our youth today. The challenge is to develop and engage in both formal education curricula and non-formal activities for young people to provide a catalyst and an opportunity for this in instilling a sense of values and cultural identity. 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.

Development Constraints and Challenges

Development constraints and challenges include:

- Strengthened partnership with resource owners;
- Financial support; and
- Unsustainable tourism development.

Development Rationale

The Strategy recognizes 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. 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.

Policy Objectives, Strategies and Key Performance Indicators

Policy Objectives	Strategies	Key Performance Indicators
<p>Each community enjoys increased experience and benefits of its own culture and heritage and appreciation of those of fellow communities in Fiji.</p>	<ul style="list-style-type: none"> • Protect, preserve and manage Fiji’s Cultural and natural Heritage • Assist the agencies in the implementation of their development policies and strengthen their supporting infrastructure. • Develop and strengthen Fiji Arts Council, Fiji Museum, Fiji Handicraft Council, and National Trust of Fiji to increase their effectiveness. • Develop strategies to preserve, promote and increase awareness of culture for posterity and increase coordination between relevant agencies. • Establish partnerships and links of professional cultural heritage institutions locally and overseas to support technical training on heritage management and preservation. • Promote conservation and cultural resource development that emphasizes partnership with local resource owners & local institutions. • Fully capitalize the Fiji Heritage Foundation as a sustainable and innovative funding mechanism for cultural heritage projects. • Develop a cultural heritage and arts curricula for primary and secondary education levels for inclusion into the formal education curricula. 	<ul style="list-style-type: none"> • At least 2 heritage sites included in the World Heritage listing. • At least 80% of resource owners meet standard for best practices in the marketing of cultural resources. • At least 20 new heritage sites included as visitor attractions. • At least 20 new archaeological sites surveyed annually.

9.12 Sports Development

Goal: Promoting sports for healthy lifestyles, employment opportunities, peace, unity and harmony

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.

Worldwide, sporting activities represent a major source of earnings and employment. Huge profits are generated in many countries through ticket sales; sponsorship deals; the sale of advertising, radio, and television rights; product endorsements; and public and movie appearances by sports stars. Athletes' earnings are reinvested in the economy, creating employment. Over the years, Fiji has enjoyed the benefits of professional sports in certain sports only thus preventing sports from becoming a job creating industry in a holistic manner.

The policy direction in sports management is to change the face of sports administration and the incentive structure. A reform, removing obstacles to entering and participation, will attract more resources into the sector, raise the employment generation capacity of the sector, and encourage athletes and sponsors to reap the fruits of their investment.

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, there is a need to develop a National Institute of Sport or an Academy.

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 need to promote corporate sponsorship; and
- the need to move to a more commercial approach, especially in professional sports.

Development Rationale

The Strategy 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 counselling. 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

Policy Objectives	Strategies	Key Performance Indicators
<p>People enjoy healthier lifestyles and improved sporting skills and knowledge.</p>	<ul style="list-style-type: none"> • Increase in participation of citizens in “Sports for All” activities and integrate them in the workplace. • Support the development of sports facilities, programmes and involvement of the private sector in sports. • Measures to be designed and implemented to promote minor sports and develop professional players. • To facilitate employment opportunities through sports. • Increased number of qualified sports scientists and administrators and improved coordination between sports agencies, continuing implementation of the National Sports policy. • Increase in the number of national age group teams (U13, U17, U19 and U23) and competition for various sports. • Review Government tax incentives on sports sponsorship for national sporting federations. • Laucala Sports City hosts at least one international meet annually. 	<ul style="list-style-type: none"> • Increase in corporate sponsorship from \$2.6 million to \$3.5 million per year. • Increase in gold medals from 25 to 35 in the Pacific and Mini South Pacific Games. • At least 3 medals Commonwealth Games won at each Games. • Each year, at least one age group in a team sport to qualify for World Championships. • Increase in number of athletes and players contracted to overseas clubs from 70 to 200. • Laucala Sports City hosts at least one international meet annually.

9.13 Disaster Risk Reduction and Disaster Management

Goal: Reducing vulnerability to disasters and risks and promoting sustainable development

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 \$44 million, whilst the floods for 2004/2005 caused damage estimated at more than \$135 million and approximately \$20 million for year 2006/2007.

Empirical evidence shows that poverty and environmental degradation are inextricably linked, because 50 percent of rural people depend on natural resources for their livelihood. Environmental degradation reduces opportunities for poor people to earn sustainable incomes. Left with no other viable options, they engage in extractive activities, contributing to the vicious cycle of poverty and environmental degradation. As such rural dwellers become more vulnerable to environmental disasters and hazards and have few or no strategies for coping with these stresses. In urban areas the poor live in slums, where they are easily exposed to environmental disasters which expose them to health risks. These conditions reduce savings and investment at the individual, household, and national levels.

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 and budgetary processes 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.

Development Constraints and Challenges

Development constraints and challenges include:

- The 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;
- The development of an all hazard, integrated, people focused early warning system;
- Mainstreaming disaster risk reduction into other sectoral development plans, policies and programmes;
- The need to actively engage the community in all aspects of disaster risk management.

Development Rationale

The Strategy recognizes 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 objectives and strategies under disaster risk reduction. Further, it is also recognized in the strategies that effective cooperation and partnership between Civil Society Organizations, the Government and the community 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
Communities are better protected from risks of disasters and better able	<ul style="list-style-type: none"> • Effective risk reduction projects identified and implemented. 	<ul style="list-style-type: none"> • Government responds to disaster situation within the first 24

<p>to protect themselves and cope with the consequences of disasters.</p>	<ul style="list-style-type: none"> • Improved community capacity in dealing with disasters and risks supported by effective, integrated and people-focused early warning systems on all hazards to ensure people receive timely warning. • Increased analysis and evaluation of hazards, vulnerabilities and risks. • Food security strengthened and enhanced community based disaster reduction initiatives. • Strengthened organisational, institutional, policy and decision making frameworks. • Enhanced knowledge, information, public awareness and education. • Strengthen effective planning, response and recovery. • Adequate availability of necessary germplasm to support recovery. • Reduction in underlying risk factors. 	<p>hours.</p> <ul style="list-style-type: none"> • Casualties reduced from 30 per year to none. • All villages and settlements have disaster plans and committees in 2010
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