

Economic and Social Sector Development for Poverty Reduction in Fiji

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Abstract

Fiji's poor economic performance, political instabilities and economic crises have pushed more people into poverty without recourse. The purpose of this paper is three-fold. First, it reviews the incidence of poverty in Fiji. Second, it reviews government's poverty reduction policies. And third, it suggests policies to make poverty alleviation measures more effective. The paper notes that strengthening of national development policies with the aim of creating gainful employment opportunities for the unemployed is vital to the process of addressing the problems of the poor. Under various policies and programmes the manifestations of such activities provide the policy initiatives to reduce poverty in Fiji. The lesson of the last three decades is to make changes in thinking and cultivating a genuine public spirit to get its development priorities right.

Introduction

The performance of the key economic sectors of agriculture, manufacturing and services is vital to achieve high levels of economic growth. On the other hand, the functioning of the key social and support sectors of education, health and public infrastructure is vital to achieving a decent standard of living. The United Nations Development Program (UNDP) notes the relevance of human development and human resource development to address deprivation. Advancement in the growth approaches and human capital have contributed to higher economic growth and improved standard of living in several developing countries. However, poverty problems in many Asian and African countries have increased. The World Bank, UNDP, OECD donor countries, regional institutions and

¹ The author wishes to thank two anonymous referees for very useful comments to earlier drafts of this paper. The usual caveat applies.

many governments take both the economic and social development strategies for pro-poor growth policies to address the challenges of poverty reduction.²

Meaningful poverty reduction is not only to address basic consumption needs but also develop individuals' capabilities and freedoms. Domestic and international development agencies engaged in encouraging economic reforms are now focusing on livelihood strategies to target these dimensions of the poor and vulnerable. A poverty study by the UNDP and Fiji Government, the Fiji Poverty Report (1997), generated great concern and anxiety with its findings that 25% of Fiji's households were in poverty in 1991 compared to only 10% in 1977. A recent report on poverty by the Fiji Islands Bureau of Statistics shows a further increase in poverty, which was at 34.4% in 2002/03. This trend is quite worrying and is a sure sign that Fiji will not be able to meet its MDG commitments.

Despite Fiji's assurances, the challenges of meeting economic and social development have been affected by political instabilities, poor governance and weak policies that reflect missed economic opportunities for growth, and low human capital development that pushed more and more people into poverty over the years. Effects of large-scale poverty on the society and economy are many, with impacts on economic, social, environmental and human development.³ Improvements in human conditions are becoming urgent as we get closer to the deadline for the United Nations' Millennium Development Goals (MDGs) target.

The purpose of this paper is three-fold. First, it reviews the previous studies on poverty in Fiji, second, it reviews government's poverty reduction policies and third, it suggests policies to make poverty alleviation measures more effective.

² Kraay (2004), Ravallion and Chen (2003), Dollar and Kraay (2002), Kakwani (2000) note the relevance of the pro-poor growth policies. Sen (1999) explains human development where standard of living based on capabilities approaches and emphasized acquisition of education, health, nutrition as essential human rights.

³ Several studies on the nature, causes and consequences of poverty have noted the characteristics and a range of policy options necessary to address this problem by the World Bank, International Monetary Fund, United Nations organisations, regional organisations in the Asia, Africa and Latin America, World Health Organisation, Food and Agriculture organisation, aid donors studies besides academics in the field of economics, sociology, anthropology etc. based on country-specific and regional effects of poverty.

Poverty in Fiji

In this study, absolute poverty is used as the benchmark, which is defined by calculating the minimum income a household needs to provide for its basic needs, where a lower income defines the household as being in absolute poverty in the context of living standards in Fiji. Several measures of poverty have been discussed in the literature. A common measure relates to the headcount index which gives the share of the population below the pre-determined poverty line (see Grootaert and Kanbur (1990) for an extensive discussion on different measures of poverty).

While describing poverty, Sachs (2005) states that people always have the will to live on despite the odds. He states: 'We have seen people preserving their spirit, integrity, commitment, and hope for the future even when they have little else, when tragic circumstances have left them bereft of health, education, possessions, and a means of livelihood' (Sachs 2005: vii).

Experiences of people in Fiji and the various situations of poverty problems have been noted in Naidu (2005), Barr (1990; 2005), Narsey (2004; 2006a) and Naidu *et al.*, (1999). The main causes of the rise in poverty in Fiji have been linked to political, economic and social crises since early 1980s. Thus, lack of socio-economic development pushed the vulnerable groups to the status of inability to meet their basic needs.

Poverty groups in Fiji are those in urban slums, rural areas, unemployed, irregularly employed, menial workers, artisan, and small stall and shop vendors. The economic characteristics of the households in long-term poverty are their insecure means of livelihood and limited skills which place them at the bottom of the job market. Restricted access to land and sea resources, and various economic and social barriers are the main causes of their continued deprivation. Women-headed poor households face many more challenges in addition to these. As a result, many children from poor and marginal households have become victims of the situation. Signs of rising poverty include an increased number of street people, such as beggars, street kids, wheel-barrow boys, prostitutes and squatters in urban and peri-urban areas (Government of Fiji 2002). Economic decline, employment contraction and loss of agricultural livelihoods have increased social vulnerabilities. These are likely to worsen in years ahead.

Poverty has been estimated in terms of those in the rural areas and urban areas which has been further categorised into ethnic and gender groups, where certain ethnic groups and women face political, economic

and social discrimination that worsened poverty problems in Fiji. Rise in urban poverty resulted from increase in job redundancies, increase of work sharing and decrease in wage rates. This has worsened due to recent pay cuts that have affected both the organised and the informal sectors of the economy. Women have been afflicted more seriously due to additional household burdens.⁴ These burdens worsen further when the number of destitute families seeking assistance increases. The Social Welfare Department often turns them away due to lack of resources (Bain 1988). These cases were denied even the partial government destitute allowance of between \$18 and \$40 per month. Family assistances reaching the poor have been low as there have been claims by the NGOs that in 1997 some 30 to 40% of the population actually lived in poverty in Fiji (Review 1997). The economy grew by approximately 25% over last three decades, but the proportion of people living in poverty increased by 60% between 1977 and 1991 (Ahlburg 1995). Per capita income of the poor is low; the trickle down effect for them has been very slow.

Fiji's incidence of poverty (Table 1) indicates that the ratio of households in absolute poverty increased significantly over time to 34.4% of the population in 2002/03 (Ministry of Finance and Planning 2006; Abbott 2006).⁵ There was a 9.2 percent-point rise in the incidence of poverty between 1991 and 2002/03, and a 19.4 percent point increase between 1977 and 2002/03. Incomes rose less than the prices of food throughout this period; in fact, the cost of basic food tripled while the growth in urban income fell. As a result, urban poverty accelerated the most amongst the unskilled workers. Increase in food cost, low employment and meagre wage rates affected consumption demand in the post-2000 coup period (Reserve Bank of Fiji 2001).

Incidence of poverty in the rural areas increased substantially to 31.8% of the population. Poverty rose nationally by 15 percentage point between 1991 and 2002/03, and 18.5 percentage point rise between 1977 and 2002/03. Poverty, which was basically a rural problem in the 1970s, became an urban problem in the 1990s since significant proportion of the

⁴ Studies by Stavenuiter (1983), Bienefeld (1984), Bryant (1993) and Ahlburg (1995) note similar views.

⁵ This figure may not reflect the actual level of poverty given the survey periods and rural-urban migration thus raising some estimation problems. The incidence of poverty could be higher given the increase in the people living in squatter settlements, increase in the government allocation of social security benefits and grants, increase in number of recipients of family assistance allowance, NGOs' support in terms of cash-in-kind and food supplies, and support for poor people via remittances.

poor migrated to urban areas (Gounder 2007a). Drastic rise in rural poverty due to loss of livelihoods contributed to the biggest rise in the incidence of poverty. Rural poverty worsened as a result of lower incomes since the sugar industry begun to decline as a result of withdrawal of land leases and farmers' inability to afford higher premiums demanded on land leases. Prasad (2006) notes that declining rural population and the resulting decline in demand for land could reduce the rental income of the landowners and have adverse impact on rural livelihood. On ethnic basis, poverty amongst the Indian community is the highest in both rural and urban areas.

Table 1: Poverty Levels in Fiji, 1977, 1991, 2002/03

	Rural			Urban			Total
	Ethnic Fijians	Indo-Fijians	Others	Ethnic Fijians	Indo-Fijians	Others	
% of population in poverty	38.0	43.1	41.3	27.2	29.1	17.3	34.4
Incidence of Poverty	Population in poverty 1977 (%)	Population in poverty 1991 (%)	Population in poverty 2002-03 (%)	Change in Poverty 1991 to 2002/03 (% points)	Change in Poverty 1977 to 2002/03 (% points)		
National	15	25.2	34.4	+9.2	+19.4		
Urban	11.6	32.8	31.8	-1.0	+20.2		
Rural	21.4	23.1	38.1	+15.0	+18.5		
Year			1977	1991	2002/03		
Poverty Gap			\$666	\$1,377	\$2,616		
Cost of Closing Poverty Gap			\$11.5m	\$45.9m	not available		

Source: UNDP and Govt. of Fiji (1997), Ministry of Finance and Planning (2006), and author's calculation.

The extent of increase in basic needs poverty is of serious concern as there are poor dietary and housing problems. The low income earners cannot meet the expenditures which affect their health and education of their children (ABD 2003; Nisha and Prasad 2007). A significant number of people were also estimated to be on the threshold of poverty with incomes only marginally higher than poverty line. The prevailing conditions in Fiji could push them into dire poverty if the economic and social conditions do not improve. The poverty gap almost doubled from \$1,377 in 1991 to \$2,616 in 2002/03. 'The 2002/03 poverty gap is the difference between national poverty line (estimated at \$8,062 in 2002) and the aver-

age income of a poor household (i.e. \$5,445 per year) indicates the depth of poverty' (Ministry of Finance and Planning 2006:7). The cost of closing the poverty gap of \$666 in 1977 rose from \$11.5 million per annum to \$45.9 million per annum in 1991 to close the poverty gap of \$1,377. Closing the deeper poverty gap escalated from 1.9% of GDP in 1977 to 5.4% of GDP in 1991 (UNDP and Government of Fiji 1997: 43).

Fiji's squatter settlements are not temporary and include residents from urban and rural areas living in the same community for over 10 years (UNESCAP 2002). Most of these households are living on low to extremely low incomes of below the poverty line of \$100 per week. The 2002/03 HIES results for urban households indicate that 25% of their sources of income depend on loans, savings, welfare payments and remittances. In addition, over a quarter of the households had subsistence income and received goods in cash or in-kind (Fiji Islands Bureau of Statistics 2003). Given that a large proportion of Fiji's urban population (over 50%) earn low incomes, substantial increases in incomes (i.e. higher wages in the service sector) are needed to close the poverty gap.

Economic Growth Factors

Growth in agriculture, manufacturing and service sectors coupled with rural and urban development is necessary to generate employment for poverty reduction. Social factors like education, health, family welfare, housing, water supply and sanitation, are the key activities for the government to consider for economic security and social welfare. Therefore, greater equality in the distribution of economic resources, human resource capital and basic needs approach would make a considerable contribution to sustainable development.

As an open economy, Fiji is highly dependent on agriculture, manufacturing and tourism sectors that make up the bulk of Gross Domestic Product (GDP). The agricultural sector has remained the hub of the economy providing food security and income while urban-based manufacturing and commerce are the sources of paid employment that characterize different tiers of income earnings. Basically all the spheres of these two sectors have been affected by the political crisis since 1987. Post-1987 political turmoil encountered serious economic, social and poverty implications. Closure of businesses, outflow of skilled labour, fall in productivity, emergence of land problems, persistent political instability and racial discrimination added to Fiji's woes that consequently affected the state of the economy (Chand 1998; Gounder 1999; Narayan and Prasad 2003;

Gounder 2005).

The growth rates in GDP and GDP per capita for selected years 1970 to 2005, are presented in Table 2. Decline in growth rate has continued after two military coups in 1987 with serious implications for private and foreign investments and caused outflow of skilled labour accompanied by negative impacts on the trade balance. As political turmoil generated immediate adverse impacts on production, investment and national income the GDP growth rate in the later part of 1980s and early 1990s was lower than 1970s and early 1980s. These outcomes adversely impacted on the poor and pushed more people below the poverty line.

Table 2: Economic Indicators, Selected Years 1970 to 2005

Indicators	1970	1980	1985	1987	1988	1990	1995	1999	2000	2001	2005
GDP growth (%)	12.70	-1.60	-4.61	-6.62	0.96	3.6	2.5	8.80	-1.70	2.00	0.70
GDP per capita (constant F\$)	1922	2555	2268	2252	2271	2445	2667	2967	2887	2917	3113
Urban population (% of total population)	34.8	37.8	38.5	39.8	40.4	41.6	45.5	48.7	49.4	50.2	51.0
Rural population (% of total population)	65.2	62.2	61.5	60.2	59.6	58.4	54.5	51.3	50.6	49.8	49.0
Exports of Goods & Services (% of GDP)	48.38	47.78	44.36	45.32	54.30	62.34	62.34	60.31	60.17	73.97	na
Imports of Goods & Services (% of GDP)	51.62	52.72	44.74	42.04	51.15	67.16	67.16	63.74	64.46	67.27	na
Agri. value added (% of GDP)	28.54	22.14	18.31	23.03	19.53	20.41	19.7	16.59	16.99	15.68	15.83
Agri. value added (% growth)	8.61	-6.49	-13.71	-6.56	-2.19	-4.55	-3.2	15.99	-0.87	-4.89	2.28
Agri. value added (constant F\$m)	208.0	262.5	268.1	298.5	292.0	328.9	362.8	346.7	343.7	326.9	358.9
Manufacturing, value added (% of GDP)	14.03	11.94	9.45	11.84	9.57	13.55	14.6	15.1	14.62	15.83	14.47
Manufacturing, value added (% growth)	14.00	-7.87	-12.86	-11.31	-0.83	10.39	9.6	9.59	-6.21	11.56	-14.99
Manufacturing, value added (constant F\$m)	107.3	152.1	149.21	157.9	156.5	218.3	267.7	315.5	295.9	330.1	328.3
Services value added (% of GDP)	47.90	55.85	62.19	55.75	58.79	55.62	54.9	56.38	57.17	57.31	58.86
Services value added (% growth)	16.84	-1.38	-0.32	-3.06	4.85	7.23	5.0	7.70	-1.82	3.29	3.64
Services value added (constant F\$m)	385.59	747.19	842.13	838.89	878.5	896.32	1008.7	1178.1	1156.7	1194.8	1334.9

(Source: World Bank (2007a))

To understand the sectoral contribution to growth, agriculture, manufacturing and service sector performances are shown in Table 2. As the annual growth in value added of these major sectors declined severely in 1996 and 1997, real GDP per capita level deteriorated as well. Problems in the agriculture sector reflect most drastically on the sugar industry during late 1990s and post 2000 coup, while receipts from tourism declined significantly after May 2000 crisis. However, since the mid-1990s there has been a perpetual decline in both the sectors due to falling productivity. The performance of agriculture sector has been low and erratic. The annual growth in value added does not indicate any likely improvements due to low agricultural output and no or very little effort at diversification of agricultural products. Lack of resolution of the impasse over agricultural lease has promoted continued instability. It is argued that a permanent solution to the problem is essential if agricultural output is to increase and the economy in general is to improve. This is hardly in sight (Prasad 2006).

Garment sector exports were stimulated with the introduction of inbound manufacturing sites and creation of tax-free zones in early 1990s, but it has been adversely affected by closure of several garment firms since 2000. While the manufacturing sector employment rose to some extent to cater for the changes in the structure of this sector, political crises led to loss of businesses and loss of thousands of jobs. This has contributed significantly towards increase in poverty rates in Fiji.

Of the sectoral contributions, the service sector outperforms agriculture and manufacturing sectors. Its contribution to GDP has remained substantially higher in the pre-1987 coup period. Following the implementation of reform policies, reducing public expenditure and political instability there has been reduction in tourism and garment industries employment. Particularly as business and consumer confidence declined, it led to a low rate of expansion in value added. The service sector average value added growth did not exceed 5% between 1990 and 1999. Based on the theory of economic development, the service output growth is ought to be much faster than growth in GDP when compared with other sectors. It is expected to be considerably higher and contribute more to overall economic growth. However, Fiji's service sector contribution declined due to outflow of highly skilled labour that adversely impacted on private sector development. Low investment, productivity, and unskilled labour with lower levels of output led to low wage rates and savings. Low economic activities affected the working age population where Fiji's working age population comprises 64% of total population, but employs around

55% of this population in the 2000s.

Political instability affected the business sector and the jobless could not find opportunities for employment nor was their income sufficient to meet the basic needs to get out of poverty. Barr (2003: 200) points out that 'the wages stipulated in the Wages Council Orders for 2002 were absolutely appalling and totally inadequate'. He further notes that this situation was little different from 1991 when some 25% of the people were in poverty and most of them were employed. Narsey (2006a; 2006b) notes that thousands of people are living below the poverty line because the government machinery responsible for ensuring minimum wages of workers set at fair levels has failed to perform in the last 35 years.

Poverty reduction requires economic sector development that creates gainful employment opportunities for the unemployed and under-employed so that all have at least a decent minimum level of living. The private sector has to perform to its capacity and the tourism sector to expand to the extent of rapid service sector growth which could be achieved independent of the government sector. Structural adjustment programs to enhance growth have not been effective due to inadequate or inappropriate policy formulations. Development strategies and foreign aid for pro-poor and pro-business economic reforms have not worked favourably. Human capital and institutional developments to eliminate the ills of capitalist mode of developments have also not worked as it should have in the last 15 years. Intricacies and experiences of poverty reduction policies suggest that many actions in small developing countries like Fiji have been very hard to understand. Often there is lack of knowledge about what constitutes good policy actions to tackle poverty, and what could have the opposite effect. Creating human capital and jobs give youth capabilities and second chance to achieve their goals and at the same time support their families. Such actions not only reduce poverty in the medium term but also eliminate poverty in the long term (World Bank 2007b).

Social Structures and Growth

Effects of political and economic crises caused loss of livelihoods and severe hardships that adversely impacted on social indicators such as education, health, housing and welfare assistance. Fiji's social indicators signify harmful effects of poverty on health, housing conditions and education. Increasing squatter settlement, high dropout rates in primary and secondary schools, prostitution and continuous rise in crime rates are the

obvious indicators. Inherent insecurity of many households and inadequacy of existing safety nets, misfortunes such as permanent illnesses, disabilities, marriage break-ups, or single motherhood, and inability of custodial parent to collect maintenance and incapacities due to old age are becoming more common as pointed out by UNDP and Government of Fiji (1997).

Table 3 presents the social expenditure ratios based on the provision of rural services, water supply, housing and education. It shows considerable fluctuations in government spending. Growth in social allocation and social priority ratios has been lower than public expenditure ratios. Primary education expenditure increased in the 1990s, but other social expenditures remained almost unchanged or had marginal increases in some areas. ABD (2004) notes that only about 50% of the population has access to safe water and proper sanitation; access to sanitation is 75% for urban areas and 12% for rural areas.

Table 3: Government Expenditure on Social Services 1985–2003

	1985	1990	1991	1992	1993	1995	2000	2001	2003
Total govt. expenditure (F\$m)	412.5	597.2	669.4	723.2	815.3	796.6	1114.5	1222.2	1304.6
Total social expenditure F\$m	143.3	175.9	197.9	223.8	244.6	260.1	285.5	310.7	390.6
Social priority expenditure									
Rural services (F\$m)	1.6	1.7	1.6	2.9	2.3	1.8	1.4	2.4	1.3
Water supplies (F\$m)	11.7	16.8	19.7	21.6	22.9	30.2	42.3	50.8	80.5
Education (F\$m)	83.4	109.1	119.4	130.7	127.4	150.3	151.9	162.5	193.4
Social welfare (F\$m)	2.1	2.5	3.2	3.6	4.0	4.0	2.41	2.63	3.38
Health (F\$m)	33.3	45.3	49.3	59.5	65.6	70.4	82.3	89.8	108.0
Housing (F\$m)	2.1	0.6	0.8	1.6	2.3	1.5	1.4	1.6	2.0
Poverty Alleviation Fund (F\$m)	0	0	0	0.3	0.5	7.0	43	48	54
Aid (% of GNI)	3	4	3	4	4	4	2	2	3
Aid per capita (constant US\$)	46	69	61	85	81	58	36	32	61

Notes: ¹ Public expenditure ratio: total government expenditure to GDP ratio. ² Social allocation ratio: total social expenditure to total government expenditure ratio. ³ Social priority ratio: social priority expenditure to total social expenditure (includes primary education, rural and public health, rural water supplies) share. Source: FIBS (various), UNDP and Government of Fiji (1997), Govt. of Fiji (various), author's calculation.

Poor performance of wage regulations in Fiji has contributed to increasing poverty of the low wage workers, which is now a national phenomenon (Madraiwiwi 2006). Foreign aid supports various public sector

investments for social and economic services but this too has not been effective. Increase in social expenditures are central to the provision of social services to combat causal social effects affecting the poor (in health, education, HIV/AIDS, housing, clean water, sanitation) to positively impact on people's self-esteem, human development and reduce hardships (Gounder 2007a).

Government strategic plans aimed at reducing poverty and providing safety net to those who experience severe deprivation have been in place for long but these strategies have not worked due to lack of resources. The Government has always spent a very small proportion of its budget on social welfare. It argues that Fiji cannot afford to be a welfare state and does not intend to create a 'handout mentality' (UNDP and Government of Fiji 1997). The number of family assistance allowance (FAA) recipients rose from 5,166 in 1991 to 9,245 in 1995 as the average weekly FAA rose from \$4.65 to \$7.25 in that period. The lowest paid earners rely heavily on informal activities such as gardening, fishing and selling of foodstuff for income, which is often not sufficient to provide them with a basic nutritious diet, let alone rental payments for housing or school fees and books. Demand for social welfare grants rose substantially as the number of government family scheme applicants increased to 11,813 in 1999, to 13,443 in 2000, to 20,333 in 2003 and to 22,670 in 2005 (Ministry of Finance and National Planning 2004 2006). Rise in social security grants suggests that people living in poverty also could have doubled and those in rural areas may not be able to access FAA. The Government, in tackling the incidence of poverty, has implemented macroeconomic and development policies, which we examine next.

Government Policies for Poverty Reduction

A key objective of Fiji's public policy has been to tackle poverty. This can be cited in all Development Plans, Strategic Development Plans, Affirmative Action Plans, Nine Point Plan, Ten-Year Plan for Fijian Participation in Business, Budget Addresses, Strategic Plan Mid-Term Reviews, etc., since 1970. The government began to move in the direction of poverty reduction strategy in 1991 as recommended by the 1991 Poverty Task Force. A poverty alleviation fund was setup in 1992 to facilitate this effort.

In the period 1993-1999 the *Soqosoqo ni Vakavulewa ni Taukei* (SVT) government's poverty reduction policies and strategies were geared to provide income-earning opportunities for the poor. These poli-

cies were implemented to promote capacity building that would enhance their participation in income earning activities, and establish social safety net for those who are unable to support themselves (Government of Fiji 1993; 1994). Other initiatives were also put in place to strengthen the traditional forms of family assistance by raising income tax threshold and providing family assistance scheme for handouts. Various NGOs were mobilised to deliver social services with financial input from the UNDP.

These policies proved to be ineffective as poverty during this period rose significantly, while a large proportion of population slipped on the brink of poverty due to loss of income and other economic factors. A large population also moved to live as squatters without access to water, electricity and sanitation during this period (ADB 2003). During this period there was also a significant deterioration in macroeconomic policy performance, which added to the woes of the poor in the country as stated by Prasad and Asafu-Adjaye (1998). They note that as government policy may have improved the welfare of some sections of the population, it failed to improve the living conditions of the urban poor. They further argued that the exchange rate devaluations in 1998 may have had a negative impact on urban dwellers as they depend heavily on imported goods and services which became more expensive. The People's Coalition government in 1999-2000 brought about some change in poverty reduction policies by implementing some pro-poor measures. The poor were targeted via initiatives such as rise in direct social welfare assistance, removal of Value Added Tax (VAT) and Import Duties from staple food items and 17 essential household items brought under price control. This included reduction in water and electricity rates and telephone charges. Some favourable policies were also implemented in the health and education sectors (Ministry of National Planning 1999; MacWilliam 2002).

Development plans were altered after the 2000 political crises, causing economic uncertainties which resulted in low productivity and poor social development. The *Soqosoqo Duavata ni Lewenivanua* (SDL), which formed the Government in the post-2000 period, changed the policies implemented by the People's Coalition Government. The SDL policies were more akin to the nationalist demands, which toppled the government in 2000 coup.

The objective of reducing poverty levels by 5% per annum in the post-2000 period by the SDL did not produce the desired outcome. However, the SDL government did put in place some well-intended policies such as improvement of squatter settlements, establishing microfinance facilities and infrastructure development policies. Various education and

health policies were also put in place including family assistance program. However, most of the SDL government's affirmative programmes were targeted for ethnic Fijian development.

The SDL government's failures in addressing the poverty issues stemmed from two factors. Firstly, the social policy focus of the government was flawed, and secondly, the government was not able to generate enough economic growth to bring about any relief to the poor segments of the society, particularly the low wage-earners. The SDL government suffered serious setbacks as a result of poor governance.

Studies by Chand (1998) and Kumar and Prasad (2004) point out that there has been gross failure on the part of the government in devising appropriate poverty alleviation policies. Poverty has become a massive problem since the post-2000 crises. Its sustained reduction will be vital in achieving the MDGs. It has been pointed out by ADB (2004) through its Alternative Livelihood Development Project that only concerted development policies would bring about relief to the poor and those who might be affected by the declining sugar industry. It points out that Fiji has some special needs in terms of agricultural development in view of declining sugar industry. Apart from economic initiatives, a long term resolution to the land lease problem could improve agricultural output.

Poverty Reduction Strategies

Poverty reduction has been aimed through broadening of objectives to include economic, social, institutional and political development (World Bank 2001).⁶ The strategies based on three complimentary pillars are promoting opportunities through credit, schooling, health services; facilitating empowerment by strengthening democratic institutions, increasing participation in local decision making and removing discrimination; and by enhancing security to reduce vulnerability. Therefore, local and community levels along with promoting the national or market paradigms, are crucial strategies for poverty reduction. What is controversial, however, is the practical strategy and actual implementation of policies.

Poverty can be seen at three levels - individual, community, and social level. At the individual or the family level, a person must be able to earn and arrange at least two wholesome and nutritious meals a day. At the community level, people do not have a sense of deprivation if drink-

⁶ Poverty reduction in all communities is vital as they make up the nationhood. The World Bank (1990 2001) highlights close linkages between growth, macroeconomic policies and inclusive strategies for eradicating poverty.

ing water, electricity, roads, health, educational and other facilities are provided for everyone. At the social level, people are better off if they get the social respect and recognition as a group or community. This dimension often gets amiss where group discriminations such as gender, racial or ethnic marginalisation occurs. This is a serious problem in Fiji where political conflicts exist between ethnic Indians and Fijians. In this situation the role of the government is crucial because it is the government that everyone looks to for the provision of equity and fairness (Madraiwiwi 2006). Eliminating political, economic and social dimensions of conflicts is just as important for the actions to reach the poor (Gounder 2005). Strategies outlined in the next section provide some means to tackle the poverty problem in Fiji.

Economic Development Strategies for Poverty Reduction

Economic growth is a central strategy for poverty reduction, targeting particularly the poor. Market based growth policy provides scarce economic capital to increase income and resources to reduce poverty. Policies to enable output growth and providing essential services are vital to support livelihood programs across all communities. Income-earning capacity of vulnerable households provides advantages to take opportunities to better the standard of living. Household and community mobilization process to maximize income-earning opportunities (via production systems) also encourage community development and civic education. While higher economic growth is definitely the key factor in combating poverty, growth simply is not enough for poverty reduction in the short term.

Poverty reduction is possible with structural balances between various sectors. Growth delivers poverty reduction more effectively when it occurs in various sectors and people derive their incomes when it results in strong job creation. Poverty reduction strategies should accelerate economic growth with stable prices. This involves creating appropriate business opportunities and market demand for the products. To compliment this, skill training to assist all communities must be established. This requires the government to facilitate appropriate institutions both in the formal and the informal sectors inclusive of agriculture and basic industries. This would be the most effective approach in the case of Fiji.

Pro-poor growth policies entail employment generation, which is a key to poverty eradication. Fiji's population growth decreased from almost 2.4% in the 1970s to 1.8% in the late 1980s and 1990s. The labour

force in 1999 was 2.07 times the 1970 levels. Uncertain political and economic environment caused a decline in labour market with high unemployment.⁷ Between 1987 and 2001 skilled emigrants has been estimated to be 70,660 of which almost 90% were Indo-Fijians, the number of emigrants in 2000 was 5,275 and 6,316 in 2001 (Kumar and Prasad 2002). Cumulative to May 2001 the number of professionals leaving the country increased by 32%; around 5,800 left in 2003 which represented a 5% increase from 2002 (RBF 2004). Attaining higher economic growth is crucial for near full-employment, and creating the conditions for higher intensity of labour absorption. This is essential for sectoral and structural growth. To facilitate effective labour market efficiencies, policies to set up a commission for labour may be necessary.

Agricultural transformation and rural development is vital to improve the prospects of the rural poor. Strategic connections between rural income generation and macro policies become a focal point to address poverty. Half of Fiji's total population still lives in the rural areas and despite rapid urbanization it is estimated that 50% of the people will still be in rural areas by 2015 (ABD 2003). Income and livelihoods of the bulk of the rural population depend primarily on agriculture, which employs 90% of the rural labour force and nearly 50% of the total labour force. Increases in agricultural and rural incomes raise growth multipliers through expenditure and consumption linkages benefiting all sectors of the economy. Policies to increase productivity and competitiveness of agriculture are vital to improving the livelihood of the majority of Fiji's households. Duncan (2006) emphasised that agricultural inputs are fundamental to productivity gains for both subsistence and cash generating crops in the land-rich Pacific islands. With the right-set of policies Fiji has the potential to diversify (in the primary sector) and upgrade agricultural, both traditional and non-traditional, exports to enhance growth. Rapid expansion of fish exports is a viable way of attacking poverty among the poor in coastal areas. On the other hand, irrigation schemes for rice production could be a way of reducing poverty among rural farmers.

Agriculture in Fiji has suffered due to lack of consistent policy and good development strategy. As a result of this, there is severe undercapitalization of rural landscape. Subsistence farming remains significant.

⁷ Narayan and Prasad (2003: 4) note that 'early signs from Fiji's export-led strategy for growth were encouraging, for it saw the emergence of labour-intensive garment industry, which in its peak employed some 18,000-20,000 people, of which 79% were female workers'. However, the garment workers faced loss of jobs due to closure of the garment factories in the post-2000 coup period.

This is marked by poor techniques and low output where technological input is almost nonexistent. Input and product markets are completely insufficient and adequate infrastructure and support services do not exist. There is almost complete blackout of information and lack of communications from the Agricultural extension services. Thus, there is poor integration of sectors at both national and regional levels. On top of this, land disputes have severely affected agriculture output and productivity.

Devising innovations to transform agriculture and rural development requires innovation in the conceptual and analytical frameworks. In addition, greater attention needs to be given to rural infrastructure development and value adding to agricultural products. Going beyond the primary sector to take account of the whole economic system aimed at maximizing productivity and efficiency is the way forward in addressing this mega problem. This could include research, and extension services to enhance farm-level production and commodity processing, including handling, storage, product transportation and marketing. This broadens the framework to include farming innovations, agro-industrial and agribusiness services sectors where attention is given to strengthening urban-rural linkages and strategies to improve rural productivity.

Developing such a framework should reduce poverty through broad-based economic growth, enhancing food security, creating employment and generating value-added products and wealth across the farming and non-farming sectors. Government needs to remove constraints that hinder agricultural potential. Unlocking agricultural growth in Fiji will broaden the prospect for wider economic growth. Solving the land problem may hold the key to this strategy, given the political nature of the security of land tenure and land rights. Public debate and orderly discussion on the use of land is crucial to this process.

Business and urban development provide several factors for growth and poverty reduction. The primary contribution of the business sector to poverty reduction is generating economic growth. It has to create jobs and economic opportunities to lift people out of poverty. The way business operates, determines the impact on the poor. The greater the job opportunities are, the greater the benefit to the poor. An important aspect of this is the impact businesses have on development outcomes through core business activities. The virtues if business cycle is significant in this process to spin of productive linkages and externalities (Pralhad 2005).

Fiji's Strategic Development Plan 2003-2005 notes that government policies are aimed at helping people to get into small and micro-businesses. However, this has not been sufficient to create enough jobs or

avenues for new businesses. However, efforts to assist the development of small and micro-businesses have not been adequate due to lack of skills and resources (Ministry of Finance and National Planning, 2004). In such circumstances, the government must closely collaborate and develop an effective partnership with businesses where the businesses need to focus their efforts on co-ordinated actions to curb poverty. The urban and rural livelihoods are interconnected through linkages between agriculture and the urban economy. Therefore, government assistance could provide incentives for agricultural commodity processing and marketing, which could have strong linkages with food preparation and retailing in urban centres.

Poverty reduction through growth requires a focus on small and medium enterprises, which become a primary source of employment for the poor. Lifting the poor from low levels of living and giving them the opportunity to be entrepreneurs and consumers can reduce poverty substantially. Understanding business possibilities and assisting the poor while giving them economic opportunity is a crucial way of reducing poverty through profits. Prahalad (2005) noted that by thinking of the poor as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity could open up. The businesses have to engage the poor in a sustained manner and provide basic products and services so that appropriate wage level is maintained, which in return sustains a credible level of demand for consumer goods. Policy needs a wage guideline to increase the buying capacity of the poor (see Narsey 2006a).

Small and medium enterprises can include skills in generating and creating ideas and products and incorporate local customs and values for better outcomes. Strategies should aim to support business climate and private sector capabilities to expand private firms. Policies and actions designed to accelerate enterprise restructuring, attract investment and encourage the creation of new businesses in the medium term. The government should facilitate the overall business climate, rather than pursue privatisation in isolation. Assistance towards this will enhance poverty reduction challenges.

By facilitating small and medium sized enterprises through microfinance development schemes, the unemployed or lowly paid workers could become self-employed and create income earning prospects in both rural and urban areas. Such activities can be addressed through a range of short and medium term strategies to create income-earning opportunities for vulnerable households. Strengthening the local service sectors such as village shops, handicraft stalls and other types of vendors are some of the

practical examples of doing this. These policies should necessarily be broad-based and not focus on specific ethnic groups. Small enterprises cannot grow in isolation and need access to a range of financial and non-financial services to survive and take advantage of market opportunities that exist.

In addition to the market strategies, social approach may also be considered. Such strategies require quality institutions for the poor to participate in the empowerment process. Ways need to be found through institutional interventions so that the poor citizens and the mainstream society interact more meaningfully. Political and economic performances in the past decade brought about various attempts to accelerate growth, and ensuring the participation of the poor in that growth process, which is fundamental to poverty reduction. Improved institutions are required to ensure that poor actually benefit from government policies. Institutional monitoring and information communication technology (cell phone, computers and internet services) gives hope to citizens to reduce poverty via livelihood activities. The government needs to maintain the type of flexibility required to ensure that critical needs of individual households are met and at the same time ensure there is a supporting policy environment. Poverty alleviation policies are more effective where interactions are multipronged.

As majority of the poor are landless and reside in the rural areas, besides those in the urban squatter settlements, institutions involved with poverty and livelihood programs should initiate:

- a) Institutional environment to assist rural people to flourish diverse activities for rapid poverty reduction;
- b) Provide access to land and facilitate land leases in partnership with relevant stakeholders; and monitor goodwill payments that have been a double-dipping practice at the institutional, village and communal levels (see Lal et al. 2001 for discussion on land issues and ad hoc local market levies that affect the poor);
- c) Assist the disadvantaged and displaced people with social security grants and provide assistance to vulnerable families that may have difficulty in obtaining family welfare funds;
- d) Development of capabilities and policies for growth, learning for work, going to work, growing up healthy and the right policies for human capacity building (see World Bank 2007b);
- e) Inclusive policies for all communities to eradicate poverty.

The politics of race has contributed to poverty, unemployment and

lack of basic facilities where in a multiethnic society the most important national institutions are constitutions to provide a foundation for economic and social justice (Kumar and Prasad 2004). An inclusive framework of strategies is required where conflict and reconciliation with differential treatment of Fiji's citizens based on their ethnicity need to be addressed decisively. Where the proportion of population cannot afford government-subsidised homes, high percentage of urban youth are unemployed, large proportion of children do not attend school and increasing squatter settlements need coordination of policies for human development and quality institutions to link individuals with agencies that support social development. Institutions are important as they structure the relationship between macroeconomic changes and the pattern of economic growth on the one hand, and the provision of social programs of the changing life-circumstances of households and groups on the other hand (Gounder 2005). Therefore, social inclusion of the households or societies will improve wellbeing, social integration and the rights of the people.

Institutional interventions necessitate promoting individual capabilities where pursuit of viable livelihood activities become part of a broader process, which aid individuals and families to find their paths out of poverty. Increasing economic activities, livelihood schemes and assistance through regional linkages are important aspects towards building the labour capacity for economic growth and increase in relative incomes which reduce poverty (Gounder 2007b). Enhancing the roles of the civil society, promotion of good governance practices, and policies without discrimination are important means of ensuring poverty reduction based on people-centred, mutual obligations of the individuals and the government. Therefore, institutions to mitigate hardships should be central to pro-poor growth and strengthen inclusive national policies for the growth processes.

Social Development Strategies for Poverty Reduction

Attention to poverty reduction through income should be complemented with removing human deprivation and social development. Social sector development and interventions reduce poverty. As urban and rural areas are short of basic amenities and unable to provide economic opportunities, poverty in the future may become a much bigger problem. Households living in squatter settlements may threaten the environment with lack of housing, sanitation, clean water, etc., where the problems of HIV/AIDS, prostitution and other health related problems could become

endemic. Social development through provision of health and education, therefore, becomes absolutely necessary. Advancement of human capital alongside the promotion of human rights, gender equity and fertility control are some of the basic strategies to consider. Promoting human capital is an integral component of economic development strategy.

The decline of human development index for Fiji is a bad omen for Fiji's social and economic future. The decline in human development index for Fiji from 44th in 1996 to 66th in 1998 and further down to 92nd in 2003 reflects Fiji's declining quality of life (United Nations Development Programme 2001; 2005). Low income and poor health are seen to be causing a larger number of households living in poverty, high drop out rates in primary and secondary schools, and increasing destitution and depression. In this context, greater attention to provide social infrastructure is needed. Better health care, medical and education system ensures that medicine and health infrastructures are made accessible to the masses at affordable cost, particularly to vulnerable population and those in the low income groups. It is also vital to provide prevention and curative health cover to the most vulnerable and poorer sections of the society, especially women, children and the elderly (see Nisha and Prasad 2007).

The effort should also facilitate women's development in order to eliminate gender biases at all levels. Improving health, family welfare and nutrition services through primary health care including other services such as emergency life saving services, services under disease control and welfare programmes are the central services needed for better human development efforts. Suitable strategies based on the needs for improving the quality of health care services may be done by reorganisation and restructuring the healthcare infrastructure at all levels, which could reach the difficult and remote geographical areas including the needy at large.

Education is another component of human capital as it is an end in itself, not just a means to an end. Education development leads to broad based and sustainable economic development. Fiji has to ensure that greater number of children should be sent to school for quality education, awareness and better skill formation. While the enrolment rates are high, the dropout rates are equally high where not finishing the school lowers the capacity for higher income earning opportunities. Termination of education in this way leads to lower wage levels, and moving a notch higher to escape poverty wages becomes difficult. Cases of school children dropping out of the school system because of parents' inability to pay school fees is a common phenomena. While there is a high rate of primary school enrolment, at least 30% of the children do not complete their

primary education. Financial pressures have usually been the principal factor in the school dropout rates and since children from poor households normally do not perform well due to lack of parental support, they are compelled to leave school as a result of failing qualifying examinations (Subramani et al. 2003).

Launching the education programmes for all achieves social mobilisation of local communities towards adult literacy and promotion of basic education. Maintaining expansion of quantity has to be accompanied by a higher standard (quality) of education to achieve success and long term objectives. In this way education process produces dividends for the whole society, which happened quite well in Fiji between 1960 and 1990. Basic learning drives economic growth and lower fertility rates empowers women in several ways. It helps women to raise healthy children and farmers to reap bigger crops. As more people become literate, the economy improves and the benefits reach the poor (Sen, cited in *Economist*, March 27 1999: 75, see also Sen 1999). To create a competitive economy both technical and management education provide a broad-based, multi-disciplinary education, which incorporates composite skills and knowledge to meet the challenges posed by globalisation. The major nutrition-related public health problems are issues that need to be simultaneously brought with health and education policies to address the importance of nutrition-health linkages.

Health, education and nutrition are integral parts of development processes that contribute to employment generation by enhancing human capital and productivity. Success of poverty reduction requires key economic and social indicators. Total investment of over 25% is needed in Fiji for GDP growth rate of approximately 5% (Rao 2004). Similarly, a sustainable GDP growth of about 5% is vital over the next decade to address poverty problems. Provision of basic minimum services such as safe drinking water, adequate sanitation, and electricity are essential for reasonable economic growth to occur. At the same time the provision of primary healthcare, basic education, housing and pro-active advocacy institutions for targeting the poor are essential components of poverty reduction and the empowerment process. Welfare and family assistance programmes contribute significantly towards providing short term relief in times of crisis. To effectively combat the problems of socially disadvantaged, income poor groups must receive special attention on priority basis so that such groups go beyond the MDG targets and provide for their wellbeing.

Conclusion

Fiji is in danger of increasing vulnerability of the poor. Attaining the Millennium Development Goals by 2015 is constrained by large scale impoverishment due to lack of social and economic programs as the internal dynamics of the government has hindered growth prospects and opportunities. The hope of optimism stands as the stated policies of poverty reduction reflect human development priorities. Poverty alleviation needs social infrastructure and pro-poor growth policies to be expanded in its scope where the services can be utilised by the disadvantaged sections of the society from all underprivileged classes.

The Poverty Alleviation Programme should set out the approaches to poverty reduction, but those pathways out of poverty should be for all groups of people without any form of discrimination. Addressing poverty should start by providing the basics for human development through growth and with economic opportunities. These linkages on balance have a positive payoff for growth that increases economic capabilities and opportunities for better livelihood activities. Fiscal deficits and debt problems have escalated in the recent past which may force cuts in social spending curtailing the government's ability to meet social objectives. However, these obligations could be achieved via credit, social empowerment, international agencies, NGO projects, and implementation of several medium to longer term livelihood activities. These require stability to establish development programs for the poor and the low income groups to improve their standard of living. Lesson of the last three decades gives us the chance to rethinking and cultivating a genuine public spirit to get to the bottom of the problem and set development priorities. Fiji definitely needs to set its priorities right if it is to meet its commitments of the MDG targets.

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