

# ASIAN DEVELOPMENT BANK & FIJI ISLANDS

[www.adb.org/fijiislands](http://www.adb.org/fijiislands)

A F A C T S H E E T

The Fiji Islands has made more progress toward the internationally agreed Millennium Development Goals (MDGs) for reducing poverty than many other Pacific countries and is close to achieving health, education, and gender-related targets.

A buoyant tourism sector and private sector investment are expected to help the economy recover from a slowdown in 2005. But sluggish growth in the sugar and clothing industries will require major adjustments to correct if these industries are to remain viable sources of employment after losing preferential access to overseas markets.

Standards of living have declined in urban areas, and there is potential that the loss of jobs could raise rates of urban and rural poverty significantly over the medium term.

Overcoming the structural challenges facing the economy will require a comprehensive restructuring program, expedited progress to achieve a sound macroeconomic foundation, and an investment climate conducive to private-sector-led growth and the generation of jobs.

The Government reviewed its Strategic Development Plan (SDP) 2005–2007 in 2005 to reinforce its objectives to reduce poverty and create a more cohesive society. The revised plan is scheduled for formal adoption in 2006, and the Government has adopted an affirmative action program aimed at achieving parity between indigenous Fijians and other ethnic groups.

## Relationship with ADB

Fiji Islands has received \$249.9 million in loans since joining the Asian Development Bank (ADB) in 1970 and ranks 22<sup>nd</sup> in terms of borrowing.

ADB and the Government are discussing options to ADB's way of operating and a possible move toward a greater and more strategic use of ADB instruments that empower local procedures and a deepening of policy dialogue to support efforts to restructure the economy toward new growth areas and expand private-sector activities. A Country Strategy and Program Update (CSPU) to guide ADB activities in Fiji Islands to the end of 2008 was approved on 17 March 2006. The results-based framework aims to boost

**Table 1. Fiji Islands: Development Indicators**

• Population	0.85 million (2005) 0.99% growth per annum (1990–2005)
• National poverty rate	25.5% (1990)
• Population living on less than \$1 a day	25.5% (1996)
• Under-5 mortality rate per 1,000 live births	31 (1990) 20 (2004)
• Adult literacy rate	93% (2000) 92.9% (2000–2004)*
• Population in urban areas	41.6% (1990) 49.4% (2000)
• Population with access to improved drinking water sources	Data not available

\* For year range 2000–2004.

Sources: ADB. 2006. *Basic Statistics 2006*. Manila. ADB Statistical Database System. UNESCO. 2005. *Global Monitoring Report 2006*. SPC. 2004. *Pacific Islands Regional MDGs Report*. 2004. New Caledonia.

**Table 2. Fiji Islands: Economic Indicators, 2001–2005**

Economic Indicator	2001	2002	2003	2004	2005
Per capita GNI (\$)	2,000	2,040	2,280	2,690	...
GDP growth (% change per year)	2.7	4.3	3.0	4.1	1.7
CPI (% change per year)	4.3	0.8	4.2	2.8	2.4
Unemployment rates	...	...	...	...	...
Fiscal balance (% of GDP)	-6.6	-5.6	-6.0	-3.3	-4.3
Export growth (% change per year)	-9.2	5.3	21.6	1.1	-3.2
Import growth (% change per year)	3.5	1.7	33.8	19.8	6.5
Current account (% of GDP)	-9.4	-0.5	-7.6	-18.4	-12.7
External debt (% of GNI)	7.0	8.4	10.4	...	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income. Sources: ADB. 2006. *Asian Development Outlook 2006*. Manila. ADB Statistical Database System.

Figure 1. Fiji Islands: Loans and Disbursements, 1995–2005

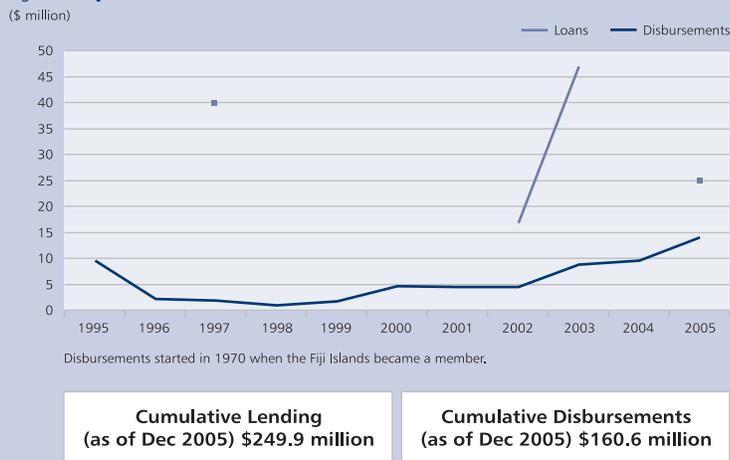


Figure 2. Fiji Islands: Technical Assistance and Loans, 1970–2005

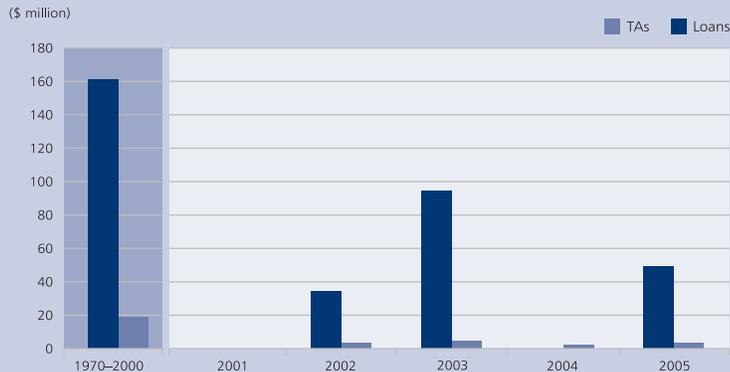
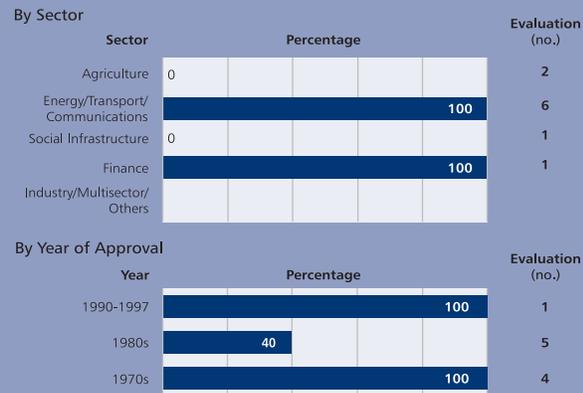


Table 3. Fiji Islands: Cumulative ADB Lending as of 31 December 2005

Sector	Loans (no.)	Amount (\$ million)	%
Transport and Communications	5	94.8	37.9
Agriculture and Natural Resources	3	48.2	19.3
Water Supply, Sanitation, and Waste Management	1	47.0	18.8
Energy	3	36.9	14.8
Finance	3	18.6	7.4
Multisector	1	4.4	1.8
<b>TOTAL</b>	<b>16</b>	<b>249.9</b>	<b>100.0</b>

Figure 3. Fiji Islands: Project Success Rates<sup>a</sup>



<sup>a</sup> Includes highly successful and successful projects.

**Cumulative Assistance: \$275.37 million\***

\* Includes loans and technical assistance (as of 31 December 2005).

private sector-led growth through sound macroeconomic policies, infrastructure development, and alternative livelihoods; deliver affordable basic services through improvements in local governance; and establish development institutions.

A new country strategy and program (CSP) for 2007–2010 is being formulated with the Government to support the country's SDP in consultation with all stakeholders. Approval is planned for the first quarter of 2007.

The CSPU for 2006–2008 can be found at [www.adb.org/Documents/CSPs/FIJ/2006/](http://www.adb.org/Documents/CSPs/FIJ/2006/).

## Impact of Assistance

As one of the key development partners of the Fiji Islands and having supported public sector programs in road upgrading, ports development, water supply and sewerage, and agriculture and rural development, ADB has contributed to Fiji's progress in achieving the MDGs and attracting the private sector and economic growth.

Ongoing road rehabilitation and upgrading programs have helped disadvantaged groups throughout the country participate in the cash economy and improved their access to markets, and educational, health, and business services. The projects have resulted in reduced transport costs and journey times and increased access to employment opportunities and social services.

Although only just completed, the Fiji Ports Development project has resulted in more efficient and competitive ports with savings on operational costs already being realized. Work is now in progress for an upgrade of the tariffs system and the preparation of a Port Master Plan.

In 2005, heads of government at the Pacific Islands Forum invigorated regionalism by approving the Pacific Plan for Strengthening Regional Cooperation. ADB supports programs under the Plan, which emphasizes regional public goods and services. Collective management of increased aviation safety and security requirements is a good example of this potential. Under an ADB loan and technical assistance grant package totaling \$1.95 million approved in 2005, ADB is helping Fiji Islands, Cook Islands, Kiribati, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu establish the Pacific Aviation Safety Office to help the region meet international standards.

## Future Directions

Priority projects currently under preparation cover the transportation sector, poverty in rural areas and outer islands, and the development of renewable energy.

With the Fiji Island's sugar industry in deep decline due to high costs and low yields from antiquated mills, and the expiry of 10,300 farm leases over the next 25 years,

the livelihoods of thousands of farmers are in jeopardy. In anticipation of these difficulties, ADB in March 2005 approved a \$25 million loan to cushion the impact by supporting livelihood alternatives and promoting the diversification of agriculture. It targets 8,000 sugarcane farmers as well as cutters, mill workers, and landowners.

Under the Fourth Fiji Road Upgrading Project, ADB will finance a 6-year slice of the Government's 20-year road upgrading, rehabilitation, and safety improvement program. The project will establish a road asset management system with sustainable funding to improve transport sector efficiency and contribute to economic growth and expanded employment opportunities. Efficiency, and the ability to compete with other areas in the Pacific, is also behind a project that will rehabilitate and upgrade airports for the benefit of international airlines and passengers.

An initiative for the development of rural areas and outer islands will aim at assisting the Government design an investment project to address regional socioeconomic imbalances, improving income-earning opportunities in the eastern and central divisions of the Fiji Islands, and identifying priorities for infrastructure rehabilitation and potential areas for the private sector to collaborate with island communities in turning locally available resources into viable business opportunities.

ADB will also assist the Government of the Fiji Islands to develop a cost-effective and environmentally sustainable power sector through a diversified investment plan to meet future growth in electricity demand.

The CSP for 2007–2011 will need to take into account the important risks to the Fiji Islands economy: the decay of key sectors (sugar, textile, and clothing), vulnerability of tourism, government budgetary risks, and the potential for structural financial crisis. The Government and the Reserve Bank are focusing priorities on macroeconomic stability and increased investment to sustain growth. There is a strong possibility that the Government may seek ADB support for economic and public sector reform. If agreed, this may

**Table 4. Fiji Islands: Improvement in Portfolio Quality Indicators, 2004 and 2005**

Portfolio Quality Indicator	2004	2005
Disbursement ratio (%)		
All loans	20.7	14.7
Project loans	20.7	14.7
Implied average implementation period for project loans (years) <sup>a</sup>	6.1	6.1
Undisbursed loan balance (\$ million)	70.8	81.7
Active loans (no.)	4	3
Projects at risk—(no.) <sup>b</sup>	0	0
% of loans in portfolio	0.0	0.0

<sup>a</sup> Based on approval to revised closing date. Excludes program loans only.

<sup>b</sup> Refers to the number of loans.

evolve into a policy-based lending program under the new CSP for 2007–2011.

## Operational Challenges

ADB's portfolio of four loans has been rated as satisfactory. The Government however has expressed disappointment in the performance of a contractor in an ongoing project that has suffered a costly implementation delay.

To support the Fiji Islands' structural change and promote new growth opportunities, ADB might consider—subject to progress on the reform agenda and the strengthening of the investment environment—an expansion of its assistance program. In addition, ADB will continue to explore the potential for private sector operations, particularly initiatives that would facilitate structural changes and reforms in state-owned enterprises and utilities. For 2006–2008, ordinary capital resources lending of about \$220 million is programmed for five projects. The lending level could be increased, subject to progress in fiscal consolidation and debt management.

## Partnership

ADB maintains a permanent dialogue with key development partners on collaboration and deeper harmonization on the Fiji Islands country operations. Effective implementation of Fiji Islands' reform program will require strong engagement with donors, including the approach to developing and managing assistance programs and technical advisers, opportunities to provide coordinated assistance for analytical work, and ensuring donors have a common understanding of how the Fiji Islands wishes to take its program forward. ADB has worked with the Government on the creation of a Public Sector Key Stakeholder Group.

ADB cooperates extensively with civil society organizations (CSOs) in the Fiji Islands. For example, CSOs from the country participated in the ADB-financed Civil Society Participation in Budget Formulation, a regional technical assistance that promoted participatory budgeting. ADB also consulted in Suva

**Figure 4. Private Sector Operations Portfolio Distribution by Top Countries, 1983–2005**

(\$ million)



Total: \$4.9 billion

with Fijian CSOs on the institution's information disclosure and dissemination practices. Their input contributed to the elaboration of ADB's Public Communications Policy, which entered into effect in September 2005.

## Cofinancing and Procurement

For every US dollar lent by ADB in Asia and the Pacific during 2005, cofinancing operations brought in an additional \$1.27.

ADB's cofinancing operations enable its development partners—governments or their agencies, multilateral financing institutions, commercial organizations, and export credit agencies—to join ADB in financing lending to developing members. Such additional funds are provided in varying forms of grants, guarantees, or loans.

A summary of loan projects with cofinancing is available at [www.adb.org/Documents/Fact\\_Sheets/FijiIslands/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/FijiIslands/cofinancing.asp).

A summary of procurement contracts awarded to companies and consultants for goods and related services, civil works, and consulting services can be found at [www.adb.org/Documents/Fact\\_Sheets/FijiIslands/procurement.asp](http://www.adb.org/Documents/Fact_Sheets/FijiIslands/procurement.asp).

### About the Fiji Islands and ADB

The Fiji Islands is the 28<sup>th</sup> largest shareholder among regional members and the 36<sup>th</sup> largest shareholder overall.

#### ADB Membership

Joined	1970
Shares held	2,406 (0.068%)
Votes	15,793 (0.357%)

**Agus Haryanto** is the Executive Director and **Richard Stanley** is the Alternate Executive Director representing the Fiji Islands on the ADB Board of Directors.

The South Pacific Subregional Office (SPSO) was opened in 2004 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. SPSO engages in policy dialogue and acts as a knowledge base on development issues in the Cook Islands, Fiji Islands, Kiribati, Samoa, Tonga, and Tuvalu.

**Sirpa H. Jarvenpaa** is the Regional Director of SPSO.

The Fiji Islands government agency handling ADB affairs is the Ministry for Finance and National Planning.

### About the Asian Development Bank

ADB is dedicated to reducing poverty in the Asia and Pacific region through pro-poor sustainable economic growth, social development, and good governance. Established in 1966, it is owned by 66 members—47 from the region. In 2005, ADB operations totaled \$7.4 billion in loans, equities, guarantees, grants, and technical assistance. With headquarters in Manila, ADB has 26 offices around the world and more than 2,000 staff from over 50 countries.

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#### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Country website  
[www.adb.org/fijiislands](http://www.adb.org/fijiislands)

Asian Development Outlook  
[www.adb.org/Documents/Books/ADO/2006/documents/fij.pdf](http://www.adb.org/Documents/Books/ADO/2006/documents/fij.pdf)

Annual Report  
[www.adb.org/Documents/reports/annual\\_report/2005/](http://www.adb.org/Documents/reports/annual_report/2005/)