Fiji: Building Inclusive Institutions for Sustained Growth
Country Diagnostic Study

Edimon Ginting
Director, EREA
Asian Development Bank

Pacific Update Conference
18 July 2016
Suva, Fiji

*The views expressed here are those of the presenter only and do not necessarily reflect the views and policies of the Asian Development Bank, its Board of Governors, or the governments they represent.
Outline

• Overview of ADB’s country diagnostic study (CDS) and employment diagnostic study (EDS)

• Fiji: country context

• Key messages from the CDS
• First CDS was completed in 2007
• Tool for policy dialogue: Informs medium-term development strategy and strategies for engaging with countries
• 12 completed and 3 ongoing
• Initiated to complement CDSs
• Creating quality jobs is key to making growth inclusive, reducing disparities, and sustained growth
• Collaboration with ILO; 3 completed and 2 ongoing
Country context

- One of the larger Pacific island countries
- Upper-middle-income country with one of the highest per capita incomes in the Pacific
- Relatively high level of social development
- Relatively rich in natural resources
- Economic geography: small and remote with dispersed population
- Political climate (1987, 2000, and 2006)
- Vulnerable to natural hazards
Fiji is one of the larger Pacific island countries.
Economic growth has been volatile, but momentum for higher and stable growth has started since 2010...

Source: Estimates based on data from RBF.
...supported by strong recovery of private investment

Source: RBF.
Fiji continues to be a service-driven economy but growth is now more diversified.

Source: Estimates based on data from RBF.
Composition export basket has diversified over time.

Source: UN Comtrade.
Tourism and remittances provide more stable support for external balance

Extreme poverty is low but inequality is rising

Constraints to inclusive growth

• Remaining weaknesses in business climate
• Gaps in provision of infrastructure services
• Uneven access to productive assets, particularly to land and finance
• Lack of productive and adequately paying job opportunities
Structural reforms to further enhance the business climate

- Ease business start-up procedures and licensing
- Enhance single-window clearance
- Implement new Companies Act
- Reduce administrative burden of filing taxes
- Expedite dispute resolution and strengthen contract enforcement
- Review price controls and consider replacing them with targeted interventions

Notes: Number above the bar indicates Fiji’s how far is Fiji from the frontier of best practices. Methodology has changed over the years.
Source: World Bank
Provide quality and adequate infrastructure services

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Road Network ('000 km)</th>
<th>Density (km/100 km²)</th>
<th>Sealed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiji (2014)</td>
<td>11.1</td>
<td>62</td>
<td>13</td>
</tr>
<tr>
<td>Kiribati (2000)</td>
<td>0.7</td>
<td>83</td>
<td>...</td>
</tr>
<tr>
<td>FSM (2000)</td>
<td>0.2</td>
<td>34</td>
<td>17.5</td>
</tr>
<tr>
<td>PNG (2000)</td>
<td>19.6</td>
<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td>Samoa (2001)</td>
<td>2.3</td>
<td>82</td>
<td>14.2</td>
</tr>
<tr>
<td>Solomon Islands (2000)</td>
<td>1.4</td>
<td>5</td>
<td>2.4</td>
</tr>
<tr>
<td>Tonga (2000)</td>
<td>0.7</td>
<td>91</td>
<td>27.0</td>
</tr>
<tr>
<td>Vanuatu (2000)</td>
<td>1.1</td>
<td>9</td>
<td>23.9</td>
</tr>
<tr>
<td>Maldives (2005)</td>
<td>0.1</td>
<td>29</td>
<td>100.0</td>
</tr>
<tr>
<td>Mauritius (2010)</td>
<td>2.1</td>
<td>102</td>
<td>98.1</td>
</tr>
<tr>
<td>Dominica (2010)</td>
<td>0.9</td>
<td>121</td>
<td>81.9</td>
</tr>
<tr>
<td>Grenada (2000)</td>
<td>1.1</td>
<td>331</td>
<td>61.0</td>
</tr>
<tr>
<td>Saint Vincent and the Grenadines (2003)</td>
<td>0.8</td>
<td>213</td>
<td>70.0</td>
</tr>
</tbody>
</table>

- Continue to upgrade and rehabilitate road network
- Improve quality and service delivery of maritime infrastructure for both international and domestic connectivity
- Enhance provision of key urban infrastructure services
- Increase private sector participation in provision of infrastructure through various modalities

Note: Number above the bar indicates Fiji’s rank in overall ease of doing business and the number in brackets shows the number of countries covered by the survey in that year. Methodology has changed over the years.
Enhance access to productive assets and finance

• Make access to finance inclusive
  – Secured transactions framework
  – Introduce a credit legislation bureau
  – Enhance sustainability of the microfinance institutions

• Enhance access to land to exploit its economic potential
  – Review leasing regulations and procedures in a way that balances the needs and sensitivities of the customary landowners, as well as the interests of the investors
• Headline unemployment rate is low but it masks the lack of productive and well-paying jobs

• Create productive employment opportunities and address the mismatch between training and demand
  – Facilitate SME development
  – Facilitate school-to-work transitions for youth by fostering stronger links between education/ training institutions and work places
  – Strengthen placement agencies like the NEC
  – Encourage more volunteer or apprenticeship schemes to address youth unemployment

Sound macroeconomic management is key to inclusive growth

• Monetary policy and financial market development
  – Price stability
  – Safeguard financial stability
  – Enhance access to finance

• Fiscal policy
  – Support inclusive growth through infrastructure and social spending
  – Provide buffer to deal with contingent liabilities and external shocks
For more on ADB CDS:

http://www.adb.org/publications/series/country-diagnostic-studies

Vinaka Vakalevu!