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The Shortcomings of the National Development Plan

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Introduction

The Coalition government released The National Development Plan (NDP) in September this year. Unfortunately, in terms of the economy, the document lacks credible solutions and there is slim hope that its grand promises will be fulfilled. It resembles the equally titled *National Development Plan* outlined by the Fiji First government in 2017. In fact, the NDP endorses the continuation of many projects proposed by Fiji First from *their* development plan. Therefore, when the Minister of Finance says: “A business-as-usual approach will not achieve this vision”, his comments contradict the policy directive as outlined in the document.

Undeniably, a change in economic direction is needed to combat the socio-economic problems that Fiji faces. Yet, the NDP outlines that the Coalition is intent on piggybacking on the accomplishments of Fiji First and a continuation of their economic policy, all of which have failed to create meaningful development for Fiji. Persisting with such policies will mean ongoing sluggish growth and an increasing cost of living (stagflation), continuing brain drain, deteriorating wellbeing outcomes in health and housing, and increasing poverty.

Private sector growth

The NDP provides a large wishlist of modernisation and improvements, yet the Coalition is increasing constricting their budgetary spending while debt levels continue to grow. It makes it very hard to pay for all these promises when the government is increasing strapped for cash.

This is why the Coalition is so intent on ‘private sector growth’, which is a reference to investment from international interests (FDI) and large local businesses. When talked about in this way, it does not refer to small businesses who continue to be disadvantaged with the increase in taxes and an ongoing depressed domestic economy. Fiji First’s promised a lot with reports such as the MoA Development Plan or National Energy Policy, which were both commendable, yet very little was achieved because of its reliance on

private sector investment that never came. Interestingly, FDI has been subdued since 2010 despite governments offering large tax incentives and suppressing wages.

The words 'private sector' appears 137 times in the NDP, twice as often as the word 'poverty'. This ostensibly says that the government is not capable themselves of achieving what their plan outlines and are hoping that the private sector will come in and do their job for them.

Trickle-down economics

The common thread here is the hope for 'trickle down' economics rather than attempting to build resilience and meaningful growth from the grassroots up. These governments are looking for a 'quick fix' approach by supporting large businesses and hoping their wealth will 'trickle down' to the rest of the population. This did not happen for Fiji First and is unlikely to be a viable solution for the future.

Real change would have included policy that assisted small scale farmers to further commercialise, government intervention to boost domestic supply chains, and trade policy to limit unnecessary imports and support local industries to grow and compete globally.

Infrastructure

The NDP outlines a continuation of Fiji First's private sector led housing project to solve housing affordability (or a lack thereof) and the unacceptable number of people living in informal settlements. However, the solution to low-cost housing requires proactive government intervention, not private sector investment that for years has not been forthcoming.

Furthermore, large infrastructure projects need to be sustainable, and using overpriced contractors, as Fiji First did, will make infrastructure goals, as outlined in the NDP, impossible without escalating Fiji's debt levels. The Coalition promised to reinstitute the PWD to its former glory, however, they have just repackaged the Fiji First 'farm roads' initiative, labelled it as the PWD, and given it a measly 1.5% of the infrastructure budget.

Privatisation

Another common thread between the Coalition and Fiji First is privatisation. The NDP has outlined this for PAFCO, AFL and a further privatisation of EFL. However, these state-owned enterprises are monopolies and for a company like EFL, private ownership would grant them undue influence on the market and shield them from public accountability in terms of their social obligation and performance. For example, under private ownership, profits for shareholders are prioritised over the wellbeing of citizens which would have motivated EFL in its recent attempt to raise electricity prices. The government currently subsidises the cost of electricity for low income earners clearly suggesting that electricity prices are currently too high for some. Higher prices would further limit access to electricity for low-income earners especially if government support becomes unsustainable.

Sugar

One of the biggest disappointments with the NDP is a lack of concrete methods to boost the sugar sector. The industry has been aided by record global prices for sugar which has enabled record pay-outs to farmers without government assistance apart from the continuation of the subsidies initiated by Fiji First. The economy could benefit greatly from sugar because of its potential to produce biofuels. Yet, despite being tabled as early as the mid 2000's, there has been little government action into the commercial production of biofuels. Such action would involve government investment into such projects as the recommissioning of the Penang Mill as an ethanol refinery. There continues to be a piecemeal approach to the sugar sector, where governments are content on keeping it on life support instead of providing the intervention needed to revitalise it.

Same old economic woes

The NDP expresses the need to stabilise the cost of living, yet, increasing VAT and corporate taxes have greatly contributed to high levels of inflation. The NDP states the need to ensure adequate foreign reserves, yet the Coalition continues to engineer an economy that is increasingly reliant on imports which puts pressure on foreign reserves. The hope is that exports will rise to balance the shortfall of foreign currency, however, exports have been under performing for decades and are currently lacking trade competitiveness. The NDP claims to have policies to “diversify the economic base”, to develop large scale agriculture and linkages between agriculture and tourism. However, it does not provide solutions to the inhibiting factors for investment into agriculture such as land use issues. It does not tackle the continued migration of skilled labour and lack of reintegration and skills transfer into the domestic economy.

As for aspiring to be a high-income economy and eliminating poverty by 2050 through GDP growth. That notion, as espoused in the NDP, seems unlikely. The idea that GDP-directed economic growth will make Fiji a rich country has been a strategy since the 1970's, and while GDP has grown over 10 times, poverty has also increased significantly. Recently, the COVID pandemic and rise in VAT has increased the levels of poverty to unprecedented levels. There is nothing to demonstrate that the policies outlined in the NDP can reduce poverty, let alone eradicate it.

Conclusion

Surely policy that is contrary to “A business-as-usual approach” would involve more government intervention and support, and not a continuing reliance on trickle-down economics. It would include meaningful policy to better enable resource owners to build wealth from their land; improve supply chains to distribute Fijian grown food onto Fijian plates; ensure state owned enterprises are in the hands of the people and not the wealthy; enable viable credit solutions and minimised tax burden for small businesses; and ensure government investment into renewable energy and manufacturing to reduce our reliance on imports. Yet, the NDP is devoid of such innovative solutions.