

# **The Incidence of Poverty and the Poverty Gap in Fiji: ethnocentric political parties and political tragedy for the poor**

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## Abstract

Historically, the larger political parties in Fiji have derived their political support almost exclusively from either indigenous Fijians or Indo-Fijians. Thus the Alliance Party was largely based on indigenous Fijian support as were its successors, the SVT and the SDL; while the NFP and FLP were supported largely by Indo-Fijian voters.

The major parties' political appeals to their voters have frequently relied on the message that "their" ethnic group were the "most poor" and therefore their political party would, if in power, pursue their interests. Political parties in power are often accused by others of ignoring other poor groups, while each government's special policies towards the dominant party's own interest groups, are criticised by other political parties, despite the multi-party provisions of the 1997 Constitution.

This tunnel vision situation has continued in Fiji, despite the reality that the most recent national data indicates that while the incidence of poverty is higher for Indo-Fijians, the Poverty Gap in aggregate is larger for indigenous Fijians.

With the poverty results giving mixed messages, both the two major political parties have shown little interest in publicly disseminating and discussing the poverty results of government's own national surveys run through the Fiji Islands Bureau of Statistics.

While the poor of both ethnic groups continue to suffer because two decades of political instability caused essentially by ethnic drives for political control, has discouraged economic growth, constrained poverty alleviation resources, while faced with the inevitable rise in poverty.]

## **Introduction**

In post-colonial Fiji, there has historically been a political emphasis on especial attention to the economic interests of indigenous Fijians who have economically lagged behind other ethnic groups.

Since the 1987 coups, when Fijian political parties have been in control, attempted remedial action has coalesced into “Affirmative Action” strategies and programmes, which other political parties have accused of being “racist”.

In some measure, this latter reaction has usually resulted from the perception that the needy of other ethnic groups were being neglected while elites amongst indigenous Fijians were receiving preferential treatment.

The political counter to this was that regardless of the benefits being received by elite Fijians, the commanding heights of the economy, and the bulk of the upper classes were still dominated by other ethnic groups, especially Indo-Fijian elites. This paper does not enter into this complex debate, which frequently ignores the extremely dominant roles of elites (corporations and persons) who are neither indigenous Fijians nor Indo-Fijians, and the reality that ninety percent of indigenous Fijians and Indo-Fijians appear to have fairly equivalent incomes, while the only ethnic differences are amongst the top ten percent or probably the top five percent of each group.<sup>1</sup>

This paper focuses primarily on ascertaining the actual extent of poverty amongst the two major ethnic groups, both in terms of proportions who are considered poor, and the depth or severity of the poverty.

The results are based on 2002-03 data derived from a random national Household Income and Expenditure Survey which was analysed by the author, for the Fiji Islands Bureau of Statistics.<sup>2</sup>

It may be tempting to compare the results based on the 2002-03 HIES with the statistics given in the 1997 Fiji Poverty Report.<sup>3</sup> This paper is reluctant to do so as there is some doubt about the accuracy of the 1997 statistics derived from Ahlburg’s earlier analysis<sup>4</sup> of the 1990-91 HIES conducted by the FIBoS.<sup>5</sup>

## **The Basic Needs Poverty Line**

It is acknowledged that the analysis of poverty cannot be complete unless the full multi-dimensional nature of poverty is addressed, both quantitative and qualitative.

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<sup>1</sup> See the household income distribution tables in the *Report on the 2002-03 Household Income and Expenditure Survey*. Fiji Islands Bureau of Statistics, Suva, Fiji.

<sup>2</sup> Narsey, Wadan (2006) *Report on the 2002-03 Household Income and Expenditure Survey*. Fiji Islands Bureau of Statistics, Suva, Fiji.

<sup>3</sup> *The Fiji Poverty Report*. UNDP and the Government of Fiji. 1997.

<sup>4</sup> Dennis Ahlburg, *Income Distribution and Poverty in Fiji*. A Draft Report to the UNDP (Dec 1995) and *Income Distribution and Poverty in Fiji*. A Revised Draft Report to the UNDP, May 1996.

<sup>5</sup> No report on the 1991 HIES was ever published by the FIBoS as the results were considered unsound. Narsey (2008) discusses some of the statistical weaknesses in the 1997 Fiji Poverty Report.

However, for this contextual contribution to this edition of the *Fijian Studies* journal, there is a focus on the quantitative approach in order to present basic statistical results for “incidence of poverty” and “poverty gap” which are derived from the concept of Basic Needs Poverty Line (BNPL).

A household (and its members) are considered to be “poor” if the household’s income is below the relevant value for the BNPL. To allow for differences in household size, the criterion used is Basic Needs Poverty Line per Adult Equivalent (BNPL pAE), with the definition of the “Adult Equivalent” following the United Nations approach.<sup>6</sup>

In the literature, there is great debate about the choices of standards for the BNPL, both with respect to international relativities<sup>7</sup>, and internal differentiation. Regional differences (such as urban and rural BNPLs) draw little criticism because of the obvious possible differences in prices of essentials, such as food, housing, fuel and transport.

With respect to different BNPLs (and different FPLs) for different ethnic groups in Fiji, arguments may focus on deep cultural and religious differences in essential foods consumed by indigenous Fijians and Indo-Fijians, as well as differences in expenditure on essential items such as education. There are pros and cons for so doing.

It will be shown in this paper, however, that small differences in the values of ethnic BNPLs are unlikely to have any significant impact on the ethnic relativities in terms of the incidence and extent of poverty faced by indigenous Fijians and Indo-Fijians.

The analysis of the incidence of poverty in 2002-03 may be conducted by using the BNPLs agreed upon for the 1997 Fiji Poverty Report (adjusted by the change in the Consumer Prices Index between 1991 and 2002), or to use the BNPL values which have been derived by the author based on actual consumption patterns revealed by the 2002-03 HIES. Both sets of standards lead to similar conclusions on ethnic relativities in relation to poverty.

Narsey (2008) provides a detailed discussion of the derivation of a revised BNPL for Fiji and its two essential components- the Food Poverty Line (FPL) and the Non-Food Poverty Line (NFPL), based on actual expenditure patterns revealed by the recent 2002-03 HIES, as well as a critical account of the historical quantitative analysis of poverty in Fiji.<sup>8</sup>

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<sup>6</sup> Each child aged 14 and under is considered to be half an adult.

<sup>7</sup> The major debate concerns the relevance of using the (PPP) US\$1 or US\$2 per day standard.

<sup>8</sup> Narsey, Wadan (2008) *The Analysis of Poverty in Fiji*. Fiji Islands Bureau of Statistics and the School of Economics, USP. 2008 (forthcoming).

## Alternative Basic Needs Poverty Lines

Table 1 gives two different sets of ethnic BNPLs pAE, one being the CPI adjusted BNPL used by the 1997 FPR, and the other based on the results of the 2002-03 HIES.<sup>9</sup> The

1997 FPR did not differentiate between Rural Fijians and Urban Fijians, nor between Rural Indo-Fijians and Urban Indo-Fijians.<sup>10</sup>

	Rur Fij	Urb Fij	Rur Ind	Urb Ind
1997 BNPL pAE adj. by CPI	32.03	32.03	33.66	33.66
BNPL pAE (2002 HIES)	30.26	33.71	33.18	37.82
Perc. Diff (2002-1997)	-6	5	-1	12

The values for the revised ethnic BNPLs based on the 2002-03 HIES are slightly different for Rural Fijians (lower by 6%) and Rural Indo-Fijians (lower by 1%), compared to the COI adjusted 1997 values.<sup>11</sup> However, the values are higher for both Urban Fijians (by 5%) and Urban Indo-Fijians (12%).

Table 2 shows that while in the 1997 BNPL the ethnic difference was only 5% (for both rural and urban communities), in the revised 2002 BNPL the ethnic

differences are 10% for rural communities and 12% for urban communities. Also, for the same ethnic community, the revised BNPL indicates a quite significant 11% urban:rural difference for Fijians and 14% urban:rural difference for Indo-Fijians.

	% Differences IndoF-Fijians		% Differences Urban-Rural	
	Rural	Urban	Fijian	Indo-F
1997 BNPL pAE adj. by CPI	5	5	0	0
BNPL pAE (2002 HIES)	10	12	11	14

## Ethnic Differences in The Incidence of Poverty

The different values for the ethnic BNPLs do make a difference. Table 3 indicates that while the overall national incidence of poverty in 2002 was 34% using either BNPL, there were slight differences in results by ethnicity- 3% lower for Fijians and 8% higher for Indo-Fijians.

<sup>9</sup> Narsey (2008) gives two alternative BNPLs based on the Non-Food Expenditure patterns evident from the 2002 HIES. This study uses the preferred BNPL based on the average NFPL of the third decile, which approximates the expenditure patterns of the 25 th percentile household, somewhat below the margins of poverty.

<sup>10</sup> The 2002-03 HIES results indicate that there are significant rural:urban differences in food and non-food costs for the lowest income deciles.

<sup>11</sup> The 2002-03 differences in the BNPL are primarily due to different values used for the Non-Food Basic Needs Poverty Line. The 2002-03 values for the FPL are pretty similar for both ethnic communities and rural/urban communities.

It also gives the overall aggregate result strategically used by political parties dominated by Indo-Fijian voters: the incidence of poverty is higher for Indo-Fijians than Fijians. The difference is 9% using the 1997 BNPL adjusted by the CPI and 22% using the revised 2002 BNPLs.

But disaggregating by rural and urban location gives a more complex result which has implications for ethnic differences in the Poverty Gap (Table 4). It is clear that the poorest sub-group are Rural Indo-Fijians, 47% according to the 1997 BNPL adjusted by the CPI, and 46% by the 2002 BNPL. This is a fact not particularly popular with ethnocentric Fijian political parties.

While Urban Indo-Fijians also have a high incidence of poverty (33%) this may be partly attributed to the quite high BNPL used by the 2002 BNPLs for urban Indo-Fijians: the rate is only 26% according to the adjusted 1997 BNPL. What is significant, however, is that Rural Fijians also have an extremely high incidence of poverty of 39% by one standard and 36% by the other.

An interesting perspective is obtained if one plots the incidence of poverty for each ethnic sub-group (Graph 1). The horizontal axis gives the values for BNPL pAE ranging from \$30 to \$40. The vertical axis gives the percentage of each population sub-group that falls below any particular BNPL pAE. The top line is for Rural Indo-Fijians, followed by Rural Fijians, then Urban Indo-Fijians and lowest is Urban Fijians.

The use of different values for the Basic Needs Poverty Line (and its components the Food Poverty Line and non-Food Poverty Line) is a contentious issue in the literature, especially where differences may be due to social choices, such as the consumption of more expensive foods, preference for more expensive public transport, or expenditure on children's education rather than personal consumption.<sup>12</sup>

If however, the same value for the BNPL pAE were to be used for all the four sub-groups, then the relative positions of the lines (with no crossing over of any) indicate that there will be a particular order of poverty: i.e. implying which sub-group is "most poor", whatever is the value chosen for the BNPL pAE. The "most poor" will always be Rural Indo-Fijians, followed closely by Rural Fijians. Then, at a significantly lower level, will be Urban Indo-Fijians and Urban Fijians.

Table 3 Ethnic Differences in The Incidence of Poverty

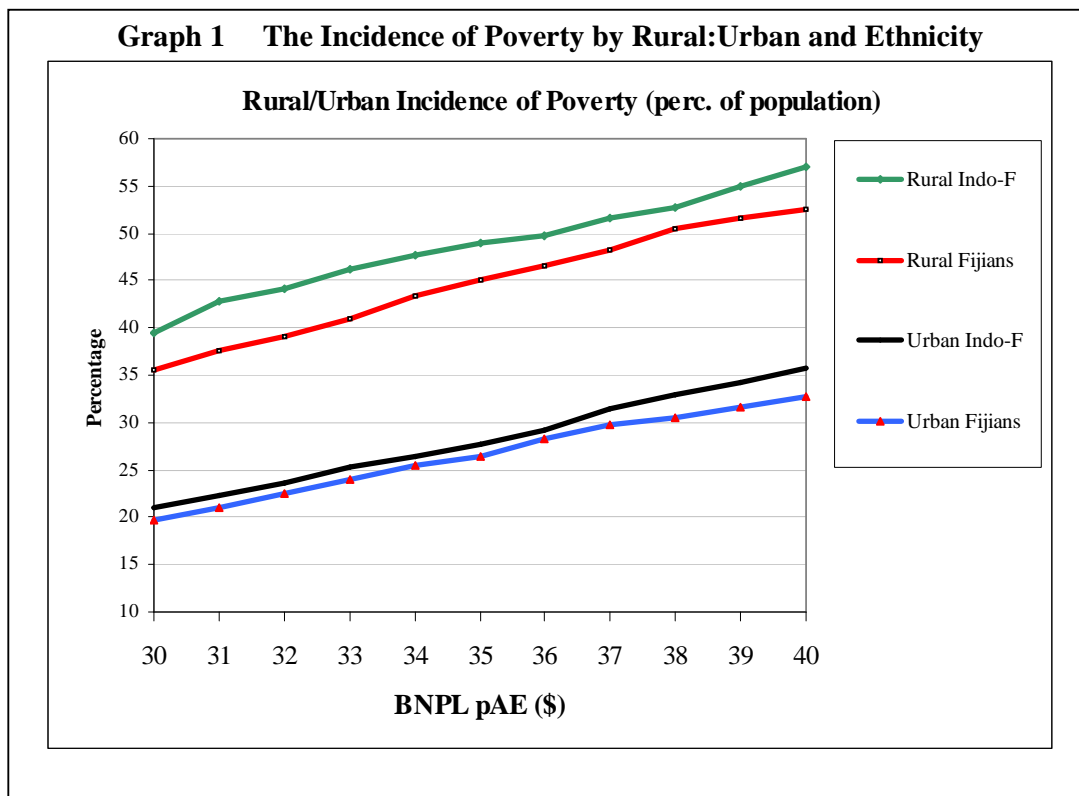
	1997 BNPL	2002 BNPL	Perc. Diff
Fijians	33	32	-3
Indo-Fij	36	39	8
All Fiji	34	34	0
% Diff. Ind-Fij	9	22	

Table 4 Ethnic and Urban:Rural Differences in the Incidence of Poverty

	1997 BNPL	2002 BNPL	Perc. Diff
Rur Fij	39	36	-8
<b>Rur Ind</b>	<b>47</b>	<b>46</b>	-2
Urb Fij	23	25	9
Urb Ind	26	33	27

<sup>12</sup> See Narsey (2008) for a further discussion of this issue.

The real distinction has to be made between the rural sub-groups (of both ethnicity) and urban sub-groups (of both ethnicity).



### And the Facts on the Poverty Gaps?

The above estimates have focused on proportions of the different ethnic groups which were in poverty. An equally important perspective is given by estimates of numbers of people in poverty, which can give a better idea of the relative amounts of poverty alleviation resources that may need to be allocated to the different groups to lift them out of poverty (the Poverty Gap).

Table 5 gives the aggregate numbers of the different ethnic components of the population and proportions that are below the particular levels of the Basic Needs Poverty Line. Several pertinent facts stand out.

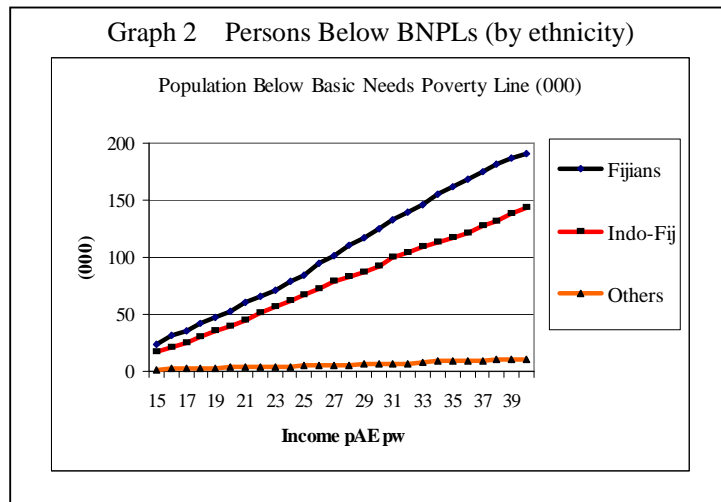
Table 5 Persons Below BNPL pAE pw and per 4AE pw

BNPL (\$)		Population Below BNPL (000)			Percent of Total (Hor %)			
pAE pw	p 4AE pw	Fijians	Indo-Fij	Others	Fiji	% Fij	% Ind	% Oth
<b>\$16</b>	<b>\$64</b>	<b>31</b>	<b>21</b>	<b>2</b>	<b>54</b>	<b>58</b>	<b>38</b>	<b>4</b>
\$32	\$128	139	104	7	251	56	41	3
\$33	\$132	147	109	8	264	56	41	3
\$34	\$136	155	114	9	277	56	41	3
\$35	\$140	161	117	9	288	56	41	3

With a Food Poverty Line of around \$16 per AE pw (or \$64 per household of 4 AEs), some 54 thousand people have incomes which are below even that low level for the FPL.<sup>13</sup> Some 58% of those earning incomes below even the Food Poverty Line were indigenous Fijians while 38% were Indo-Fijians.

Secondly, whatever the actual level of BNPL chosen around the range \$30 to \$35 pAE pw, roughly 56 percent of those below the BNPL were indigenous Fijians, 41 percent Indo-Fijians, and 3 percent Others. This relativity may be seen clearly in Graph 2. These percentages are very close to the different ethnic groups' share of the total population.

The estimates of the “incidence of poverty” gives us some idea about the proportions of a population which are below a particular BNPL pAE. It does not tell us “how far below the poverty line” the poor are- i.e. the “depth of poverty”. Thus one household may be earning just \$1 pAE pw below the BNPL, while another household may be earning \$5 pAE pw



below the BNPL. Both will be considered to be equally contributing to the incidence of poverty, but clearly the second household is more in poverty than the first household, and would require more resources to bring them up to the basic minimum standard represented by the BNPL.

Hence, in addition to results on the ethnic incidence of poverty, it is also important to derive an aggregate measure of how far below the BNPL are all those ethnic households which are considered to be in poverty, and what might be each ethnic group’s share of “poverty alleviation resources”.

In particular, if  $Y_i$  is a particular “poor” household’s Income pAE pw, its statistical contribution to the aggregate Poverty Gap

$$= (\text{BNPL pAE pw} - Y_i) * (\text{household size in AEs}) * (\text{household weight}) * 52.$$

The “Poverty Gap” for each ethnic groups is then the aggregate value of all the gaps that each “poor” household has with the accepted BNPL, adjusted for household size and household weight in the HIES, and summed up over the year. Notionally, it represents the total dollar amount that would be required per year, to bring all “poor” household’s income up to the value of the BNPL.

<sup>13</sup> At \$80 per week for a household of 4 AEs, the number of persons below the FPL rises to a very large 94 thousand persons.

Table 6 gives the values of the Poverty Gap for each of the ethnic groups, for a range of values for the BNPL.<sup>14</sup> At a BNPL pAE pw of of \$30 pAE pw (or \$120 pw for a household of 4AE), the Poverty Gap for all Fiji is \$90 million. The value rises to \$145 million at a BNPL of \$35 pAE pw (or \$130 pw for a household of 4 AEs).

BNPL (\$)	Poverty Gap (\$m)				Perc. Share of Poverty Gap			Pov. Gap as
	pAE pw	Fijian	Indo-Fij	Others	All	Fijian	Indo-F	Others
30	48	39	3	90	54	43	3	2.2
31	54	43	3	100	54	43	3	2.5
32	60	47	3	110	54	43	3	2.7
33	66	52	4	121	54	43	3	3.0
34	72	57	4	133	54	43	3	3.3
35	79	62	5	145	54	43	3	3.6

At \$33 pAE pw, the Poverty Gap is 3.0% of the GDP<sup>15</sup>, rising to 3.6% at a BNPL pAE pw of \$35 (or \$140 per week for a household of 4 Adult Equivalents).

It should be noted that the ethnic share of the Poverty Gap is around 54% for indigenous Fijians, 43% for Indo-Fijians and 3% for Others, fairly stable within this range of possible BNPLs pAE pw. These proportions are roughly the same as the overall ethnic shares of the total population of Fiji. Poverty afflicts both major ethnic groups fairly equally.

Put alternatively, were all the “poor” households to be “given” just enough resources to bring their household incomes up to the chosen BNPL purely on the basis of need, then indigenous Fijian households will receive the majority (54%) of the resources, Indo-Fijian households will receive 43% of the resources, and Others just 3%.

Even though the rate of poverty incidence is higher for Indo-Fijians (and especially rural Indo-Fijians) a policy to help the poor based on need (rather than ethnicity), would still allocate more than a half of the poverty alleviation resources to indigenous Fijians and could even be called “An Affirmative Action Policy for Fijians based on need”. It would all be legitimate, provided that the poor Indo-Fijians received their fair minority (but still sizeable) 43% of the poverty alleviation resources! Apparently, neither result has been palatable to the ethnocentric political parties.

These 2002-03 HIES results on poverty are quite robust. They are reinforced by the incomes data available from the 2004-05 Employment and Unemployment Survey, which was also based on a random national survey, but of a completely different set of households from that of the 2002-03 HIES.<sup>16</sup>

While the 2004-05 EUS has data on individual incomes (and not expenditure), these may be aggregated into household incomes for the purpose of poverty analysis,

<sup>14</sup> Note that this analysis uses the same row value for the BNPL for each ethnic group.

<sup>15</sup> The GDP used was the average for 2002 and 2003 (roughly \$4026 million at market prices).

<sup>16</sup> See Narsey, Wadan (2007) *Report on the 2004-05 Survey on Employment and Unemployment*. Fiji Islands Bureau of Statistics, Suva, Fiji.

although one deficiency of the EUS data is that it is not possible to accurately adjust for imputed rent.<sup>17</sup> However the same ethnic relativities appear from the 2004-05 EUS data analysis, with a graph quite similar to Graph 1, with the rural and urban lines somewhat closer together.<sup>18</sup>

### **Political Indifference and Political Tragedy**

The poverty results presented here are based on a national Household Income and Expenditure Survey conducted by the Fiji Islands Bureau of Statistics. The survey appears to have been conducted efficiently and the data appears to be quite reliable.

The author was part of a team which helped the Fiji Islands Bureau of Statistics to analyse the 2002-03 HIES.<sup>19</sup> When the initial poverty results were ascertained, the author made a presentation to the Development Sub-Committee of Government CEOs in February 2006. The poverty results were therefore available to the government of the day.<sup>20</sup>

In September 2006, the author, on behalf of the FIBoS, also made a presentation to the Multi-Party Cabinet<sup>21</sup> on the key findings on poverty in Fiji, as revealed by the 2002-03 HIES.

Since 2005 to the present time, there has been little urgency on the part of any government, to publicly discuss and disseminate the poverty results based on the national surveys conducted by government's own Fiji Islands Bureau of Statistics. Both the major political forces in Fiji clearly find some part of the poverty analysis unpalatable, enough to encourage them to disregard the totality of the poverty results..

It is a salutary fact that the Poverty Gap for Fiji of around 3% of GDP, is roughly the equivalent of what the country ought to be adding to its wealth annually as a minimum, through its growth rate. Were the Fiji economy to be growing at its full potential, with sound economic policy under-pinning, and without the political instability that has plagued it for the last twenty years, the annual growth rate could in all likelihood have provided more than double these amounts.<sup>22</sup>

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<sup>17</sup> No information was sought on whether their dwellings were owned or not. Rough adjustments were made for different ethnic groups in urban and rural areas, using the imputed rent percentages data from the 2002-03 HIES.

<sup>18</sup> At a BNPL pAE pw of \$36 the national incidence of poverty using the 2004-05 EUS data, was estimated at 32%, that for Rural Indo-Fijians was 44%, for Rural Fijians was 38%, Urban Indo-Fijians was 28% and Urban Fijians was 23%. While the relativities are useful, it would not be sound to compare these absolute results with that from the 2002-03 HIES results because of the differing methodologies.

<sup>19</sup> Other members of the team were SPC consultant Kim Robertson (who helped in cleaning the HIES data) and David Abbott who was then a consultant to ADB. Abbott apparently made a presentation to the Fiji Cabinet at the end of 2005, although the methodology for his poverty analysis was different from this author's.

<sup>20</sup> At that time the government comprised mainly the SDL and BLV parties.

<sup>21</sup> The Ministers of this government were drawn from the SDL Party and the FLP.

<sup>22</sup> China and India have had average annual growth rates in excess of 7% pa for the last ten years.

There would have been ample public resources available for all kinds of “Affirmative Action” policies for disadvantaged groups, while the poor of all ethnic groups could have been assisted purely on the basis of need, and not ethnicity.

The irony is that the political instability that Fiji has faced over the last twenty years, in large measure, has been the result of political struggle between ethnically driven political parties for control of state power, with each party’s primary focus being the furtherance of the interests of client political groups. And when in power, the controlling ethnocentric leaders have ignored the legitimate interests of the poor of other ethnic groups, with the resultant political instability, lack investor confidence, and sub-optimal economic growth.

It might have been thought that the multi-party provisions of the 1997 Constitution provides ground-breaking possibilities for real co-operation between the major political parties while in Cabinet together, and the possibilities of reaching consensus on national policies to assist the poor of all races.

The sad political reality has been that since 1997, the multi-party government has failed to operate as was originally intended. The major Fijian political party (SVT) was effectively excluded from Government in 1999, the FLP was effectively excluded from Government in 2001, and the 2006 Multi-party Government of SDL and FLP stuttered along for a year before the December 2006 military coup removed the SDL Party from the reins of government.

The utter tragedy is that the poor of all ethnic groups continue to suffer because tunnel vision ethnocentric political leaders refuse to acknowledge what the facts clearly say: poverty in Fiji afflicts the two major ethnic groups equally.

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