

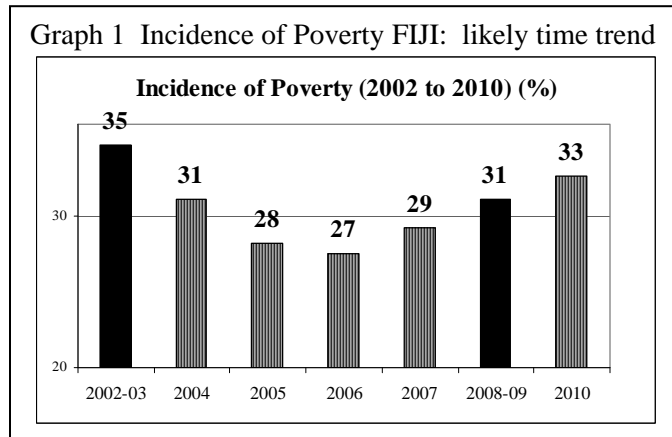
Poverty and Income Distribution in 2008-09

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The analysis of the 2008-09 HIES results in a number of interesting findings on the incidence of poverty and income distribution in 2008-09.

It is important to compare with the corresponding results from the 2002-03 HIES, disaggregated by rural/urban, and by ethnicity.

And it is important to note that the Fiji economy was growing from 2002 to 2006, following which the decline set in, although cushioned by large remittance earnings of more than \$300 million per year over the last eight years.



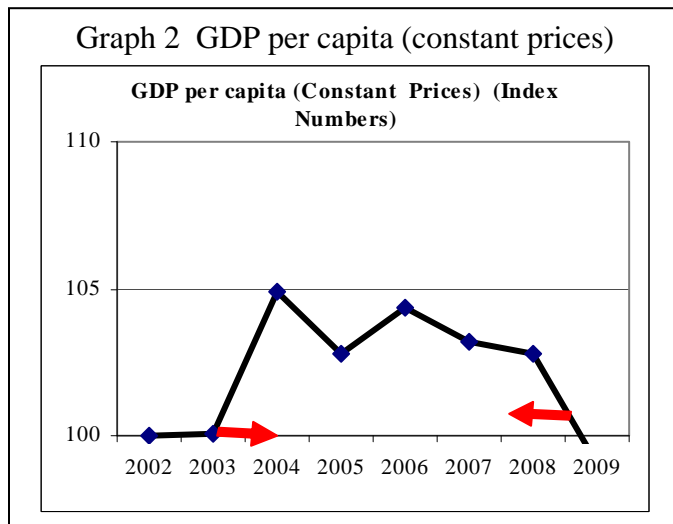
Incidence of poverty

The national incidence of poverty, and for rural and urban areas were as follows:

	<u>2002-03</u>	<u>2008-09</u>	<u>% Change</u>
FIJI	35%	31%	- 10%
Urban	28%	19%	- 34%
Rural	40%	43%	+ 8%

While the aggregate figures show a decline in the incidence of poverty, all the macroeconomic indicators (value of building permits, new vehicle registrations, electricity production) suggest that the economy was growing between 2002 and 2006, after which a severe decline set in (Graph 2).

The incidence of poverty was probably lower in 2006 than in 2008-09, in both urban and rural areas (Graph 1- striped columns).



Moreover, given the macroeconomic trends, the incidence of poverty in 2010 is likely to be much higher than in 2008-09, in both rural and urban areas.

Rural people are becoming poorer

The most important finding is the significant deterioration of the rural people.

While 63% of all those classified as Poor were in the rural areas in 2002-03, this proportion had risen to 71% by 2008-09. It is likely to be even higher in 2010.

Adjusted for the change in the CPI between 2002-03 and 2008-09, while recorded Total Household Incomes increased for Fiji in aggregate by 28%, and in urban areas by 59%, there was a large decline of 11% in rural areas.

Adjusted for the change in the CPI between 2002-03 and 2008-09, Average Household Income for Fiji in aggregate increased in real terms by 12%, and in urban areas by 26%.

However, Average Household Income in rural areas faced a real decline of 14%.

Rural areas have absolutely suffered over the last eight years.

Income distribution

While the overall incidence of poverty declined between 2002-03 and 2008-09, income distribution has worsened.

The ratio share of the Top 20% in Total Household Income in Fiji, and that accruing to the Bottom 20% increased from 8.2 to 9.3.

The Gini coefficient (the international measure of inequality) increased from 0.416 to 0.439 (a deterioration of 6%).

In 2002-03 the income distribution within the Indo-Fijian community was much worse than that within the indigenous Fijian community.

However, the 2008-09 data indicates that the income distribution for indigenous Fijians is worsening, while that for Indo-Fijians is improving. The income distributions of the two major ethnic groups are now converging.

Required Poverty Alleviation Resources

The total poverty alleviation resources required to lift Poor households to just equal the Basic Needs Poverty Line, rose from around \$120 million in 2002-03 to about \$152 million in 2008-09, an increase of 26%.

This is just above the same increase as the increase in CPI.

With both GDP (current prices) and Government Expenditure increasing by around 40%, the Poverty Gap

(a) as a percentage of GDP declined from 3.5% to 3.1% and

(b) as a percentage of Government Expenditure, declined from 11.3% to 10.2%.

If the economy was growing normally, finding such levels of financial resources would not be a large burden for the Fiji economy and tax-payers.

However, with an average growth rate of GDP over the last five years being less than 1%, and Government revenues stagnant and perhaps declining in real terms, the economy will have difficulty finding these levels of poverty alleviation resources.

What is absolutely vital is that with poverty increasing more in rural areas, the required rural share of the national allocation of poverty alleviation resources has increased from 61% in 2002-03 to 71% in 2008-09.

It is unfortunately the case that urban poverty is far more visible, and far more easily accessible, than the rural poor.

However, if those who seek to reduce poverty, focus more resources on urban poverty, while neglecting the rural poor, then the vicious cycle will get worse.

The rural poor will keep emigrating to the urban areas where they see much better conditions for education, health, cash incomes, roads, electricity, water, and general leisure activities.

The largest part of the poverty alleviation resources (44%) needs to go to Western Division with the bulk of that, for the rural people there.

Ethnicity is unimportant

Politicians should note that the 2008-09 HIES data indicate that there is very little difference in the incidence of poverty between the two major ethnic groups, either in 2002-03 or 2008-09.

Ethnically, the indigenous Fijian poor are indicated to deserve some 57% of all poverty alleviation resources, with Indo-Fijians some 37%.

These are close to the ethnic proportions of population at the 2007 Census, indicating that there is no need for ethnic biases in Poverty Alleviation policies.

The indigenous Fijian share of recorded Total Household income increased from 51% to 53% while that for Indo-Fijians declined from 43% to 36%, continuing the recent trends of increasing indigenous Fijian share in national income. Other ethnic groups increased their share from 6% to 11%.

Fijian households maintained their 9% advantage in Average Household Income, compared to Indo-Fijians households, with both averages rising by an increase of 7% in real terms. But the largest increase of 79% was recorded by “Other” (European, Chinese and others) households.

When account is taken of household size, indigenous Fijians have a lower Household Income per Adult Equivalent, with the gap increasing from -5% in 2002-03 to -8% in 2008-09.

This increasing gap may be largely attributed to the much larger decline in average household size for Indo-Fijians, with the gap with Fijian households being one full person by 2008-09.

The benefits of Family Planning must be put back on to the agenda for indigenous Fijians.