

Structural Transformation and Poverty Reduction: Fiji and Pacific Island Countries

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1. Pacific Island Economies: Some Stylized Facts

- Growth in the Pacific Island Countries (PICs) has been weak over the last decade.
- Integration of with Australia, New Zealand, and emerging Asia has increased over the last two decades.
- Stronger linkages with Australia and New Zealand are well established.
- Linkages with emerging Asia, including China, have also grown substantially, especially over the last 10 years.

1. Pacific Island Economies: Some Stylized Facts

- Characterized by:
 - High degree of economic vulnerability
 - Relatively small size of economies
 - Narrow economic base heavily dependent on few industries such as agriculture, tourism or fisheries
 - Vulnerability to climate change

2. Structural Transformation

- Managing structural transformations are important: allow countries to expand their economies and improve the quality of lives of their people.
- Trace the trajectory of structural transformation in Pacific Island countries (PICs).

2. Structural Transformation

- Four interrelated processes:
 - Declining share of agriculture in GDP and employment.
 - Rapid process of urbanization as people migrate from rural to urban areas.
 - Rise of industrial and service economy.
 - Demographic transition from high to low rates of births and deaths.

3. GDP Growth Rates

Country	2010	2011	2012	2013	2014	2015	2016	2017
Fiji	3.0	2.7	1.4	4.7	5.3	4.3	2.0	3.9
Kiribati	-1.6	0.5	5.2	5.8	2.4	3.5	3.1	2.5
Marshall Islands	1.3	4.0	1.9	-1.1	0.4	1.4	1.7	1.8
Micronesia	3.5	1.8	-0.5	-3.6	-3.4	-0.2	1.1	0.7
Palau	3.3	5.0	3.2	-2.4	4.2	9.4	0.0	5.0
Papua New Guinea	11.6	3.7	6.1	4.7	7.4	6.6	2.5	3.0
Samoa	-1.4	5.4	0.4	-1.9	1.2	1.6	3.0	1.5
Solomon Islands	6.9	12.9	4.7	3.0	2.0	3.3	3.0	3.3
Timor-Leste	10.2	8.3	5.8	2.9	5.9	4.3	5.0	5.5
Tonga	3.2	1.8	-1.1	-0.6	2.9	3.4	2.7	2.4
Tuvalu	-2.7	8.5	0.2	1.3	2.2	2.6	4.0	2.3
Vanuatu	1.6	1.2	1.8	2.0	2.3	-0.8	4.0	4.5

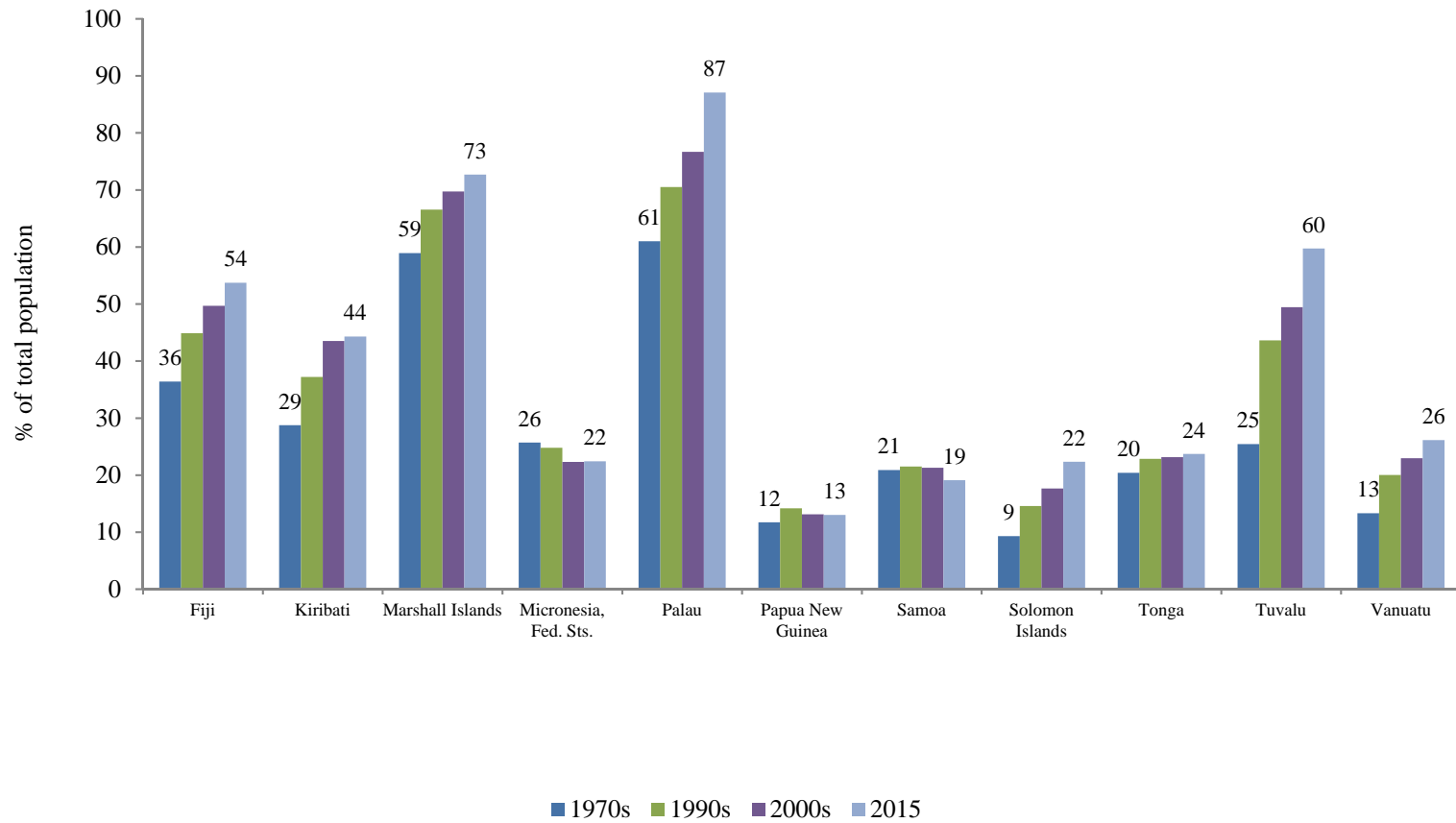
3. GDP Growth Rates

	1997-2002	2002-2007	2007-2012
Pacific	-2.0	0.3	2.9
Fiji	1.2	1.4	-0.4
Kiribati	2.7	-0.1	0.9
Marshall Islands	0.1	1.7	1.4
FSM	1.0	0.2	0.6
Palau	-0.5	1.7	-0.8
PNG	-4.0	0.5	5.0
Samoa	3.4	3.0	0.2
Solomon Islands	-6.9	2.1	3.1
Timor Leste	5.2	-1.6	8.9
Tonga	2.3	-0.1	0.6
Tuvalu	4.7	0.7	2.3
Vanuatu	-1.0	1.0	0.8

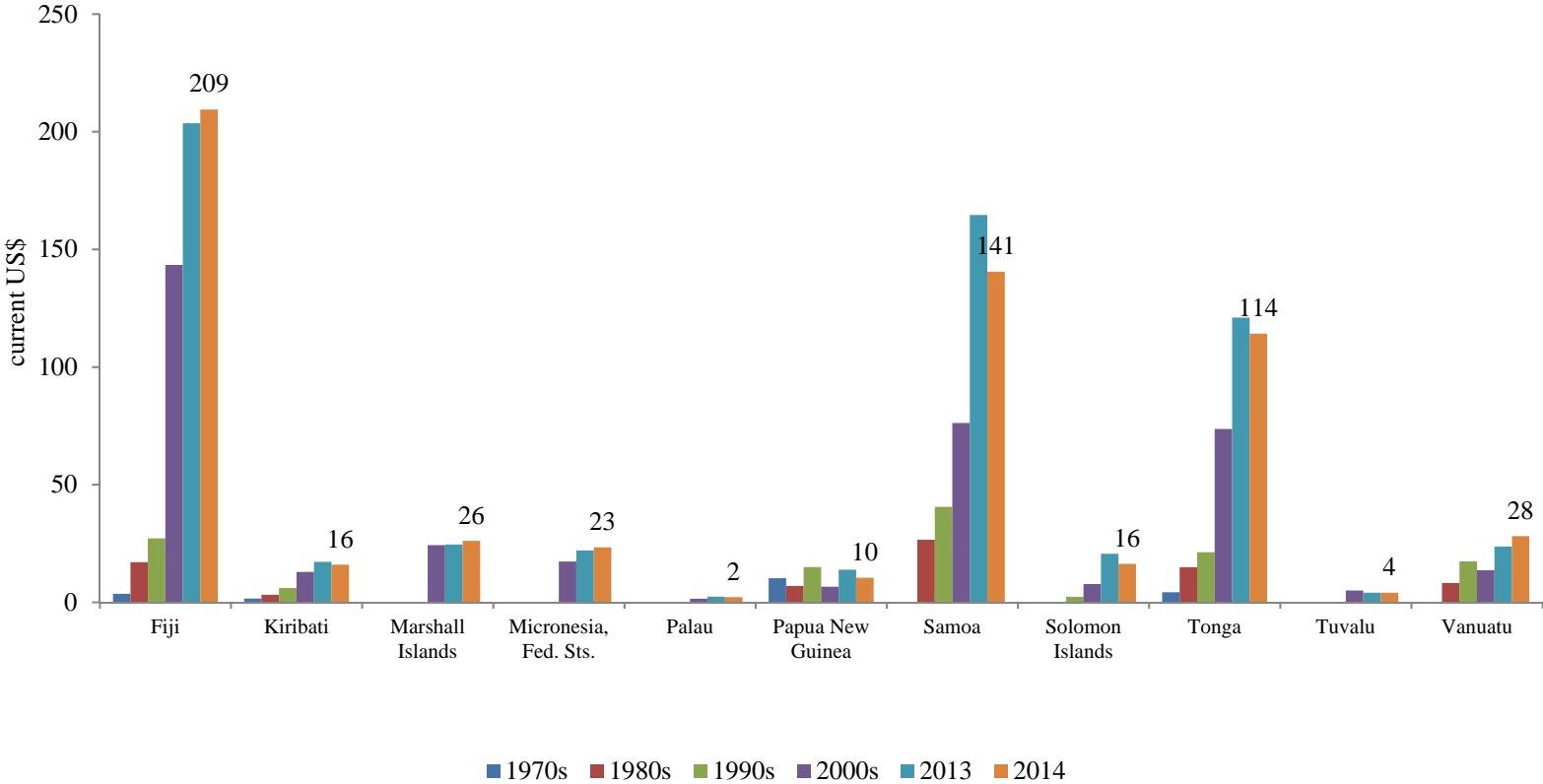
3. Population and Employment

	Population (000): 2015	Working Age Population (% of total population)	Formal Employment (% of labour force)	Subsistence (% of employed)	Unemployed (% of labour force)
Fiji	892.1	66.8	72.1	22.5	6.9
Kiribati	112.4	61.3	50.2	27.7	30.6
Marshall Islands	53	57.4	66.7	3.5	30.9
FSM	104.5	63.2	39.9	52.4	16.2
Palau	21.3	72.4	94	2	4.1
PNG	7,619.3	58.2	55.2	41	6.4
Samoa	193.2	55.7	60.7	35.6	5.7
Solomon Islands	583.6	57.7	21.7	77.6	3.2
Tonga	106.2	56.5	70.6	28.6	1.1
Tuvalu	9.9	61.9	47.7	43	16.3
Vanuatu	264.7	59.4	38.5	59.6	4.6

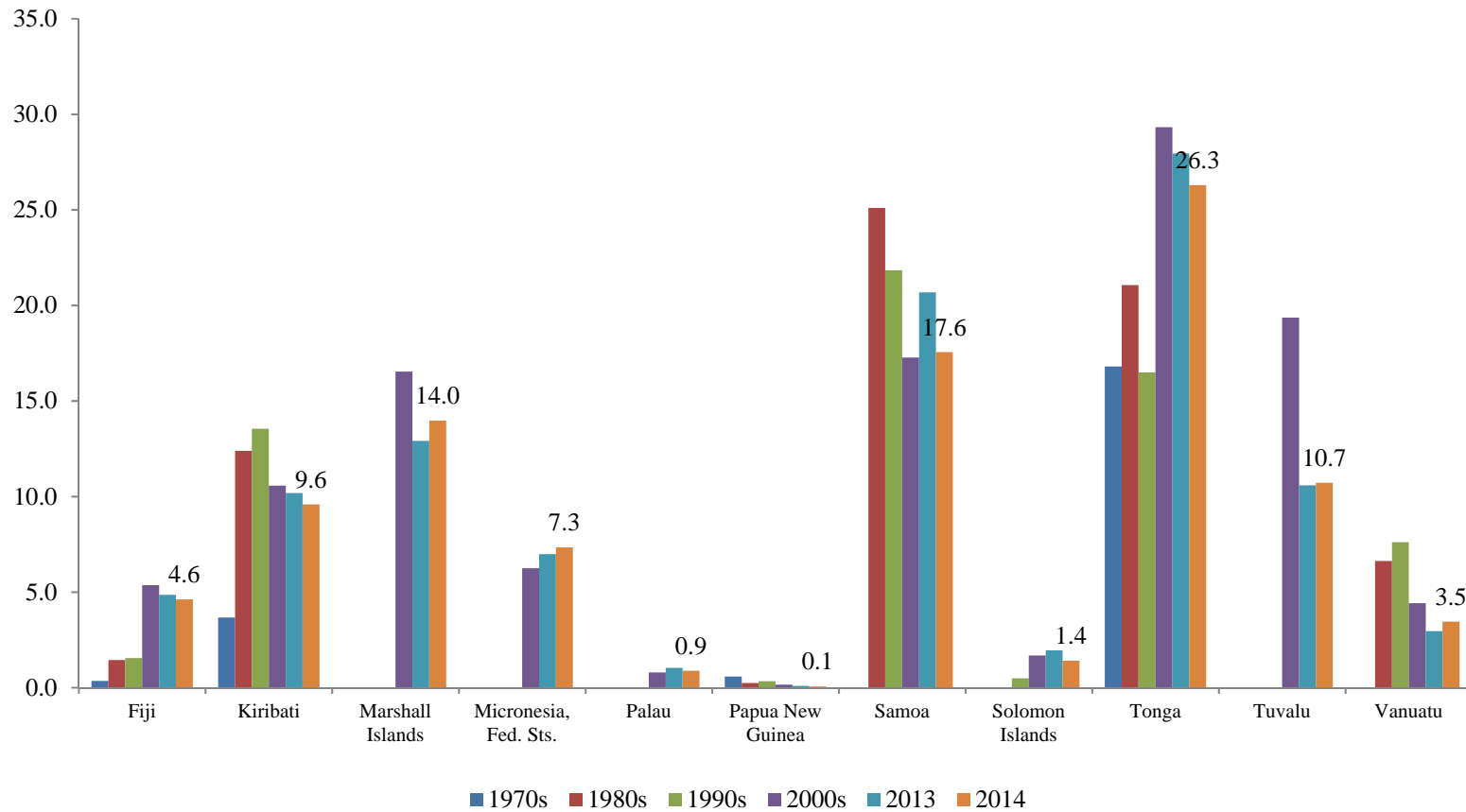
3. Urbanization



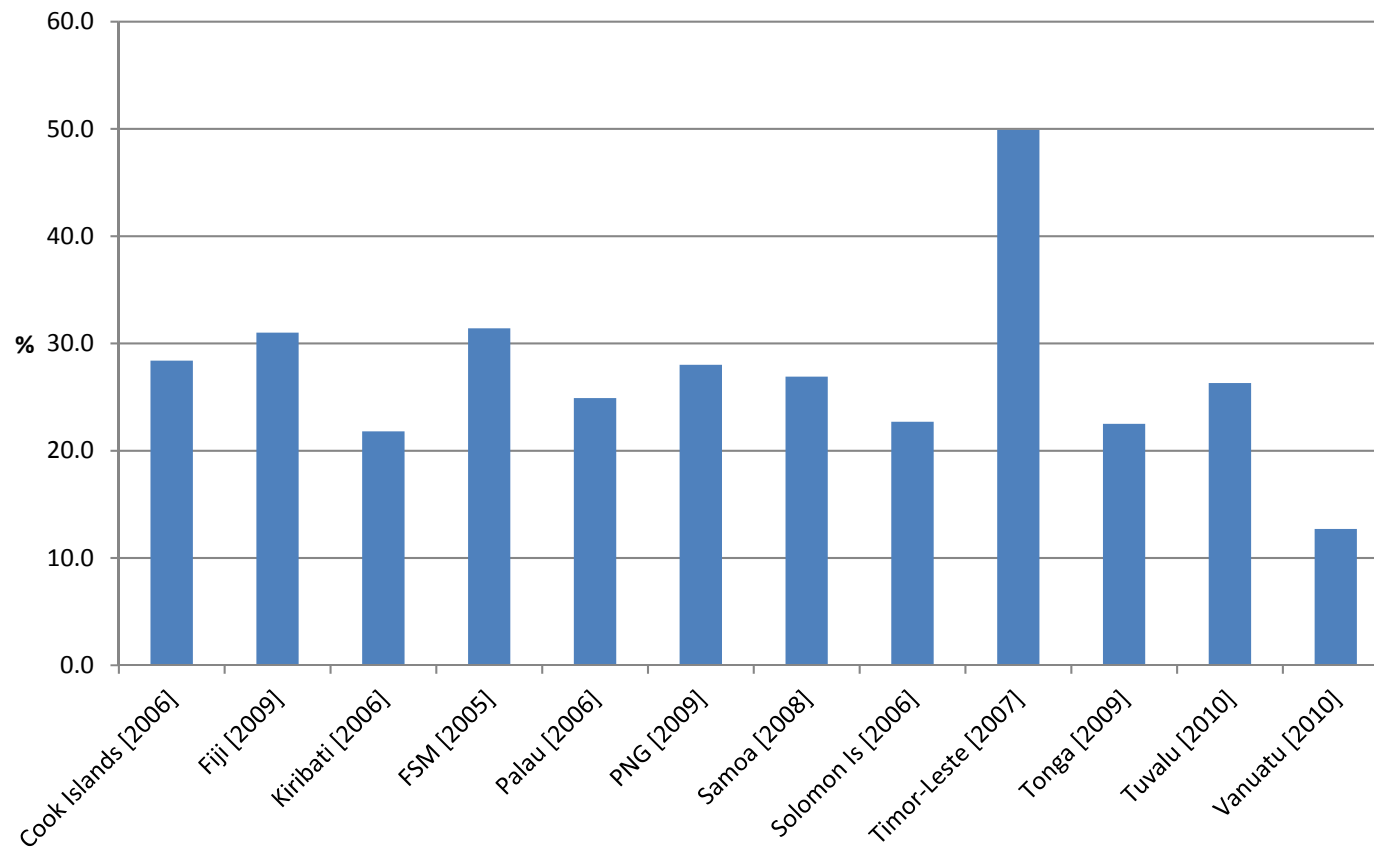
3. Remittance [US\$(m)]



3. Remittance [% of GDP]

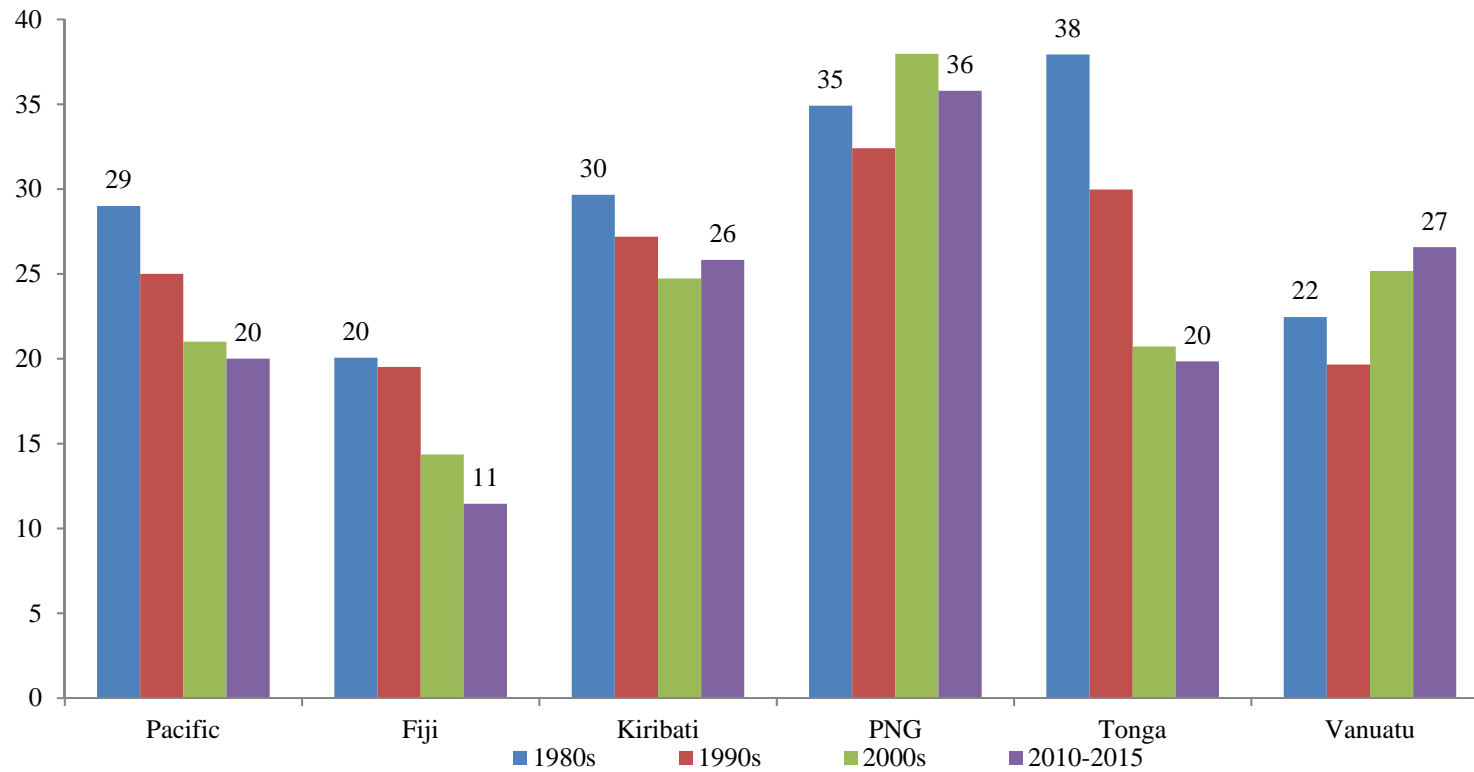


3. Percent of Population below Basic Needs Poverty Line (BNPL)



Source: Asian Development Bank [2014]

3. Agriculture (value added as % of GDP)



4. Benchmarking the Constraints

- **Constraints to Participating in Agricultural Growth:**
 - Limited market access because of high transaction costs
 - Weak property rights for land
 - Weak incentives for production for poor farmers
 - Low levels of technology for use by poor farmers to enhance productivity
 - Risk associated with agriculture

4. Benchmarking the Constraints

- Actions to propel agriculture:
 - Recognize the main opportunities for producers by identifying regional markets.
 - To improve agricultural productivity, farmers need access to input as well access to markets.
 - Improve regional and domestic infrastructure.
 - Support entrepreneurs to expand trade in agriculture and food products.
 - Improve scientific and research capacity.
 - Rising demand in urban food markets creates opportunity for industrialization based agribusiness.

4. Benchmarking the Constraints

- **Constraints to Participating in Non Agricultural Growth:**
 - Poor investment climate
 - Rising skill requirements of non agricultural employment
 - Labour market regulations
 - Lack of access to infrastructure
 - Barriers to trade

4. Benchmarking the Constraints

- **What is the role of the private sector in structural transformation?**
 - **Government should becoming an enabler of private activities.**
 - **Vibrant private sector is critical for structural transformation**

5. Macroeconomic Policies

- **Macroeconomic Policies for Inclusive Development:**
 - Greater emphasis on the quality and composition of public expenditure
 - Investment in health, education and social security
 - Public policies towards sustainable use of natural resources
 - Inclusive finance

7. Concluding Remarks

- **Some Specific Interventions:**
 - Further develop subsistence agricultural sector and its productivity
 - Invest in physical infrastructure
 - Creating strong linkages with the tourism sector
 - Strengthen cooperation among themselves