OP-ED

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15th March 2024

Debt response, like the new Development Plan must Involve Communities

In the Pacific region it can be said that borrowing money is using tomorrow's income to pay for things today and if we are not careful we pass on the burden to our children who will come after us!

As discussion and consultations continue about Fiji's new National Development Plan the issue of national debt looms over discussions about social, economic, human and environmental development.

Fiji has had a steadily growing debt level for many years, largely due to budget deficits, however the Covid-19 pandemic pushed the debt to unprecedented levels. The ratio of debt to gross domestic product, a common measurement of someone's ability to pay back their debt, went from a healthy level of below 50% in 2019 to a worrying 91% at its peak in June 2021.

Such debt levels, and the need to service them, requires a concerted and coherent government response. While there are financial accounts that need to be resolved, debt management is also a social and human issue with decisions about debt payments impacting the lives and livelihoods of all people, including future generations.

Mr Isimeli Koroi, Youth Coordinator for Lau Provincial Youth Council has commented "youth are the ones who will bear the consequences of current economic decisions, including debt levels. High debt can lead to reduced government spending on areas that affect the quality of life for young Fijians. Economic policies like debt management have ripple effects across various sectors, including employment, education, and social welfare, all of which are critical to youth well-being".

Already, Fijians are feeling the weight of this debt burden as the government's latest budget saw attempts to address debt with increased taxes like the VAT and constraints on government spending. How these decisions are made is crucial and it is important that a range of expertise is considered and not just rely on the advice of the international financial institutions who advocate an aggressive tightening of spending (advice thankfully not always adopted).

There should be a focus on lowering Fiji's current high debt levels as they can have flow on effects. Currently, Fiji is spending 16 per cent of its national budget on debt repayments, an amount similar to what it spends on health and social services.

While funds are limited for governments and hard decisions are made in where the money gets spent, large debt repayments risk taking away from investing in long-term economic development and the UN's Sustainable Development Goals (SDGs). Concerns around these impacts have been highlighted by those who are inheriting the debt and impacts of these economic decisions.

This situation is exacerbated when the impacts of climate change are considered.

Fiji’s vulnerability to climate change and natural disasters compounds the urgency of addressing its debt situation. The economic impacts of climate change are already being felt with Cyclone Winston being largely responsible for a halving of economic growth in 2016 while Fiji’s adaptation costs and Net Zero mitigation targets by 2030 are forecast to cost FJ$9.3bn and FJ$2.9bn respectively. As public coffers are drained by high debt servicing and repayments, less monies will be available to invest in climate resilience and to build up financial reserves to respond effectively to extreme climate events.

As such Fiji’s current debt burden is a matter of grave concern. It underscores the importance of prudent fiscal management, economic diversification, and strategies for debt sustainability in the face of ongoing external challenges such as climate change and the health of the global economy. Fiji’s ability to address and manage its debt burden will play a pivotal role in determining its economic future and overall well-being.

It comes as some relief when the Fiji Broadcasting Corporation reported that while speaking at the state opening of the parliament President Ratu Williamie Katonivere said that (debt-level) is unsustainable for a small, and vulnerable country like Fiji.

He was positive in his outlook and said the government is going to strike a balance between rebuilding physical buffers and promoting growth by allocating sufficient resources to key priority sectors.
“This means investing in robust, resilient infrastructure and enhancing social safety nets for the disadvantaged and low-income households. Accelerating key structural reforms, enhancing efficiency in public service delivery by reducing wastage and executing public and private sector initiatives to foster growth in the short term, will be a priority,” he said.

What Fiji's economic development and growth pathway looks like is crucial to dealing both with the serious debt situation but also the broader challenge of ensuring that the economy supports people, communities and the environment.

The recent Debt White Paper produced by the Pacific Network on Globalisation and Third World Network offers governments with another source of knowledge, breaking from the monopolistic position that traditional partners and multilateral banks hold on debt advice, and provides other responses that Pacific Island Countries like Fiji could take. It was an idea that was supported by Fijian Civil Society groups in April 2023.

The process for a new National Development Plan is a critical step in furthering the discussion about what the economic and development future of Fiji will hold in the face of ongoing challenges.

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