5. Social engineering: Attempts to create an indigenous entrepreneurial class

The affirmative action policies after the 1987 coup was driven largely by the desire to "catch up" with the Indo-Fijian in the business sector by engaging indigenous Fijians in entrepreneurship to a greater degree. The creation of a vibrant indigenous middle class was a way of driving indigenous Fijian development forward to maintain ethnic balance and stability. Most of the affirmative action projects were targeted at urban, middle-class indigenous Fijians and hardly any was targeted at rural development for villages.

As we saw in the last chapter, the post-coup affirmative action programs prescribed under the *Nine Points Plan,* and later the *Ten Year Plan,* shifted the emphasis from primary production to large-scale financial investment, based on the *Bumiputera* model, to create an indigenous Fijian bourgeoisie to counteract the economic power of Indo-Fijians.

This chapter examines in detail some of the main post-coup affirmative action initiatives in the area of investment, focusing on the following: Fijian Holdings investment; Fiji Development Bank's Commercial Loans to Fijians Scheme; the Equity Investment Management Company Limited (EIMCOL) store scheme; the Fiji National Provident Fund Small Business Equity Scheme and National Bank of Fiji loans. In particular it will focus on communal capitalism and implications for the formation of an indigenous bourgeoisie generally.

Many of these projects were interrelated. All of them were collaborative initiatives between the government and Fijian institutions. Some of them, as we have seen in the last chapter, continued from the Alliance era, and were given an extra boost after the coup, while some were post-coup initiatives. However, for a number of reasons, many of these initiatives failed and left behind negative images of affirmative action.

Fijian Holdings Company

As we have seen, Fijian Holdings Company (FHC) was formed by the Great Council of Chiefs before the coup, but became the main focus of the drive towards indigenous capitalism after the coup. While it had played the role of facilitator of indigenous Fijian business since it started, it was aggressively expanded after 1987 in an attempt to capture a large segment of the corporate sector for indigenous Fijians.

In fact Fijian Holdings has its genesis back in 1970 after independence, when Prime Minister Mara approached the Australian multi-national Burns Philp Limited (BP) to help in the development of indigenous Fijian entrepreneurship through collaboration in business in the form of share acquisition. BP was the biggest company operating in Fiji and the South Pacific and had interests in shipping, butcheries, wholesale, retail, copra production, breweries, and automobiles, to name a few. Part of the agreement was for indigenous Fijians to be members of the company board of directors to accustom them to boardroom culture. Through this arrangement, it was hoped that, not only would the indigenous Fijians benefit financially from their investment, they would also receive the necessary training and acquire skills that would catapult them into the competitive world of business.

However, it was not until 16 February 1984 that the Great Council of Chiefs (GCC) decided to buy up to 50% in Burns Philp, under the following conditions: FJ$40 million was to be raised to buy shares from Burns Philp; Provincial Councils and other indigenous Fijian organisations were to be encouraged to collect their initial shares of FJ$1.5 million; a joint venture between the Fijian Affairs Board and Burns Philp was to be encouraged, and the Fiji government was to seek assistance from the Australian government for further financing; the Native Land Development Corporation (NLDC) was to be the holding company, and carry out negotiations with Burns Philp on the purchase of shares. While there was an urge to enter into capitalist investment, there was also a desire to do so within the patronising ambit of communal organisation.

Because the NLDC did not have the expertise and capacity to undertake such a high-risk business venture, it was decided to create a new entity to be called Fijian Holdings Limited (FHL). FHL was incorporated in 1984 with the following objectives:

> …to increase Fijian participation in the commercial sector. The company achieves this through acquisition of equity in established, well-managed, profitable companies with excellent prospects for growth. It will: maintain a prudent and conservative approach to financial decision-making; Seek investments which have economically strategic significance; Endeavour to ensure the benefits from its investments are spread as widely as possible among the Fijian people; Promote the training of Fijian business executives, bearing in mind the need for attainment of high standards of professionalism, competitive performance and commercial skills (Fijian Holdings 1996: 3).

FHL's role was limited to the acquisition of equity. Its strategy was "to increase Fijian participation in the commercial economy...through acquisition of equity in established, well-managed, profitable companies with excellent prospects for growth", with "benefits spread as widely as possible among the Fijian people" (Fijian Holdings Limited 1994: 1). To ensure wide distribution of its benefits amongst indigenous Fijians, three types of shares were initially suggested; Provincial shares, Native Land Trust Board shares and Fijian Affairs Board shares.[1] Thus, as Table 5.1 shows, on 10 December 1984, when FHL was incorporated, the value of shares, distributed between the Provinces, Native Land Trust Board and Fijian Affairs Board, totalled more than FJ$1 million.

Table 5.1 Initial Fijian Holdings shares, December 1984

Shareholders	Amount ($F)
Ba Provincial Council	51,968.25
Bua Provincial Council	50,000.00
Kadavu Development Company	51,608.07
Lomaiviti Provincial Council	51,968.25
Macuata Provincial Council	51,968.25
Nadroga Provincial Council	51,968.25
Rewa Provincial Council	51,968.25
Lau Provincial Council	50,501.25
Naitasiri Provincial Co-operative	31,227.13
Cakaudrove Provincial Council	100,000.00
Fijian Affairs Board	101,968.25
Native Land Trust Board	500,000.00
Total	**1,145,145.95**

Note: At this stage, only 10 of the 14 Provinces had been allocated their shares. The Kadavu Development Company and the Naitasiri Provincial Co-operatives are owned by the Kadavu and Naitasiri Provinces respectively.

Source: Fijian Holdings Limited 1984.

The provinces without equity shares during the initial stage were Namosi, Ra, Serua and Tailevu, but later on they were also involved. Of the FJ$1,145,145.95

1 This approach was modelled along the lines of Malaysian state-established and supervised enterprises such as the National Equity Corporation (NEC), which held shares in trust on behalf of the *Bumiputeras*. But one of the fundamental differences was that the Malaysian investment institutions, although linked to statal political interference, were run by bureaucrats, operating within the capitalist entrepreneurial framework, outside the realm of traditional politics and culture. In the case of Fiji, traditional institutions were directly part of the investment projects. While Malaysian financial institutions held shares in trust for individual *Bumiputeras*, and were (and still are) ultimately accountable to the government, Fijian Holdings held shares in trust for neo-traditional/neo-colonial socio-political institutions (Fijian Affairs, Native Land Trust Board and Provinces), claiming to represent the legitimate interest of indigenous Fijians, and were ultimately responsible to the Great Council of Chiefs.

collected by the provinces, FJ$1million was used to purchase 1,000,000 "A Class" shares in a big company called Basic Industries Limited.[2] At this time there were no limited liability shareholdings.

The communal shares were based on two assumptions; first, indigenous Fijian elites were convinced that, after years of dependence on colonial paternalism and communal encapsulation, indigenous Fijians were not in a situation to independently pursue large-scale investment as individuals; secondly, it was assumed that communal shares represented the common interest of the *vanua* and thus had to be sustained at all cost. Thus communal shares became symbolic of two contradictory tendencies. On the one hand was the response to the modernisation imperative and on the other was the need to maintain communal socio-political cohesion.

Two proposals were later made to FHL as a way of expanding its investment: the first was that Fijian Holdings should buy majority shares in two companies, Fiji Industries Limited and Standard Concrete Industries Limited (both owned by Basic Industries Limited, a foreign company); the second option was that shares should be bought from the Carlton Brewery (Fiji) Limited.[3] The second option suggested that the state-subsidised Fiji Development Bank (FDB), which already had the capital, should act as a middle dealer by buying the shares, and then later sell them to FHL. This would solve the problem of raising initial capital and also ensure a smooth transition of equity sales.

The Great Council of Chiefs agreed to the proposals, and as a way forward, an action plan was drawn up by the FHL board to increase share capital from the Provincial Councils, the Fijian Affairs Board and the Native Land Trust Board to finance the purchase of shares from Basic Industries and Carlton Brewery.[4]

Fijian Holdings rapidly increased its investment and growth within a few years. In fact in 1985, a year after its inception, it was already paying dividends to shareholders. By 1992, profit after tax had reached FJ$2,752,554, after a downturn in 1987 and 1988 because of the effects of the military coup on the economy. The increase in investment and return was reflected in the rate

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2 "A Class" shares are high dividend investments compared to low dividend "B Class" shares.

3 Carlton Brewery is an Australian multinational which brews Fiji Bitter (the only beer brewed in Fiji), Carlton Beer and Fosters Beer.

4 It was proposed that FJ$2 million was to be raised to buy shares in Basic Industries and FJ$4 million for Carlton Brewery, to top up the FJ$1million already collected, to make a total of FJ$5 million. A number of Provinces were not happy with the change in plan from investment in Burns Philip to investment in Basic Industries and Carlton Brewery, because they were not informed beforehand. The Board of Fijian Holdings considered the Burns Philip investment a risk because of its declining operations in Fiji, having sold most of its assets to W.R. Carpenters. The Methodist Church of Fiji, the largest and most politically powerful religious organisation objected to the Carlton Brewery shares, because of their association with liquor, drunkenness, crime and other forms of anti-social behaviour.

of dividends paid. As Table 5.2 shows, since 1985 the dividend increased substantially, except during the 1987 and 1988 period due to the disruption caused by the military coup.

Table 5.2 Fijian Holdings dividends paid, 1985-1992

Year	Dividend Rate (%)	Total Amount Paid (FJ$)
1985	10	119,500
1986	10	123,440
1987	10	123,440
1988	5	62,304
1989	10	124,609
1990/91	20	253,813
1992 (interim)	10	173,645
1992 (partly)	10	464,793
Total		**1,445,644**

Source: Fijian Holdings Limited 1993: 4.

Fijian Holding's communal investment strategy posed two fundamental problems: first, it was difficult to see how an indigenous Fijian bourgeois class could develop (as in Malaysia) if investment was restricted to communal institutions; second, there was the question of how redistribution of benefits to the people could take place. There was increasing pressure from leading indigenous Fijian bureaucrats and professionals not to restrict shares to the Fijian Administration institutions, and to open up shares to individuals. As a response to this pressure, the status of the company changed in 1992 from 'public' to 'private', to allow for private investment, either on an individual or group basis.

It was hoped the change would "greatly increase the number of shareholders and … cater for individual Fijian investors, Fijian-owned companies and *tikina* councils",[5] so that the "benefits of Fijian Holdings' shareholdings are spread as widely as possible" (Fijian Holdings Limited 1993: 7-8). The ceiling for individual shares was put at FJ$10,000 and to ensure that only indigenous Fijians were to buy shares individual shareholders were confined to those registered in the *Vola ni Kawa Bula*, the kinship register, which officially defined a "Fijian". So while the restriction which guaranteed monopoly by communal investment was lifted, a further restriction, based on the ethnic background of individual investors, was imposed. This restriction was a direct application of the 1990 Constitution provision on pro-indigenous affirmative action and the controversial definition of the ethnic category, "Fijian".

5 A *tikina* is a district, which usually consists of several villages. Several *tikina* make up a *yasana* (province).

Moreover, the prescribed ceiling of FJ$10,000 was too low to yield a reasonably high return, especially for the aspiring indigenous Fijian entrepreneurs. The rules were changed overnight by the FHL board, who themselves had an interest in individual shares. We will deal with the acquisition of individual and associated problem shares later, but at this stage we need to examine the commercial operation of FHL and some of its dilemmas.

The dramatic expansion and consolidation of FHL in the 1990–1994 period was a result of the FJ$20 million interest-free loan provided by the post-coup government in 1989, under the *Nine Points Plan* affirmative action initiative. Paid-up capital grew from FJ$1.2 million in 1985 to FJ$27.5 million in 1994. The total assets rose from FJ$1.3 million in 1985 to FJ$36.3 million in 1994. The net value of assets increased from FJ$170,248 in 1985 to FJ$3.2 million in 1994. FHL dividend paid to shareholders was at 20% for "A Shares" and 5% for "B Shares". The "B Shares" were held in trust and invested for indigenous Fijians by the FAB from the FJ$20 million provided by the government as mentioned above. The dividend paid on these shares was to accumulate in a sinking fund to cater for the repayment of the FJ$20 million loan by the FAB to the government. It was anticipated that over time these shares would be sold to indigenous Fijian entrepreneurs.

By 1994, as Table 5.3 shows, FHL had an interest in nine major companies in Fiji.

Table 5.3 Details of Fijian Holdings Limited's investment portfolio, as at 30 June 1994

Company	No. of Shares	Shareholding (%)	Amount (FJD$)
Basic Industries Ltd:			
• Original	1,232,000	41	1,242,486
• Ex Pioneer	1,500,000	50	2,270,132
• Ex FDB	268,000	9	309,741
• Ex BP (FIL Shares)	1,050,000		1,050,000
• Hume Industries (Ex CSR)	2,000,000		2,000,000
Fiji Sugar Corporation (Ex Fiji Government)	4,732,100	13.2	2,860,557
Fijian Property Trust (Ex. FDB)	2,600,000	89.7	2,613,000
Carlton Brewery (Fiji) Ltd (Ex. FDB)	600,000	30.0	3,587,850
Unit Trust of Fiji	500,000	8.9	700,000
Motibhai & Company Ltd	2,000,000	100 (P)	2,007,125
Merchant Bank of Fiji Ltd (Ex. FDB)	1,428,500	50.0	1,435,643
Carpenters Properties Ltd (Ex. FDB)	3,000,001 2,000,000	30 20	3,021,657 2,010,000
Goodman Fielder Watties	2,000,000	100 (P)	2,003,757
Total			**27,111,948**

Source: Fijian Holdings Limited 1995; Fijian Holdings Limited 1996.

Table 5.4 shows the percentage of shares, profits and type of investment of FHL. The annual profitability of FHL was the impetus for aggressive expansion of its acquisition and investment diversification.

Table 5.4 Fijian Holdings investments, 1995

Company	Shares %	Profit (F$)	Types of Investment
Basic Industries Ltd	100	2.2 million	Manufacturing
Fijian Property Trust Ltd	89.7	not available	Real Estate
Carpenters Property Ltd	50.01	.808 million	Real Estate
Merchant Bank of Fiji	50	.870 million	Commercial, Personal Loans
Carlton Brewery Fiji Ltd	30.1	2.45 million	Beer Production
Goodman Fielder (Fiji) Ltd	100*	not available	Consumer Goods
Motibhai & Company Ltd	100*	3.91 million	Diverse Commercial interests
Fiji Sugar Corporation	12.8	12.3 million	Sugar Production
Unit Trust of Fiji	8.9	1.09 million	Capital Investment

* For Goodman Fielder, 100% is for the preference shares, and 10% for the ordinary shares. For Motibhai, 100% is for the preference shares.

Source: Fijian Holdings Limited 1995.

The pattern of FHL investment shown in Tables 5.3 and 5.4 indicated four tendencies. Firstly, in line with the *Ten Year Plan* for greater indigenous control of the corporate sector, FHL had progressively expanded into buying whole companies and majority equity. This was indicative of the degree of confidence it had generated with the financial and political support of the government and leading private sector businesses.

Secondly, faced with the reality of the market, FHL had to temporarily abandon its communal character and purchase shares from non-indigenous Fijian companies such as Motibhai Group, an Indo-Fijian company which had close links with the Mara regime. The rest were expatriate companies, except for the Unit Trust of Fiji and Fiji Sugar Corporation (FSC), which were public companies.

Thirdly, funding for the FHL shares came from two major sources, government and FDB. FDB itself was a para-statal institution, subsidised by the government, and headed by Laisenia Qarase, the author of the *Ten Year Plan*. Most of the shares, as shown in Table 5.4, were originally secured by the FDB and then sold later to FHL. The government contribution of FJ$20 million, as already stated, was held in trust by the FAB for future distribution. The direct link between the state and the communal schema was evident here. The link was not only political and ideological but also financial. However, on the one hand FHL had to rely on political patronage and financial support from the state, and on the other it relied on the private sector for investment. We have to remember that the state, at this time, was fundamentally an ethnocratic one, under the 1990 Constitution.

Fourthly, while the long-term beneficiaries of the FHL were supposedly the shareholders (communal and individual), the most immediate beneficiaries were the corporations in which FLH invested. FHL provided the badly needed capital to sustain some of those companies at a time when economic contraction had affected local investment. In other words, affirmative action was directly subsidising the operation of local and foreign companies such as Motibhai Group of Fiji and Carlton Brewery of Australia. Furthermore, some of these companies, such as Carlton Brewery, Basic Industries and Goodman Fielder, were monopolies which would be able to enjoy their dominance in the market through links with the indigenous Fijian elites and direct state patronage.[6]

Another issue of concern was the distribution of benefits from FHL shares. Again, here, we need to disaggregate between two levels of analysis: ideological discourse and empirical contextualisation. The first refers to the political justification for Fijian Holdings' operations, as reflected in Fijian Holdings' philosophy: "As a Fijian institution we have a responsibility for promoting and protecting the *commercial interests of the Fijian community* [my emphasis] and helping to secure its rightful place in the economic affairs of the nation" (Fijian Holdings Limited 1996: 1). The second level refers to the actual flow of economic benefits and socio-political implications of FHL's shareholdings. An empirical examination of the operations of Fijian Holdings is crucial in this regard.

Who 'controlled' Fijian Holdings Limited?

FHL was set up under the communal jurisdiction of the Great Council of Chiefs, with the direct involvement of the government. But how was this political mandate translated into commercial shares? Table 5.5 shows that in 1992 the total number of shares for the "A" category was 4,647,934, while the total for the "B" category was 20,000,000; with a combined total of 24,647,934 shares. Of this total, communal shares (which included shares held by NLTB, FAB, Provincial Councils and *Tikina* Councils) comprised 22,521,934 shares or 91% of the total of FHL shares. On the other hand, the individual shares (this included family and individual group shares) comprised 2,126,000 or 9% of the total FHL shares.

6 For some time Fijian Holdings executives have been trying to reverse some of the government's deregulation policies such as competition in cement and concrete manufacturing which has been monopolised by Basic Industries.

Table 5.5 Shareholding for Fijian Holdings Limited

Shareholders	A Class Shares	% A	B Class Shares	% B	Communal	Individual
Native Land Trust Board	500,000	10.75	-	-	x	
Fijian Affairs Board	100,000	2.1	20,000,000	100	x	
Ba Provincial Council	50,100	1.07	-	-	x	
Lomaiviti Provincial Council	55,100	1.18	-	-	x	
Nadroga Provincial Council	50,100	1.07	-	-	x	
Macuata Provincial Council	116,612	2.5	-	-	x	
Rewa Provincial Council	50,100	1.07	-	-	x	
Lau Provincial Council	50,100	1.07	-	-	x	
Cakaudrove Provincial Council	120,000	2.58	-	-	x	
Bua Provincial Council	50,100	1.07	-	-	x	
Koula Trust	40,000	0.86	-	-		x
Kadavu Development Company	50,100	1.07	-	-	x	
Naitasiri Province Co-op Ass Ltd	31,327	0.67	-	-	x	
Ra Provincial Council	50,100	1.07	-	-	x	
Tailevu Provincial Council	19,951	0.42	-	-	x	
Serua Provincial Council	10,100	0.21	-	-	x	
Namosi Provincial Council	10,660	0.22	-	-	x	
Cicia Plantation Co-op	400,000	8.6	-	-	x	
Nabukebuke Nailili Co Ltd	2,000	0.04	-	-	x	
5X Investment Ltd	100,000	2.1	-	-		x
KB Investments Ltd	100,000	2.1	-	-		x
Kubuna Holdings Ltd	5,000	0.1	-	-	x	
Kesaia Palu Vatu	1,000	0.02	-	-		x
Markin Investments Ltd	100,000	2.1	-	-		x
AWR Investments Ltd	10,000	0.21	-	-		x
Mavana Investments	200,000	4.3	-	-	x	
Bakani Investments	150,000	3.2	-	-		x
Q-Ten Investments	200,000	4.3	-	-		x
Kingfisher Enterprises Ltd	100,000	2.1	-	-		x
Vensalisi Investments Ltd	80,000	1.72	-	-		x
Stiks Investments Ltd	150,000	3.2	-	-		x
Duavata Holdings Ltd	150,000	3.2	-	-		x
Ratu Mara Education Trust Fund	300,000	6.4	-	-	x	
Vunikoro Investment Ltd	50,000	1.07	-	-	x	
Lana Investments Ltd	95,000	2.04	-	-		x
Nabuabua Holdings Ltd	100,000	2.1	-	-		x
Mualevu Tikina Holdings Ltd	100,000	2.1	-	-	x	
KYJ Investments Ltd	100,000	2.1	-	-		x
Baravi and Associates Ltd	100,000	2.1	-	-		x
M.B Investments Ltd	100,000	2.1	-	-		x
Kepa Investments Ltd	100,000	2.1	-	-	x	
Vunidogo Investments Ltd	100,000	2.1	-	-		x
Rukuruku Investments Ltd	50,484	1.08	-	-	x	
Taoi Investments Ltd	200,000	4.3	-	-		x
Rafire Investments Ltd	100,000	2.1	-	-		x
Rabuli Investment Ltd	50,000	1.07	-	-		x
Total	**4,647,934**	**100**	**20,000,000**	**100**	**25**	**21**

Source: Fijian Holdings Limited 1992.

Although there was a dominance of communal shares over individual shares, the value of the individual shares was far superior if one were to divide the communal provincial shares by the population of the provinces. The reality about the communal shares was that they did very little to enhance wealth distribution because not only was the return minimal, but also they were locked up in the communal institutions and very little, if any, value trickled down to the ordinary people.

Fijian Holdings and communal capitalism

Communal investment was one of the cornerstones of communal capitalism. Indeed, we have seen how communal capitalism became the dominant mode of investment in FHL (totalling 91% of total FHL shares). Communal investment within FHL occurred at various levels of communal organisation: the NLTB and FAB, provincial and *tikina* levels. Although under commercial law these bodies were legal entities in their own right, politically they were regarded as *dau ni veiqaravi* (servants) of the *vanua* and the Great Council of Chiefs. We now examine each of the main communal investors.

Native Land Trust Board (NLTB)

I wish to do three things here. First, to briefly explain the role and activities of the NLTB; second, to examine some of the contradictions it encountered as a communal institution attempting to be involved in commercial ventures; and third, to examine the implications of NLTB shares in FHL in the light of the broader socio-political context.

The biggest communal shareholder under the "A" Class shares (10.75%), NLTB was founded in 1940 by Sukuna, who described it "as a monument of trust in British rule, of confidence in its honesty and hopes for the future" (Native Land Trust Board 1975: 2). Its role was to administer indigenous Fijian land. The NLTB was to "provide the best services with the effective use of Native Land and other resources at our disposal to meet the expectations of our landowners, tenants, Government and other customers" (Native Land Trust Board 1995: 8). By 2000 the NLTB administered about 83% of the country's land, and of this 420,000 hectares are leased out to 24,700 tenants in agriculture, commerce, industry, tourism, and public and civil projects. From 1990 to 1994, through the NLTB indigenous Fijian landowners received about FJ$80.7 million worth of rentals, jobs, dividends, royalties and commercial ventures linked to land development.[7]

The NLTB's other role was to hold in trust and invest some funds for landowners. For instance, by 1987 FJ$1,837,907 worth of term deposits had been made for unclaimed funds at an interest rate ranging from 4.25% to 16.0%. In addition, the NLTB also administered a portfolio of shares in companies as trustees for landowners (Native Land Trust Board 1990). The respective landowning *mataqali* gave the NLTB the authority to reinvest royalties from leases or timber cutting concessions over native land. The companies for which the NLTB held shares in trust for landowners to December 1987 consisted of two timber companies and nine tourist development companies. The NLTB held a total of 464,444 shares in these various companies.

However, the NLTB's main dilemma has been the contradiction between its communal role as guardian of native land on one hand, and how it had used this role to enter into investment. The President of the NLTB was the Head of State, and the Chairman was the Minister for Fijian Affairs. Board members were carefully selected from the chiefly hierarchy and indigenous Fijian bureaucratic elite. Thus the heavily political and communalistic constitution of the board readily undermined some of its bureaucratic and commercial responsibilities.

To illustrate the above, in 1982 a grant of FJ$1,766,000, disbursed over three years, was received from the Australian government "to enable landowning units to participate in the development of the indigenous timber industry" (Native Land Trust Board 1990: 16). But the fund was diverted to financing a company, Kubuna/Fiji Forest Industry (FFI), and was used to purchase 7,000 redeemable preference shares of 50c each issued at a premium of FJ$49.50 each with a preferred dividend rate of 12.5% per annum (*The Review*, May 1997). The Kubuna/FFI Company had three components: the Kubuna Company, FFI and Westralian Forests Industries Ltd. The Kubuna Company belonged to the four provinces that made up the traditional Kubuna Confederacy.[8] The paramount

7 The mostly Indo-Fijian cane farmers' leases on indigenous Fijian-owned land began to expire in 1997. The leases, 30,000 in all, were administered by the NLTB. The original ten-year leases were issued under a 1967 ordinance and amended in 1977 to fall under the Agricultural and Landlord Tenants Act (ALTA). Leases were for 10 years, with a right to two 10-year extensions. As we noted earlier, 25% of lease money from native land was allocated to the NLTB for "administrative" purposes and the rest was distributed to landowners on the basis of their chiefly status and standing in the social hierarchy. This, together with the various investment and landowners' trust assets contributed to the NLTB's income, thus providing a source of its capital for Fijian Holdings shares.

8 In the traditional context there are three main confederacies (*matanitu*) in Fiji: Kubuna, Tovata and Burebasaga. They have their roots in the pre-colonial attempts to form centralised governments in Fiji by early European settlers and chiefs. A number of Provinces make up a Confederacy. These are based on traditional alliances between tribal polities. Today they still exist as a means of ceremonial and traditional mobilisation. In a way, the political loyalty of indigenous Fijians is diverse: they have loyalty to various levels of tribal

chief of the Kubuna Confederacy was Ratu Sir George Cakobau, former Governor General of Fiji and by virtue of that also President of the NLTB.[9] In charge of the financial operations of the company was the General Manager of the NLTB, Josevata Kamikamica, a member of the Kubuna Confederacy and thus subject of Ratu Sir George Cakobau. The FFI was a joint venture between CBM Holdings and Westralian Forest Industries, an Australian company, which provided the management and technical skills. CBM, owned by landowners of the three provinces of Cakaudrove, Bua and Macuata, was under the trusteeship of Ratu Sir Penaia Ganilau, the paramount chief of the three provinces, and also former President of Fiji, and successor to Ratu Sir George Cakobau, as Fiji's Governor General and President of the NLTB. Again, in 1989 a government-guaranteed loan was made from the European Investment Bank for purchase of FJ$1,575,986 worth of shares in FFI which The NLTB had almost identical arrangements with two other logging companies, the Pacific Lumber Company and Timbers (Fiji) Ltd. Public funds were diverted to fund their operations.[10] The 'latent beneficiaries', so to speak, were politically powerful individuals (both in the modern and traditional sense) who were able to exercise their authority in ways that would serve their communal or personal interests.

In another case, the NLTB purchased FJ$1,863,343 worth of shares from the Native Land Development Corporation (NLDC), an entity set up by the NLTB itself to develop native land for commercial purposes as part of the Alliance Party's affirmative action policy. Two loans were made to finance the operation of the NLDC: a loan worth 900,000 European Units of account from the European Economic Community (EEC) and a loan of FJ$1,380,000 from the Fiji government. The NLDC, which was headed by the Governor General's nephew, defaulted on its principal and interest payment for both loans, accumulating a total of FJ$1,656,330 in bad debt by 1989 (Native Land Trust Board 1990: 17). In 1987, the NLDC was dissolved because of investment losses.

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categories, loyalty to the Confederacy and loyalty to the state. The ownership of the collectively-owned ethnic Fijian companies theoretically belong to the "people" in the community, but the real power lies in the chief, since he "owns" the land and the "people". Chiefs are mostly made directors, shareholders, managers etc. "in the name of the people". Primordial servitude has been re-adapted to modern commercial exploitation.

9 As Governor General, he was Representative of the British Crown, Head of State and Chairman of the Native Land Trust Board. George Cakobau was the great great grandson of Seru Cakobau who along with other chiefs, ceded Fiji to Britain.

10 What enabled the NLTB to make arbitrary decisions in relation to indigenous Fijian land was the power it was vested with to grant logging licences and concessions on all Native Land under the Native Land Trust Act, which says that "The control of all Native Land shall be vested in the Board (NLTB) and all such land shall be administered by the board for the benefit of the Fijian owners" (Native Land Trust Act, Chapter 134). Granting of a logging licence by the NLTB does not require the consent of the members of the landowning unit, but if necessary the NLTB will carry out consultation. A concession is also a licence but is usually granted over a large area, usually to a major logging company, and over land owned by many owning units, and for a longer period than a standard licence. Most of the logging licences involving ethnic Fijian loggers were for joint-ventures with foreign companies.

The point I wish to raise here regarding the two cases above is that, because of the convergence of state power (through the Head of State, himself a high chief) and communalism in the operation of the NLTB, the distinction between state interest and communal interest became blurred. In fact state interest became subsumed under communal interest. Thus it was easy to channel and 'launder' money from bilateral and multi-lateral aid, meant for national purposes, into communal projects. The high chiefs who also had uncontested state power became agencies of communalisation through the NLTB. It was really this communal role which justified NLTB's investment in FHL.

NLTB's FHL investment was questionable on two grounds: first, NLTB's poor record in commercial ventures; and second, NLTB's investment of FJ$500,000 on behalf of landowners denied landowners the opportunity to be involved in direct investment on their own. Purely on commercial grounds, NLTB's record as a commercial entity has been disastrous. At the end of 1992, NLTB had an overdraft of FJ$14.8 million, increasing to FJ$16.1 million in 1993, and with FJ$4.4 million worth of cheques still pending presentation to the bank (*TheReview*, June 1997: 19). Losses had been recorded since 1986, and the accounts had not been audited since 1991. The unaudited figures showed an operating deficit of FJ$1.8 million in 1990, FJ$1.3 million in 1991 and FJ$1.6 million in 1992. By 1997, the NLTB was on the verge of bankruptcy, despite a substantial government annual subsidy of FJ$1 million and the 25% of the rent it received for collecting and distribution of lease monies. A major restructuring in 1998 to make it more commercially viable and salvage its operation saw almost half the workforce made redundant (*Daily Post*, 10 November 1998).

NLTB's commercial endeavours have been disastrous due to its inability to systematically and objectively reconcile commercial logic and the communal principles on which it was based. Its investment in FHL had two worrying implications. First, its paternalistic attitude in holding in trust landowner's funds for FHL investment would do little to enhance the entrepreneurial potential of landowners, who would do better as individual FHL shareholders. Thus, instead of encouraging entrepreneurship, NLTB's investment in FHL merely reinforced the pattern of economic dependence and paternalism that has been central to the communal schema since the colonial epoch. Second, the commission which NLTB generated from its FHL investment was ploughed back into sustaining the NLTB bureaucracy. Thus it is difficult to see how NLTB investment could in any way contribute to indigenous commercial "advancement".

Fijian Affairs Board (FAB)

The FAB was the largest shareholder in FHL with 100,000 "A" class shares (2.1%) and 20 million "B" class shares (100%). FJ$20 million was provided by the government under the *Nine Points Plan* to be invested in FHL and held in trust for indigenous Fijians. It was envisaged that the amount of shares would soon be dispersed and sold to other indigenous Fijian shareholders over time. This would depend on how much return the FAB's investment in FHL generated. As a low-interest investment portfolio, the "B" class shares were government guaranteed and the money borrowed to purchase them had to be repaid within 20 years without interest.

The FAB had a much broader role than did the NLTB. As the secretariat of the Fijian Administration, it was directly responsible to the Great Council of Chiefs. Although the FAB under the old structure was directly linked to the central state structure, the 1998 restructuring along the lines of the Hays Report meant that the FAB became independent of the state bureaucracy. This was a requirement of the *Nine Points Plan* and *Ten Year Plan* to ensure that, without interference by the state bureaucracy, especially with the expectation of a new multi-racial coalition under the new consociationalist arrangement, the FAB would be able to independently consolidate its program for indigenous advancement. Politically, this reform constituted a retrogressive step, reminiscent of the 1940s reform by Sukuna to consolidate communal hegemony.

In holding the FJ$20 million under trust, FAB was in fact acting as a trust agency for the government and for indigenous Fijians. Unlike in Malaysia, where *Bumiputera* trust agencies such as the National Equity Corporation (PNB) were fully-fledged financial institutions, FAB was not. As a purely communal institution serving the bureaucracy of the Fijian Administration, and without any experience or expertise in commercial matters, it would be difficult for the FAB to actualise its ideological mandate to serve the paramountcy of Fijian interest in ways that would be consistent with the requirements of modern commerce.

Provincial shares

As we have seen earlier, the total number of shares for the 14 provinces was 663,800 or 14% of the "A" Class shares. The provincial shares differed from both the NLTB and FAB shares because investment capital was collected directly from people through *soli vakavanua* (communal collection) at the various levels of communal mobilisation of communal capitalism.

The provinces, which were largely rural and whose population, in the main, lived a subsistence existence, were organised and administered under the Fijian Administration, through a mixture of state bureaucracy and communal socio-political arrangement. Capital for investment was generated through appeals to a communal sense of obligation to the chief and *vanua*. Provincial collection was through provincial taxation, which was meant entirely to sustain the provincial bureaucracy, and *soqo ni vanua* ("traditional" festivals), where there was a collective effort to mobilise members of a province both within and outside the village (those in urban areas and those who lived in other provinces). Some of the money collected through the latter was usually for "investment." Most *soqo ni vanua* were held in urban areas, especially Suva, because they would generate more money than if they were held in the village. These fund-raising festivals would be called by names which would project both a communal and 'modern' identity. Some examples were the *Bulou ni Ceva* (Lady of the South) for Kadavu Province, *Adi Tagimaucia* (Princess Tagimaucia, the name of a flower) for Cakaudrove Province and *Adi Natuicake* (Princess of the East) for Lau Province.[11]

Fund-raising in the *soqo ni vanua* would involve competition between various *tikina* or districts. Collection thus became a means of achieving communal honour and prestige. Part of the festivities would be ceremonial presentations as a means of showing communal solidarity with other *tikina,* with emphasis on kinship links. The *tikinas* collected money from the *koros*, which in turn collected money from the various *mataqalis* or *tokatokas*. The rank and file of the communal structure was actively involved in this process. Thus the *soqo ni vanua* had the purpose not only of collecting capital, but also, at a broader sociological level, to reaffirm communal cohesion and identity. The latter was important here because it had become a paramount priority, which in many cases undermined the commercial significance of the fund-raising. Money collected was no longer perceived purely in terms of monetary value but also in terms of *noda vei nanumi vakaveiwekani* (concern for each other as kinsfolk). The money collected was passed on to the Provincial Council bureaucrats who then worked out the investment technicalities with the relevant financial institutions and authorities on behalf of the people of the provinces.

Provincial investment had two fundamentally flawed assumptions. The first was the belief that the interest of the *vanua* or community directly translated into the interests of the individuals (*tamata yadudua*). Communal interest was symbolised in the chiefly authority. Thus, to provide generously to the community coffers was an expression of selflessness and communal solidarity. On the other hand, there was veiled psychological coercion: not being generous (*dau solisoli*) to communal *soli* (fund-raising) was considered "un-chiefly" (*tawa vakaturaga*) and "un-Fijian" (*tawa vakaitaukei*). At worst, there was the veiled threat of being punished by the supernatural *mana* of the *vanua* and *turaga* (chiefs) through disease or mishap. Thus, this ideological mystification, which underscored communal hegemony, made it easy for chiefs, bureaucrats and politicians to extract capital from indigenous Fijian peasants and urban workers.

11 The feminine gender names are because, as part of the fund-raising, there would also be a beauty queen competition to provide a festive mood.

The second assumption was similar to the neo-classical notion of the "trickle-down" effect of economic distribution, where it was assumed that the benefits of development would, in time, trickle down to the bottom from the top. In the context of provincial investment, villagers were told that the investment was for the *vanua* and thus for "their benefit". The investment details were not properly explained to the people at the grassroots level.[12] But analysis of the actual provincial investment figures in FHL throws into doubt the existence of "benefits" for villagers (Ratuva 2000).

The total number of shares held by the 14 provinces (with a total ethnic Fijian population of 394,999) was 663,800 in 1992, amounting to an average of 50,000 per province. That meant that the number of provincial shares per indigenous Fijian individual was only 1.68. Even if we calculated the number of shares in relation to the rural indigenous Fijian population, which was around 233,175, then the shares per head would amount to 2.84. Needless to say, an average of 2.84 shares (worth about FJ$1 each) was hardly sufficient to advance indigenous Fijian business. While large amounts of money have been extracted from the indigenous Fijian community for provincial investment, hardly any has trickled down in the form of improvement in the commercial sector in the provinces.

Fijian Holdings and private investment

Private investment in FHL started in September 1992, when FHL changed its status from being a public to being a private company. The total number of shares held by private investors for the 30 companies in 1992 was 2,126,000 or 9% of total FHL shares, and that figure has since grown.

The fundamental problem with private shares was that ownership was concentrated within a small group of influential state bureaucrats and professionals with established links with the state bureaucracy and banking fraternity. Sale of the private shares was opened without proper publicity and some individuals concerned were able to use inside information to form companies and snap up the limited individual shares available (*The Fiji Times*, 23 December 1992).

As evidence of the above, the Deputy General Manager of the National Bank of Fiji secured a loan of FJ$107,000, by mortgage, on 10 March 1992,

12 One of the strategies used previously in the provincial money collections was that people were told that money collected by individuals was to constitute their individual shares. Once individuals had collected the money, they were told that it would be culturally and legally proper that their shares were to be registered under their respective chiefs' names. Officially the shares belonged to the chiefs, who legally had the right to sell those shares and acquire new equities. This was indeed the case in respect of the Kadavu Provincial Council in 1993, where district chiefs became the legal trustees of the individual shares. In other words individual cash collections were transferred to legal ownership by the chiefs.

to buy Fijian Holdings shares for FJ$100,000. The company, KB Investments (Registration Number 9502), registered on 6 December 1991, provided two shares of FJ$1.00 each, while the National Bank of Fiji provided the rest. KB Investments received the bank loan only three months after it was set up. KB Investments, together with four individuals, also formed a company called the 5X Investments Limited, which secured a loan of FJ$75,000 from the National Bank of Fiji, to buy FJ$100,000 worth of Fijian Holdings shares. 5X Investments, with registration number 9515, was registered on 13 December 1991, seven days after the registration of KB Investments, and secured its bank loan on 27 January 1992, less than two months after it was registered. Owners of 5X Limited and KB Limited paid up only FJ$1.00 shares each. Another company, BIL, owned by the relatives of KB's director, secured a loan of FJ$120,000 from the FDB on 24 March (Korovulavula 1994).

In another case, Vensalisi Investment Limited (owned by the then Director of Public Prosecution and later Solicitor General, High Court Judge and diplomat, and also a board member of FHL) secured a loan of FJ$64,000 by debenture from the FDB to buy FJ$80,000 worth of shares from Fijian Holdings. This was just three months after the registration of the company (Registered Number 9613) on 6 February 1992. The FDB also provided Q-Ten Investments Ltd., a company owned by its own Managing Director, Laisenia Qarase (who was, we may recall, author of the *Ten Year Plan*), with two separate loans: one for FJ$112,400 on 2 August 1990, and the other for FJ$353,217.86 on 22 May 1992, using the same property as mortgage.[13] Q-Ten Investments Limited used some of the money to buy FJ$200,000 worth of shares from the FHL (Korovulavula 1994).

Qarase also used his privileged position to secure a loan of FJ$150,000 from the FDB for Mavana Investments Limited, a *tikina* company of which he was director and a shareholder. The loan was secured on 24 June 1992. This was a few days before the Minister for Foreign Affairs, Filipe Bole (a traditional kinsman of Qarase), received a loan of FJ$81,000 from the FDB on 2 July 1992 for Mualevu Tikina Holdings, a *tikina* company for which he was director and shareholder. Eight days later, the former Minister of Justice, Qoriniasi Bale, secured a loan of FJ$81,000 from the FDB for his Nabuabua Holdings. Mr Bale was later deregistered as a lawyer for defrauding clients of thousands of dollars.

Laisenia Qarase was a board member of FHL, and was also a board member and chairman of more than one dozen government and statutory bodies. He was also the chief business and financial advisor to the FAB and Great Council of Chiefs and was one of the brains behind the organisation, operation and logistics of FHL. A close associate of Laisenia Qarase, and Chief Executive of FHL, Sitiveni Weleilakeba, also secured a loan of FJ$120,000 from the FDB on 17 March 1992

13 The Certificate of title number for the property is C.T.14743.

to buy FHL shares for FJ$150,000 (Office of Registrar of Companies 1997). Qarase also approved an FDB loan for his brother to purchase one of Qarase's properties, originally purchased via an FDB mortgage (*Fiji Times*, 23 December 1992).

While the Great Council of Chiefs had tried to limit FHL investors to those indigenous Fijians registered in the *Vola ni Kawa Bula,* in a number of cases some non-indigenous Fijians, linked to the power elites, were also shareholders. Three such companies, Kingfisher Holdings Limited (with FJ$100,000 worth of shares in FHL), Nabuabua Holdings Limited (FJ$100,000) and Taoi Investments Limited (FJ$200,000) had, at a certain time, shareholders who were non-indigenous Fijians (Fijian Holdings Limited 1992). Taoi Investments Limited secured FJ$155,598.98 from the FDB on 25 April 1991, and bought FHL shares worth FJ$200,000 (Office of Registrar of Companies 1997). The General Manager of the Fiji Pine Commission and former Conservator of Forests registered a family company called KJY Investments Limited (Registered Number 9748) on 24 April 1992, which borrowed FJ$80,000 from the FDB to top up its FJ$100,000 share in e FHL (Korovulavula 1994).

The chairman of the FHL, Mr Lyle Cupit, was one of the most influential economic advisors to the Fiji government. He was a former Head of the Australian-based Carpenters Group of Companies, which for a long time controlled much of the wholesale, retailing, shipping, automobile, agriculture and real estate in Fiji (Fijian Holdings Limited 1995). He was also owner of one of Fiji's largest privately owned agricultural enterprises, Consolidated Agriculture Fiji Limited, and chairman of the government-owned Fiji Sugar Corporation and of the FHL-owned Basic Industries.[14]

There was a clear link between FHL investment and influential individuals in the state bureaucracy and the banking fraternity. The individuals concerned were able to take advantage of their intra-class privileged position to acquire loans from either the FDB or NBF for FHL investments. Thus, even within the context of communal capitalism, class factors (not in the traditional but in a bureaucratic and socio-economic sense) played a significant role in determining one's place in communal investment.

It appeared that affirmative action relating to FHL investment largely benefited individual indigenous Fijians who needed affirmative action the least. Most of those mentioned above were already well-to-do by virtue of their position in society. Affirmative action merely provided a further opportunity to accumulate

14 The Consolidated Agriculture Fiji Limited agricultural land in the Navua flats was destroyed by cyclone floods in January 1993. Amidst allegations of irregularities, corruption and political patronage, the flooded land was sold to the Fiji Government for FJD$7 million, for the purpose of "training" Fijian youths in farming skills (*Fiji Times*, July 4 1996). Most of the land, without the use of modern technology for clearing and development remained unused. In fact a lot of it was rendered unusable by the flood (*Daily Post*, May 2 1999).

more wealth. It was also clear that these individuals and the bank executives (FDB and NBF) from whom they acquired loans formed a close clique. The fact that loans were acquired within a very short time after the companies were registered and a few weeks or days before the FHL private shares became available raised suspicion about illegal "insider trading". It was clear that the direct beneficiaries of affirmative action (some of whom were mentioned earlier) were themselves members of the Fijian Initiative Group, which produced the *Nine Point Plan*. The generally suppressive political climate of the post-coup period discouraged any attempt at a political challenge to the above unethical practices.

Worse still, the indigenous Fijians at large were not informed of the decision to allow private investment. The "clique", as they came to be known, maintained virtual secrecy about the private shares sale and proceeded to acquire them themselves. In a Senate session, on 14 December 1992, Senator Korovulavula queried: "Shares to individuals were only opened to the public in September and I wonder how they (individuals) managed to secure those enormous loan facilities within such a short time" (*Fiji Times*, 15 December 1992).

In response to public criticism about conflict of interest, FDB General Manager Qarase said that all his loan applications were dealt with "strictly in accordance with the firm policies and practice of the bank" (*Fiji Times*, 21 December 1992). This did not lessen the barrage of criticism, well summed up by the *Fiji Times* editorial of 23 December 1992:

> But when you take a hard look at how Fijian Holdings Limited sold those shares last year to certain Fijian individuals and Fijian-owned companies, you must admit there's something not quite right about it… As it happened they (ordinary Fijians) lost out on a chance to boost their earning power because Fijian Holdings Limited didn't give them much of a chance to take up its offer to sell them shares…The money that got the company off the ground was public money. [T]he haste in which they were sought and finalised was rather unseeingly, involving mostly a small coterie of insiders, people working in financial institutions and bankers whose paths often cross in their line of work. (*Fiji Times,* 23 December 1992).

It was clear that it was rather difficult to see how investments by the NLTB, FAB and provinces could directly translate into the advancement of indigenous Fijian commercial life in material terms. By locking capital ownership within the communal institutions, under the mythological rhetoric of *vanua* ownership, there was very little chance of benefits "trickling down" to ordinary indigenous Fijians in ways that would improve their living standard. At the same time, as we have seen, the real individual beneficiaries of FHL private investment have been well-connected individuals using their knowledge of the financial market and official authority to monopolise the private shares. So the dilemma of FHL as the government's flagship affirmative action program was that it simply reproduced the communal system through communal capitalism and reinforced inequality by facilitating the dominant shares of a few indigenous elites. The situation was even more worrying when we consider the fact that in the *Ten Year Plan* there was an ambitious recommendation to "apply the FHL model in the forestry, fisheries, tourism and television sectors" (Qarase 1995: 2). In the next section we discuss other forms of economic affirmative action proposals prescribed by the *Nine Points Plan* and how they have been implemented.

However, as a result of the controversies, some of the individual investors sold their shares. Despite all these problems, FHL grew to become one of the biggest companies in Fiji, so that by 2008 it had assets totalling FJ$260.8 million and this increased by 13% to FJ$299.9 million in 2009 (Fijian Holdings Limited 2010). FHL investment ranges from 0.2% to 100% equity in companies, in a variety of areas.

After the coup in 2006 and the formation of the Fiji Independent Commission Against Corruption (FICAC), investigation into the affairs of Fijian Holdings was launched and Qarase was charged, convicted and jailed for 12 months for corruption on 13 August 2012.

Financial market investment

Both the *Nine Points Plan* and the *Ten Year Plan* were concerned with the lack of indigenous Fijian activity in the area of financial trading. As a result of a concerted drive towards financial market investment, there was increased investment in the Unit Trust of Fiji (UTF).

Set up by the Government in 1976, the UTF in the post-coup period was increasingly dominated by indigenous Fijian investors. The UTF accumulated capital through selling units and equity received was invested in shares, mortgages and government securities, amongst others. As shown in Table 5.6, from about 6 million units in 1992, UTF grew to about 7 million units in 1994. Based on these figures, the unit-holdings for indigenous Fijians represented 38.0% of the total unit holdings in 1992 and increased to 40% in 1994. This was a dramatic increase from 15% in 1986, before the coup. However, if we exclude the unit-holdings for the government and the Fiji National Provident Fund, a public institution, then indigenous Fijian unit holdings represent 60.5% of the total shareholding as at 30 September 1994.

Table 5.6 Unit Trust of Fiji: Distribution of unit holders

Unit Holders	1992	1993	1994
Govt. of Fiji	209,827	228,991	248,038
FNPF	2,059,135	2,059,135	2,059,135
Sugar Cane Growers	384,616	384,616	384,616
Fijian Dev. Fund Board	193,450	210,220	226,979
UTOF Ltd	74,869	74,869	74,869
Assns. & Groups	448,992	478,161	470,274
Individuals	1,179,465	1,045,254	1,627,991
Provincial Councils	298,614	348,475	252,599
Fijian Affairs Board	392,233	560,685	560,685
Fijian Holdings Ltd	500,000	500,000	500,000
National Mutual	301,449	327,581	360,319
Total	**6,024,650**	**6,217,987**	**6,765,505**

Source: Unit Trust of Fiji 1996.

Of the eleven major investment categories, four could be classified as indigenous Fijian communal investments. These were the Fijian Development Fund Board, Provincial Councils, FAB and FHL. Again, the pattern of communal capitalism clearly emerged. This becomes much clearer when we examine all the indigenous Fijian investments in detail as shown in Table 5.7.

Table 5.7 Unit holders by indigenous Fijians at 30 September 1994

Unit Holders	1992	1993	1994
Fijian Affairs Board	392,233	560,685	560,685
Fijian Dev. Fund Board	193,450	210,220	226,979
Fijian Holdings Ltd	500,000	500,000	500,000
Provincial Councils	181,423	308,627	227,415
Tikina Councils	114,933	193,860	83,296
Village	181,494	203,073	197,225
Individuals	746,675	573,369	907,087
Total	**2,310,208**	**2,549,834**	**2,702,687**

Source: Unit Trust of Fiji 1996.

Table 5.7 shows that unit-holdings for indigenous Fijians increased from FJ$2.3 million in 1992 (38% of total unit-holding) to FJ$2.7 million in 1994 (40% of total unit holding). In 1992, 70% of the total indigenous Fijian unit holders were communal institutions (consisting of FAB, Fijian Development Fund Board, Fijian Holdings, Provincial Councils, *Tikina* [district] Councils and Villages) and the rest were individual unit holders. In 1994, the figure was more or less the same. Again, the dominance of communal shareholding through the Fijian

Administration hierarchy indicated the extent to which the communal schema dominated the indigenous Fijian commercial ethos, even at the sophisticated level of financial trading.

So far we have looked at two cases of communal capitalism. Next we shall discuss two other cases of affirmative action (FDB and NBF), focusing, not so much on communal capitalism, although both banks were largely responsible for the controversial loans for private investments in FHL, but in commercial projects which, nevertheless, were linked to the broader processes of communalism and which seriously affected their operations. First we look at the FDB.

The Fiji Development Bank

We have seen that the FDB was responsible for funding major affirmative action projects such as FHL and rural commercial ventures. It was one of the first commercial institutions which the Fiji government mandated to assist "in the national endeavour to increase participation in the economy by indigenous Fijians and Rotumans" (Fiji Development Bank 1993: 7).[15] This was in line with FDB's mission statement to "provide finance, financial and advisory services to assist in the economic development of Fiji and in particular the development of agriculture, commerce and industry" (Fiji Development Bank 1997b: 7). Some of the agricultural schemes which the FDB helped to fund were the Seaqaqa Sugar Scheme and the Agricultural Co-operatives we saw earlier.

The two FDB projects which specifically targeted the promotion of indigenous Fijian commerce were the Fiji Commercial Loans to Fijian Scheme (CLFS) and the Fijian store scheme, referred to as Equity Investment Management Company Limited (EIMCOL).

15 The Fiji Development Bank itself was set up on 1 July 1967, under the 1967 Fiji Development Bank Act to take over the role of the Agricultural and Industrial Loans Board, set up in 1951. It is a semi-autonomous statutory body, with a board of directors appointed by the Minister of Finance. The bank is subsidised by the government, as it is seen as the government's most important development vehicle. The specific objectives of the bank, apart from allowing special provision for indigenous Fijian participation in commerce, are to attain a well-balanced lending program in Fiji's main economic sectors, to acquire equity in selected commercial enterprises for eventual purchase by individuals and institutional investors in Fiji, to plan and develop supervised lending schemes to promote rural prosperity, to diversify Fiji's financing facilities, and to utilise modern technology to enhance the efficiency and effectiveness of the bank's operation.

Commercial Loans to Fijian Scheme

When the Commercial Loans to Fijian Scheme (CLFS) started in 1974, there was criticism from the Indo-Fijian business community, which saw it as a form of discrimination. Further concessions were granted after the 1987 coup to facilitate easier access and repayment, as we discussed earlier.

The post-coup regime asked the FDB to review the soft loan policies for indigenous Fijians, and consequently the ceiling was raised from FJ$100,000 to FJ$200,000, and the interest subsidy was increased from 1% to 5.5% per annum. Furthermore, if the loan involved the purchase of fixed assets, the government would provide 10% of the cost. This change in policy led to a dramatic increase in lending to FJ$45.4 million in the period between 1989 and 1991, an average of FJ$3 million a month. By the end of 1991, 8,497 loans valued at FJ$71.8 million had been made. This was at the height of the "lending boom", when the economy was experiencing a healthy growth rate of 8%; but towards the middle of the 1990s the Fiji economy experienced a major slow down, which affected the FDB's operation. By 1996, the amount administered under this scheme was FJ$66.9 million. This made up 20.3% of the number and 27.2% of the value of the bank's total loan portfolio. Table 5.8 shows the total amount and number of commercial loans made by the FDB to indigenous Fijians under CLFS from the period 1990 to 1995.

Table 5.8 Commercial Loans to Fijians Scheme (CLFS) approvals, amount (F$000) and number of loans (in bracket)

	1990/91	1991/92	1992/93	1993/94	1994/95
Portfolio					
Transportation	8,321 (597)	4,395 (463)	5,658 (439)	3,572 (391)	2,975 (285)
Real Estate	8,004 (112)	5,186 (52)	3,777 (44)	10,625 (70)	14,810 (64)
Invest/Finance	0 (0)	2,200 (21)	2,710 (52)	524 (11)	1,832 (116)
Retail/Wholesale	0 (0)	0 (0)	2,463 (328)	1,898 (352)	1,754 (222)
Commercial	2,959 (725)	3,542 (419)	744 (59)	319 (33)	859 (34)
Timber	510 (16)	866 (15)	627 (11)	295 (11)	857 (12)
Tourism	146 (8)	688 (17)	323 (17)	110 (11)	127 (13)
Manufacturing	1,766 (59)	3,131 (24)	260 (23)	298 (20)	877 (19)
Construction	390 (13)	124 (8)	36 (7)	148 (7)	243 (6)
Total	**22,096 (1,530)**	**20,132 (1,019)**	**16,598 (980)**	**17,789 (906)**	**24,334 (771)**

Source: Fiji Development Bank 1997a: 13.

The table shows a general decrease in the number of loans (but not in the amount) from 1990 to 1995. This was due to the economic slowdown after 1989-1990, the peak growth period. Also, the FDB began to carefully monitor its loans because of a high rate of "non-performance". However, the significant increase in amount (despite the decrease in number) during the 1994/95 period was due to the dramatic increase in the real estate portfolio as a result of two huge communal investment loans for two high-rise office blocks in downtown Suva, for the Rewa Province (the province in which Suva City is located) and Suvavou, the traditional owners of the land on which Suva City is built.

The investment/financial institutions portfolio needs special mention here because of its links with FHL. A sizeable amount of this portfolio was invested in FHL. Loans for this portfolio started in the 1991/92 period, the same time at which FHL opened up equity to private investment, as we saw earlier. The CLFS loans became an important source of capital for FHL and for Unit Trust of Fiji private investment. The amount lent varied considerably, and in many cases depended on the socio-economic status of the clients. Two loan-size categories (100,000-250,000 and 250,000-500,000), as shown in Table 5.9, consisted of seven clients only. These included the Managing Director of the Fiji Development Bank himself and other members of the "clique" (mentioned earlier in this chapter) which controlled the individual shares in FHL.

Table 5.9 Financial institutions portfolio

Loan Size Category (FJ$)	Number of Loans	Value (FJD$)
0-10,000	74	282,838
10,001-20,000	20	199,126
20,001-300,000	7	142,811
30,001-50,000	16	302,780
50,001-100,000	41	2,120,457
100,001-250,000	6	490,645
250,000-500,000	1	298,820

Source: Fiji Development Bank 1997a.

The government subsidy to CLFS was substantial, as it was part of the government's economic affirmative action policy and was used to ensure that the Fiji Development Bank continued to remain afloat, despite the loan concessions. From 1985 to 1994 a total of FJ$9,352,321 worth of subsidy and FJ$1,838,156 worth of guarantee was provided by government. These were in addition to the annual subsidy the government provided the FDB.[16] Although CLFS loans were

16 It should be noted that the FDB's CLFS was a totally different portfolio to the normal bank commercial loan. From 1992 to 1996, of the FJ$248.3 million worth of loans approved, loans worth FJ$164.6 million were normal commercial loans, while loans worth FJ$83.7 million were for CLFS, a ratio of about 2:1. In other words, about half of the total FDB loan portfolio was for indigenous Fijian affirmative action.

strictly for indigenous Fijians, political imperatives were beginning to dictate otherwise. The SVT government had formed a Coalition government with the General Electors Party after the 1992 election and, as part of the political concessions involved, CLFS loans were extended to other ethnic minorities under the "General" or "Others" ethnic classification in 1993. Table 5.10 shows the CLFS loans approval, by ethnicity, with the general electors loans totalling more than FJ$1 million in 1994 and close to FJ$2 million in 1996, although the number of loans was still relatively small.

Table 5.10 CLFS loans approval by ethnic classification

	1994		1995		1996	
Ethnicity	**Number**	**F$000**	**Number**	**F$000**	**Number**	**F$000**
Fijian/Rotuman	754	15,140	564	27,710	195	18,351
General Electors	45	1,241	38	1,798	7	197,000
Total	**799**	**16,381**	**602**	**28,508**	**202**	**18,545**

Source: Fiji Development Bank Board Paper No. 11/397(28 February 1997): Annual Review for Commercial Loans to Fijians, Rotumans and General Electors.

The inclusion of the general electors (who consisted of Chinese, Europeans, part-Europeans and Pacific Islanders) in the CLFS may have been a useful political lever to ensure that the SVT-General Voters Party Coalition remained cohesive at a time when indigenous support was divided between Rabuka's SVT, Kamikamica's Fijian Association Party (FAP) and Butadroka's Fijian Nationalist Party (FNP). Further concessions for general electors were provided just before the 1999 election in the form of scholarships and an increase in the CLFS ceiling to FJ$200,000. This occurred after the coalition between the SVT and the United General Party (UGP), a new party for general electors, was formed.

One of the key features of the CLFS loans was regional inequality in the distribution pattern. Most of the loans went to urban or semi-urban localities and very few went to the rural areas. More than 50% of the loans were concentrated in Suva, the capital city. The loans practically reinforced existing wealth maldistribution and helped to worsen regional wealth disparity.

Despite its noble intentions, CLFS was based on the vacuous assumption that merely increasing the capital input into indigenous Fijian business would in some way generate commercial success. This view has been consistently perpetuated in the *Ten Year Plan* and even various FDB Annual Reports from 1994 to 1996. This was the reason for the increase in the ceiling in 1988. It was assumed that the lack of commercial enthusiasm of indigenous Fijians could be addressed by quantitatively expanding the loan portfolio. However, the socio-economic and political climate of investment was far more complex, as FDB itself later realised in some of its assessment reports. One of the problems was that

CLFS clients did not have the necessary skills to fully implement the business plans which accompanied the loans. This problem had been recognised much earlier in the 1960s and 1970s. The communal encapsulation and marginalisation of indigenous Fijians from mainstream commerce largely contributed to this. Ironically, despite recognition of the problem, there was an almost deliberate attempt to perpetuate it through encouragement of communal capitalism.

The CLFS crisis: Affirmative action in question

By the middle of the 1990s, the ambitious plan for wide capital disbursement under CLFS was beginning to feel the strain of increased arrears. Clearly there has been a high level of non-performance in the CLFS over the years. The level of non-performance for the CLFS portfolio was 45.28% for 1994, 42.41% in 1995 and 34.06% in 1996. The level of write-offs increased from 17% in 1994 to 21.59% in 1995 and 23.63% in 1996 (Fiji Development Bank 1996b).

One of the most popular loans was in the real estate portfolio. This needs some discussion here because, not only did real estate constitute the greatest amount in terms of disbursement, it was also considered to be the most easily identifiable in terms of visible evidence of indigenous progress. Also, there was a view that real estate did not involve much commercial ingenuity but rather that it was a passive form of investment which involved no more than putting one's property up for rent and waiting for money to flow in. This seemed attractive to many indigenous Fijians. After the military coups in 1987, the cost of residential houses slumped as a result of the dramatic downturn in the immediate post-coup economy and massive emigration by Indo-Fijians. A large number of expatriates were recruited to fill vacancies left by the large number of professionals who had migrated and these provided a growing market for the real estate business.

In 1989, in an attempt to encourage indigenous Fijians to invest in property, the government provided grants for fixed asset loans. This led to a dramatic increase in real estate loans. This initiative was withdrawn in 1991, after just two years of implementation, due to declining commercial performance. This resulted in a decline in real estate loans by 50%. However, in 1993 the number of real estate loans went up again because of the Fiji National Provident Fund's (FNPF) newly-introduced Small Business Equity Scheme (SBES).[17] The SBES was another form of commercial affirmative action, meant to enable indigenous Fijians to produce

17 The Fiji National Provident Fund (FNPF), the national life saving scheme, was established to take the place of the pension scheme, first introduced by the colonial state. While pension funds can be collected only after retirement, FNPF money can be used to buy residential houses, pay for education or for investment purposes.

the necessary equity contribution.[18] Some of these loans were used to make up the equity for real estate loans from the FDB, and this accounted for the increase in the number of real estate loans by more than 60% (Fiji Development Bank 1994a).

However, by the mid-1990s the real estate portfolio was beginning to face problems. On 25 July1996 a paper to review the CLFC real estate performance was commissioned and its findings painted the doomsday scenario that there was a "nation-wide low" and that real estate loans performance was "deteriorating" (Fiji Development Bank 1996c). It recommended that measures be put in place before the situation worsened. Records showed that the total CLFS real estate sector collections decreased by 18.47% from 60.65% in June 1995 to 42.18% as at March 1996 (Fiji Development Bank 1996c). By 30 June 1996 the CLFS debt had accumulated to FJ$34.5 million. A significant number of debts were unserviceable. The crisis was not limited to the CLFS, but affected the FDB's real estate portfolio in general, which posed a serious threat to the lending capacity of the bank because as at 31 March 1996 the real estate portfolio made up FJ$116.98 million of FDB's total loan portfolio of FJ$326.9 million – almost half of the total loan portfolio.

The reasons for this mounting debt and portfolio decline were, firstly, the oversupply of executive homes, due to the early rush after the coup by indigenous Fijians to buy homes for investments.[19] There was no systematic survey of the real estate market before the loans floodgates were opened. Secondly, in the case of Suva, where most of the debtors concentrated, there was competition with non-indigenous investors who had built luxurious flats around the city area and many expatriates had moved in to occupy them as they were much cheaper, safer from crime (compared to the middle-class suburbs) and more convenient for travelling to work, for shopping, and to other city centre facilities.

Given the extent of the real estate portfolio crisis, the FDB review team recommended that:

> (1) Loans for executive house rental be discouraged until December 1996 to new applicants.

18 The SBES for transport purposes, like taxis and boats, were suspended in 1993. This affected some of the indigenous-Fijian business proposals already in the pipeline. A classic example was when hundreds of the urban working population of Kadavu, one of the 14 provinces, were asked by the provincial business wing, the Kadavu Development Company (KDC), to contribute certain portions of their FNPF savings to the cost of the company's inter-island ferry. Many filled and signed the forms they were provided, to approve deductions from their FNPF, but were disappointed when the scheme fell through. In sociological terms, the KDC's approach to acquiring capital is a common method by ethnic-Fijian elites to manipulate primordial relations, loyalties and institutions to serve certain commercial interests.

19 On the other hand, the decline in the number of real estate loans to Indo-Fijians, as with other types of loans, was due to the political uncertainty in Fiji, and also because of the uncertainty about the soon-to-expire Agricultural Landlord and Tenants Act (ALTA), on which most Indo-Fijian farmers relied for their livelihood.

(2) Lending for live-in residential property should continue. But care was to be exercised to ensure that only those with secure employment were to be considered, and direct deductions were to be "pursued with intensity".

(3) Emphasis was to be placed on collection and rehabilitation of poorly performing accounts (Fiji Development Bank 1996c: 2).

Despite the crisis besetting the CLFS real estate portfolio, two large loans were made in 1995 to two indigenous Fijian companies which had close connections with the government and chiefly support. The first loan, worth FJ$3 million, was made to the Rewa Provincial Council, and the second, worth FJ$2 million, was made to Nadonumai Holdings Limited, belonging to the people of Suvavou. Suva, the capital city, was situated in Rewa province. The paramount traditional chief of Rewa was Adi Lala, the wife of the President of the Republic and former Prime Minister, Ratu Sir Kamisese Mara. The Managing Director of the FDB at the time of the loans, Qarase, came from the same province as Mara. Nadonumai Holdings Limited was owned by the original settlers of Suva, who were relocated by the British colonial state to a new settlement, called Suvavou (new Suva) to clear the Suva peninsula for a new capital for Fiji in 1882.[20] Despite attempts by the Suvavou people to be paid compensation by the colonial and post-colonial states, it was not until 1994 that the Rabuka government gave the Suvavou people a goodwill gesture by providing them with a piece of land and FJ$2 million loan, to be topped up by the FDB, to build an office block in downtown Suva. Both these loans, clearly facilitated by state patronage, increased the real estate loans figure in 1995, despite the decrease in the number of loans. Part of the deal was that the two buildings were to be rented by government departments. The two high-profile loans were politically significant because, as two of the very few indigenous Fijian-owned high-rise buildings in Suva, they symbolised indigenous Fijian real estate "success" in a highly visible way. They also symbolised the shift towards "think big" indigenous projects, as in Malaysia, through purchase of high-cost assets. Importantly, the two building were communally owned and symbolised the strong political links between the FDB and the ruling power elites and were an example of how affirmative action resources could be readily disbursed along political lines.

The real estate portfolio was not the only one in trouble. Another review of working capital loans for the retailing and wholesaling sectors of the CLFS, dated 22 March 1994, noted with dismay that 80.4% by number and 41% by value of the total working capital loans for retailing and wholesaling were

20 The first capital of Fiji, Levuka town on the island of Ovalau, was the scene of the British take-over ceremony on 10 October 1874. In 1882 the capital shifted to Suva, the current capital, because it had more space for expansion, unlike Levuka, which was surrounded by hills.

outstanding. This unusually high degree of "non-performance" was blamed on "market problems" and "misuse of funds" (Fiji Development Bank 1994b: 6), so the review recommended that the loans in this particular portfolio be frozen. The "market problems" were partly because retailing and wholesaling had been traditionally the monopoly of Indo-Fijians, and it was very difficult make inroads into these domains. The problem of "misuse of funds" was blamed on diversion of funds to communal obligations. The case of the EIMCOL projects, as we shall see later, bore testimony to these two problems.

As the crisis deepened, there was a sharp decline in CLFS approvals in 1996, both in terms of numbers and value. By 31 December 1996, 2,023 accounts valued at FJ$68.72 million were still outstanding. Up to the same period, real estate constituted 57.95% by value, but Retail /Wholesale and Transport/ Communication made up the majority in terms of number of loans, with 30.65% and 31.34% respectively.[21] These outstanding loans varied in terms of size. The most difficult loans to recover were smaller loans (0-10,000), because a lot of the small businesses set up through these loans were not commercially viable and could not compete with bigger and better established businesses (Fiji Development Bank 1996a).

By 1996 the sectors with deteriorating performance, in terms of percentage of outstanding loans to total size of the portfolio were infrastructure/construction (32.5% in 1995 to 87.7% in 1996), tourism (14.4% in 1995 to 41.5% in 1996) and wholesale/retail/restaurant (51.8% in 1995 to 54.9% in 1996) (Fiji Development Bank 1997b). The poor performance of the wholesale/retail sector was due to five major loans totalling FJ$2.3 million to Tropikana Industries Limited and four EIMCOL companies, all of which suffered financial difficulties and had to close down. The best-performing loans were in the financial institutional portfolio (as we saw earlier), most of which were used to buy Fijian Holdings Limited shares.

By June 1996 the number of loans had drastically declined by 50%, but the value of approvals went down by only 0.29%. The decline in the number of loans was due to two reasons; firstly, FDB had to suspend lending for retail, wholesale and transport projects; and secondly, two large loans were made for high-rise commercial buildings in Suva, as we have seen. While this increased the amount loaned, it actually reduced the number of loans in the real estate portfolio.

21 However, the FDB had some consolation in 1996. The arrears in terms of percentage to the total portfolio decreased from 25.34% to 20.48%. There was also a slight decrease in the percentage of the loan provision in relation to the CLFS from 9.13% to 7.93%. The non-performing accounts percentage to portfolio decreased from 44.28% to 25.74%. The write-offs portfolio decreased from 7.45% to 6.74%. These "decreases" were due largely to the combined effects of cleaning-up exercises, approval of quality loans and imposition of certain policy restrictions.

FDB's solution to the CLFS's problems was to introduce loan restrictions. These were not positive steps to remedy the crisis but interventionist policies to punish current and potential customers and salvage the CLFS from its ultimate demise and, perhaps, save FDB from public ridicule and political backlash. For instance, as far back as May 1991 the fixed asset grant was suspended. In July 1995, working capital loans for retail and wholesale, together with loans for the purchase of road freight transport vehicles (RFTV) with a weight of 2 tonnes or less were also suspended. In December of the same year, taxi loans to new clients in the central and eastern regions were suspended as well. However, all these suspensions were for the duration of one year, pending improvement in financial conditions. Further loan suspensions, some extensions from expired 1996 suspensions, were carried out in 1996. These were: loans for purchase of RFTV with a weight of 2 tonnes or less, extended to July 1997; all forms of purchase of RFTV of 3 tonnes capacity; lending for executive rental homes (discouraged), working capital loans for retail/wholesale extended to September 1997; new loans (to new clients) of FJ$10,000 or less for any purpose under the Wholesale/Retail sector for 1 year to September 1997; taxi loans in the central and eastern regions, extended to December 1997.

In terminating lending for certain projects, the FDB explained that:

> The FDB believes, however, that it is prudent banking practice to terminate lending in specific sectors when there is clear evidence that many clients in those sectors are getting into difficulties. To continue lending would be to ignore the warning signals and create even greater difficulties for the Bank and customers. The suspension period gives the Bank an opportunity to improve supervision of poorly performing accounts and to rehabilitate them. Resumption of lending is dependent on the outcome of performance reviews (Fiji Development Bank 1997a: 13).

Various internal reviews were critical of the CLFS performance. For instance, the reviews for 1994 and 1996 were far from being encouraging.[22] A 1994 review confirmed what was generally felt:

> One disturbing fact still remains that even after 18 years from inception of this scheme, Fijians and Rotumans have not really ventured into manufacturing, tourism and construction type of business. They prefer to invest in those projects that do not require much entrepreneurial and technical skills (Fiji Development Bank 1994a: 4).

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22 Review performance of the FDB Commercial Loans to Fijian Scheme (CLFS) is undertaken every year or so, not by an independent body, but by the research section of the FDB, to determine its effectiveness and viability over time, and also to make recommendations. It is usually undertaken upon request by the Ministry of Finance, and the findings are submitted to the FDB Board, who are all appointees of the Minister for Finance.

This observation is very significant because it shows that while the problem had been identified by the FDB, it failed to look for appropriate solutions to address the problem. The 1994 FDB Annual Review of CLFS (different from the one earlier quoted) identified a number of problems, which directly implicated the commercially inhibiting influence of communalism: lack of proper planning, lack of cash control, lack of stock control, lack of business exposure, no business contacts and lack of knowledge of legal and other requirements necessary to set up business (Fiji Development Bank 1994b).

My intention in outlining these details is to illustrate in an empirical way the wide gap between political rhetoric in favour of indigenous affirmative action at one level and the concrete problems of implementation at the operationalization level. This survey is also relevant in terms of making the point that, contrary to prevailing reasoning that lack of capital was to be blamed for indigenous Fijian economic backwardness (Sutherland 1998), the problem was more fundamental. It was the inability to utilise available capital due to lack of innovative ideas about how to generate the maximum out of the existing communal life of indigenous Fijians. As a source of development funds the FDB was the most important institutional vehicle for economic affirmative action by the government and Fijian Administration, but it was confronted with a number of problems which were to threaten its capacity to carry out this mandate. First, it did not provide the necessary entrepreneurial skills to enable CLFS clients to compete with the established business. The training they were provided was merely for operating business accounts rather than how to manage a business in a competitive economic climate by forging business links and networks,. The FDB's policy was geared towards 'delivering the goods' in the form of loans, and there was little emphasis on capacity building and empowerment to enable clients to independently and creatively pursue their business. Second, there was no thorough sociological assessment of the possible contradictions between traditional cultural obligations and commercial practices that would undermine the viability of the business. In many ways, CLFS clients were still strongly attached to communal demands such as communal collections. Ironically, while at the political level there was encouragement of CLFS loans for individual entrepreneurship, there were also expectations that recipients remained loyal to their *yasana*, *tikina,koro,mataqali* and *tokatoka* and were obliged to contribute to communal demands (personal communication with a number of CLFS clients). There was also commitment to one's kinship obligation which demanded the free offering of resources such as food.

Equity Investment Management Company Limited (EIMCOL)

The Equity Investment Management Company Limited (EIMCOL) was set up in 1990 as a successor to the Business Opportunity and Management Advisory Service (BOMAS), set up in 1975 to "work solely with the Fijians", and to help them in their endeavour to enter the commercial world (Hailey 1992: 12).[23]

EIMCOL, unlike the CLFS, was not directly part of the FDB's portfolio but was a semi-autonomous project, established in 1990, and administered and facilitated by the FDB after BOMAS, originally attached to the FAB, collapsed.[24] The aim was to "assist Fijians and Rotumans enter the retail trade…long-term venture designed to school the participants in the commercial disciplines of retailing" (Qarase 1995: 21). The EIMCOL project was to be a national show piece for the FDB by producing indigenous Fijian supermarket managers. Unlike the CLFS projects, where clients ran their own business, EIMCOL stores were to be run directly by FDB. The idea was based on the Papua New Guinea (PNG) *Stret Pasin Store* (Street Fashion Store) model, where PNG nationals served as trainees in small Chinese shops, learning basic knowledge and skills of retailing at a micro level. In many ways, the PNG project served its purpose initially, but as a result of the general social unrest and lawlessness, retailing declined dramatically. The FDB sent one of its senior executives to PNG to study the project and, upon his return, enthusiastically recommended its implementation in Fiji. But instead of starting small by training clients for small retailing activities, the FDB embarked on a "think big" project by training supermarket managers. Applicants were restricted to indigenous Fijians and Rotumans, who were vetted and put on a training program with Carpenters Group, a major corporation with links to FHL, for six months.[25]

Upon completion of training, the successful "trainee managers" (as they were officially called) were allocated a supermarket each to run but were directly accountable to the FDB. The supermarkets were owned by a series of EIMCOL limited liability companies (i.e. each shop was owned by an EIMCOL company),

23 BOMAS had a very short life. It was first under the Ministry of Fijian Affairs and later it came under the Fiji Development Bank. Its role was fundamentally to train ethnic Fijians in the basics of entrepreneurial skills, to enable them to become independent business people. BOMAS failed because it was "inappropriate, poorly planned, under-funded, and starved of resources and qualified staff" (see Hailey 1992).

24 The EIMCOL was approved by Cabinet in December 1988 and the government committed itself to a FJ$3 million grant to the project. On 20 May 1989, the position of manager was advertised and EIMCOL was registered two months later. The Directors of EIMCOL were Laisenia Qarase, FDB Managing Director; Harry Kiss, former Director of the Ports Authority of Fiji; Tevita Vugakoto, FDB's General Manager Administration and Special Projects and Jone Tabuya, General Manager, EIMCOL.

25 A Post and Telecommunication technical officer, with inappropriate qualifications, was appointed training officer, but his appointment was later terminated due to incompetence. A General Manager was also appointed on 20 May 1989, who was later sacked after EIMCOL went into a crisis.

with the FDB and government as shareholders and funders. The government contributed one-third (FJ$3 million) and the FDB two thirds, (FJ$6 million) of the interest-free loan. EIMCOL management monitored the performance and provided instructions and supervision occasionally. Ownership of the shop was to be transferred to the trainee after 15 years, or earlier, depending on the completion of the full loan repayment. By 1992, nine shops, located mainly around the capital, Suva, had been purchased at different prices, and were run by EIMCOL trainee managers.

Within two years of its beginning, EIMCOL began to go through a series of crises, which led to its collapse. On 31 December 1991, the General Manager was sacked and was replaced. In late 1992 three EIMCOL supermarkets (Natokawaqa, Navua and Bureta Street)[26] were closed, and on 17 September 1993, the remaining six supermarkets were sold to the store managers, despite the FDB's initial promise that ownership would not be transferred until satisfactory payment of the loans had been made. The supermarkets were sold at prices that were far above the original prices. By 1996, all the EIMCOL supermarkets had been sold and EIMCOL as a commercial project collapsed. It threatened to bring down the FDB's pro-indigenous Fijian commercial program and, more importantly, given its high profile as a "model" for indigenous Fijian business, it was a major political blow to the government's affirmative action program. This, together with other factors, contributed to the forced resignation of Mr. Qarase as Managing Director of the FDB in 1997.[27]

Although it was not part of the plan, the reason given by the FDB for selling the shops was that the managers wanted to run the shops themselves. But one thing was clear, the transfer of ownership at an early stage meant that the FDB was going to be free of the cumulative liabilities it had created itself. The managers were to be ultimately responsible for the inevitable crisis, but the FDB was not to escape responsibility altogether as legal and political challenges were mounted against it.

The collapse of the EIMCOL scheme was the result of a number of interrelated reasons. While in principle the EIMCOL project looked viable, FDB's ambitious haste to concretise the idea was driven more by the political need to show the indigenous Fijians, and in particular the Great Council of Chiefs and the Fijian Administration, to whom Qarase was directly responsible as financial advisor, that the prevailing sentiments for affirmative action could be satisfied and that something concrete was being done. As the leading development institution in

26 The Natokawaqa supermarket was closed three months after its purchase because the sale was declared null and void since it was still under legal proceedings with a caveat by an interested party.

27 In July 1997 Isoa Kaloumaira, General Manager Finance, Planning, Research and Marketing was appointed Managing Director of the FDB to take the place of Laisenia Qarase, who became General Manager of the Merchant Bank of Fiji, another subsidiary of Fijian Holdings Limited.

the country, the FDB felt that it had both the political and moral responsibility to be at the forefront of facilitating the indigenous Fijians' participation in commerce. The FDB could not provide the appropriate managerial and commercial skills and knowledge, backed by relevant logistical systems. The general manager and training officer initially appointed to EIMCOL had neither the experience nor the expertise in the sort of commercial venture that EIMCOL was intended to carry out. Training for trainee managers in the initial stages was less than commendable. For instance, on 18 November 1992 the trainee managers, disgusted with the EIMCOL management, wrote a letter to the Prime Minister, where, amongst other things, they pointed out that:

> During training, the trainees spent most of the time doing practical labour work and very little time was spent on identifying the elements of real business, like working out prices, controlling cash flow, controlling creditors and debtors and identifying real sources and markets. As a result of these, the trainees, after acquiring their individual shops took a longer time to adjust/orientate themselves to the commercial environment. Overall, the managers underwent very poor training and were not prepared well for what they encountered. They were led to believe that they would be running small retail outlets. Instead they were given supermarkets to run. They were not prepared to run supermarkets. They were out of their depths and most had to improvise to survive (*Fiji Times*, 18 November 1992: 5).

Furthermore, purchase of the supermarkets was made without due consideration of some basic socio-economic factors such as location, consumer market and potential competition. Most, if not all, of the EIMCOL supermarkets were located close to established and thriving Indo-Fijian-owned supermarkets and retail shops, which were selling goods at considerably lower prices. EIMCOL did not have an import arm or a central buying house from where the supermarkets could buy goods cheaply and instead they had to purchase bulk goods from Indo-Fijian supermarkets. One of the supermarkets was designated as the buying and distribution centre. Due to their higher retail prices compared to their competitors the EIMCOL supermarkets could not survive for long. In a lot of cases the supermarkets allocated were in such bad shape that trainee managers had to spend a lot of time and funds on repairing plant, equipment, fixtures and fittings.

As a result of the wide publicity of the EIMCOL crisis, bordering on a national scandal, the FDB became defensive, and shifted the blame to the trainee managers. In a strongly worded letter to the editor of *The Fiji Times*, Qarase insisted that the manager trainees were to be blamed because of their lack of commitment and for flouting basic commercial rules. He said that "as students and trainees they appear to be adopting a 'we know best' attitude instead of applying themselves to learning the basics of their business" (*The Fiji Times*, 19 November 1992: 5). The "blaming the victim" syndrome adopted by Qarase was further deployed in an advertisement in *The Fiji Times*, while referring to the initial sacking of two supermarket managers:

> In both the cases referred to in the recent media publicity, the managers concerned failed to follow the rules. They were not totally committed. Their appointments were terminated due to consistent mismanagement, failure to abide by the principles of business and continuing breaches of their terms and conditions of employment. Both managers had ample opportunity of over two years to learn and to improve their performance. They had the benefit of intensive, concentrated training covering many aspects of retailing, combined with hands-on experience. They knew that the scheme was about performance and those who did not perform to a satisfactory level were dropped. They did not perform... We had a number of meetings with them to discuss their problems. It made no difference. They continued to break the commercial rules and to demonstrate their lack of discipline. The FDB had no choice but to terminate their appointments. At the end of the day, the Bank has a fundamental responsibility to safeguard taxpayers' funds under its stewardship (The Fiji Times, 28 November 1992).

Politicians also joined in the controversy. Senator Manu Korovulavula, an indigenous Fijian Senator and businessman, addressed the Senate and charged:

> They (FDB) are bankers who do not have any exposure to food merchandising business, more so in the scale of supermarket. How then can they justifiably say they can teach people what and how they should carry out their work, when they themselves do not really know, because they had no such training or relative past work experience (Korovulavula, *Speech to Senate*, 12 July 1994: 5).

Senator Korovulavula suggested that any form of commercial affirmative action for indigenous Fijians should include the contribution of Indo-Fijians and other races:

> The Government of the day, perhaps, is not aware of or advised that a considerable number of successful businessmen, in particular the Indians, on account of the solo Fijian efforts to enter and participate in business, with respect stood aside and observed with deep regret the series of Fijian business failures. In silence there are those who do care for the Fijians to be successful in business too. They might feel that it might be unbecoming of them if they offered their assistance that might not be welcomed for political conservative orientation. Humans as we

> are, it would be unnatural to think that every person in Fiji is ready and willing to help the less fortunate, who struggle each day to make ends meet (Korovulavula, *Speech to the Fiji Senate,* 12 July 1994: 5).

The Fiji Senate passed a motion, "That this house expresses deep concern at the past method of commercial management adopted by the Equity Investment Company Limited (EIMCOL), with regard to the disbursement of FJ$3 million grant by Government" (Fiji Parliament. 1994). The collapse of the EIMCOL caused a major political stir which saw Indo-Fijian political leaders calling for a total review of the wastage of public resources through indigenous-Fijian affirmative action.

One of the consequences of the collapse of the EIMCOL was ethnic scapegoating. The leader of the indigenous group *Kudru na Vanua* (Rumble of the Land) told the author that "the failure of Fijian business is a result of *Vere Vakaidia* (Indian conspiracy)". Based more on perception than reality, ethnic scapegoating diverted attention from the real issues that needed addressing.

The National Bank of Fiji (NBF): Hand-outs and coup payoffs

After the 1987 military coup there was forced "Fijianization" of a number of institutions (such as in the civil service, as we have seen). Amongst them was the National Bank of Fiji. Unlike the FDB, the National Bank of Fiji (NBF) did not have a formal government mandate to put in place affirmative action programs for indigenous Fijians. But after the military coups in 1987, the post-coup regime unilaterally imposed pro-indigenous measures in the NBF which later had drastic consequences.[28]

After he staged the coup the then Lt Colonel (now Major General) Rabuka unilaterally appointed Visanti Makrava, a Rotuman (politically classified as indigenous), an NBF branch manager (Samabula Branch), to become the Chief Manager of NBF, without the knowledge of the NBF board or the Minister of

28 Until 1999, NBF was a 100% Fiji government-owned bank, set up as a fully commercial bank in 1974, under the NBF Act, which suggests that the NBF's financial role should be undertaken in the "national interest". The term 'national interest' being ideologically loaded, it became the convenient justification for the complex commercial and socio-political mess it ended up with. The pro-ethnic-Fijian agenda was not formally prescribed but was part of the post-coup political design, subtly infused into the psyche of the bank management by the military regime. The post-coup political climate, characterised by firmly entrenched ethnic polarisation, nationalist passion for permanent ethnic-Fijian paramountcy and rhetorical opposition to what was seen as Indo-Fijian dominance of the economy, was the perfect setting and created a fertile atmosphere for the bank's unwritten political agenda.

Finance.[29] The "appointment" took place in typical military junta style. Makrava and a group of M16-toting soldiers entered the NBF headquarters and told the then Chief Manager, Gordon Ryan, an Australian expatriate, seconded by the Commonwealth Bank of Australia, to vacate his office because he (Makarava) had been appointed by Rabuka as NBF Chief Manager. Makarava himself had complained to Rabuka about the expatriate managers "on holiday" in Fiji, and the need to localise the top management positions. This was more than welcomed by the military, which in fact became the first beneficiaries of the gunpoint localisation. They were provided with special bank facilities, including preferential loans. In the name of indigenous well-being, unsecured loans were "handed out" liberally to supporters of the coup (*The Review*, July 1995).

Makrava handpicked a number of indigenous Fijians and Rotumans for the top management positions, despite their lack of experience and expertise. But within a few years the bank was enveloped in crisis. In 1994, the Auditor General reported that approval limits were being exceeded, repayments were irregular, loans were repaid from overdrawn personal accounts, loans were not reviewed or monitored, and there was no insurance cover for some loan securities (Fiji Office of Auditor General 1994). Loans were made available liberally to family members, friends and those with powerful political connections and in many cases securities were not provided. For instance, the NBF branch on Makarava's home island of Rotuma had about FJ$400,000 in deposits and F$13 million in loans. This was a loan to deposit ratio of more than 300%. This compared unfavourably with the ratio of 50% for Nadi, Fiji's fastest growing urban centre.

Many loans were given under political pressure. A Korean logging company, Taveuni Woo Il, in which the former President, Ratu Sir Penaia Ganilau, had a 33% shareholding , with a further 20% of shares held by the Cakaudrove Provincial Council, and with a paid-up capital of FJ$1.5 million, owed more than FJ$5 million on security of about FJ$1.4 million. There were many other loans that were approved under political duress. The former Deputy Chief Manager, Kalivati Bakani, admitted that the political pressure, though indirect, ensured that "you got the message" (*The Review*, July 1995: 21).

Post-coup propaganda convinced many indigenous Fijians that the bank had indeed been "recaptured" from expatriates to serve their commercial interests. Many withdrew their accounts from other expatriate banks like the Australian WESTPAC and the trans-Tasman Australia New Zealand Bank (ANZ) and joined NBF and its newly introduced NBF Group Insurance Scheme (GIS).[30] This mass

29 The Minister of Finance was directly responsible for the National Bank of Fiji. He appointed the members of the Board. At the time of Visanti Makarava's "appointment" as Chief Manager, the Minister of Finance was the late Josua Cavalevu.

30 This involved individuals joining an insurance scheme as part of a collective professional or social group, with relatively generous loan conditions.

exodus was partly an attraction to the relatively liberal conditions of the NBF loans and partly a feeling of patriotism whipped up by the coup makers that investment in NBF was politically good for indigenous Fijians.

By 1995, when the NBF problem became a public scandal, the NBF had paid-up capital of a mere FJ$15 million. By 30 June 1995, it had FJ$450 million in deposits, against FJ$390 million worth of loans, despite the Reserve Bank of Fiji directive that loan growth be contained at FJD$355 million, as a condition for the FJ$15 million government sinking fund deposits and its own funds. Doubtful loans were estimated by the accounting firm Aidney-Dickson to be FJ$93 million, while the World Bank's estimate was FJ$120 million (*The Review,* July 1995). Worse still, there was a liquidity shortfall of over FJ$70 million. Due to this, overnight borrowings were around FJ$15-20 million in December 1993, reaching FJ$70 million in 1995. The crisis was so deep that the newly appointed Minister of Finance, Berenado Vunibobo, said that, "The National Bank of Fiji is, for all intents and purposes, insolvent", and angrily said that he "was shocked. [I]t is fundamentally flawed" (*The Review,* July 1995:16). More than FJ$300 million in bad debt had been incurred, and the bank began borrowing about FJ$80 million a day to maintain liquidity.

Ironically, things began to swing back in a full circle. In 1995 the new Minister of Finance quickly moved to remove top bank executives (mostly indigenous Fijians promoted or planted there during the coup) and brought in expatriate bankers to clear up the mess. The list of bad debtors printed by the *Fiji Times* read like a "Who's Who" list, headed by President Mara. It included Prime Minister General Rabuka's companies, chiefs, government ministers, senior army officers, senior civil servants and selected coup supporters. Individual debtors and families who were part of the Fijian political and military elite owed up to FJ$1 million each. The decision by the government to lay off National Bank of Fiji workers as part of the recovery measures led to a nation-wide strike by the Bank Employees Association. A compromise was reached whereby workers were to be given a handsome retirement package.[31]

Perhaps the coup was able to inspire a sense of an entrepreneurial urge amongst indigenous Fijian elites as they saw a chance to take advantage of their unrestricted power and access to state resources to unilaterally push through some of their communal aspirations. But the means was irregular and the process was not directed and managed in a way that made commercial sense. Some loans were political payoffs to those who played a significant role in the coups. A

31 Towards the end of 1996, criminal charges of corruption were laid against a number of leading figures in the loan scandal. Of these, two were government ministers (Mr. Ovini Bokini, former Minister for Lands and Mr. Koresi Matatolu, former Minister for Agriculture). The accused included Makrava, the sacked Chief Manager of the National Bank of Fiji, and other business people. Mr. Bokini faced 32 charges of corruption. Investigations into these charges mysteriously fizzled out as a result of political pressure.

number of people who were responsible for the ethnic beatings and burning in the streets of Suva were allegedly given loans up to FJ$500,000 without security (*Fiji Times*, 10 August 1995). Many others who played important roles in the coup were likewise allegedly "rewarded" by the NBF.

At the height of the political controversy surrounding the scandal, General Rabuka defended himself by saying that NBF Chief Manager, Makrava, as his appointee, had done a lot for the indigenous Fijians, and those who were criticising him were conspiring against indigenous Fijian interests.

The crisis of the NBF loans, some of which were for "commercial" and some for "personal" purposes, was due to a number of factors. It can be easily argued that the main "blame" had to be located within the whole politics of communalism itself, which led to the take-over of the bank and the imposition of preferential loans. The laxity in repayment, borne of the feeling that the NBF had become a communal bank of some sort, made the situation worse. The main difference between the NBF and the other affirmative action policies (FHL, UTF, CLFS and EIMCOL) was that while the shortcomings of the other ones had to do with their communal approach to investment, the NBF fiasco was based on unsystematic and coerced communal disbursement of public funds.[32] The entire indigenous Fijian state elite was caught up in the fiasco. It was a blatant case of greed, ethical irresponsibility and criminalization of the state never before seen in the history of Fiji. While the financial loss to the economy was substantial and reversible in the short term, the psychological impact to the indigenous Fijian community in terms of diminished self-esteem and reinforcement of anti-indigenous reputation and stereotypes as commercially incapable would linger on.

The failure of many affirmative action projects contributed to friction and division within the indigenous Fijian community as manifested at the political level. During the 1999 general election, the ruling SVT Party under Rabuka lost the election to a Fiji Labour Party-led coalition and for the first time an Indo-Fijian became prime minister of Fiji. This contributed to Fiji's third coup a year later.

32 In March 1999, the NBF was privatised. The majority share (51%) was purchased by Colonial Life Mutual Assurance.