

# **The role of state budget in giving and making sense of racism: some evidences from Fiji**

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## **Abstract**

It is beyond doubt that state budgets have become very influential in the emergence and functioning of modern states and societies worldwide. In this paper we go beyond the narrow technical and objective roles of state budgets, into how state budgets with provision for affirmative action have become a tool for racial differentiation. We argue that budgetary allocations for affirmative action not only create a pattern of visibility and power which in turn shape racial discourse, but future budgets also get shaped by such conditions.

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# **The role of state budget in giving and making sense of racism: some evidences from Fiji**

## **Abstract**

It is beyond doubt that state budgets have become very influential in the emergence and functioning of modern states and societies worldwide. In this paper we go beyond the narrow technical and objective roles of state budgets, into how state budgets with provision for affirmative action have become a tool for racial differentiation. We argue that budgetary allocations for affirmative action not only create a pattern of visibility and power which in turn shape racial discourse, but future budgets also get shaped by such conditions.

## **1. Introduction**

It is beyond doubt that budgets, be it for an organisation or a state, have many different roles. While conventional management accounting and control literature views a budget as a rational tool for resource allocation decisions, many published research to date have established that a budget is more than just a rational reflection of technical and objective reality. These studies have considered budgets and the budgeting process in organisations as socially constructed. Rather than just being a passive reflection of objective technical reality, budgets and the budgeting process are implicated in the construction of social reality (Wildavsky, 1979; Cooper, et al, 1981; Covalski and Dirsmith, 1986, 1988). This non-conventional perspective argues that upon implementation, budgets and budgetary control systems shape, and in turn gets shaped in terms of what is important and what constitutes social and organisational reality. The main aim of this study is to examine how a state budget with budgetary provision for affirmative action becomes a tool for racial differentiation in Fiji. We argue that the state budget is an accounting modality that is often drawn upon in everyday interaction to reproduce racial tensions in Fiji. In our daily life we human agents draw upon certain modalities which provide the medium through which social

interaction takes place (Giddens, 1984). We draw upon interpretive schemes to make sense, understand and communicate meaning of actions and the world around us. A state budget is one such scheme or a modality which allows the preparers and the users to give and make sense, understand and communicate what is important for the state and what it wants to achieve. We argue that budgetary provisions for affirmative action for one particular group in a society which is segregated on racial lines, reproduces and intensifies race relations. The budget thus gives legitimacy to race and its reconstitution. Race and race relations can be sensed in the Fijian state budget that allocates significant amounts annually to resolve racial differences in the country. Budgets are thus not an objective and neutral tool for resource allocation, instead, intertwined with social, political and cultural processes that characterise social life. With command and control over the budget, it becomes a very important resource or facility that the state uses to exercise of power, control and discharge accountability. Budgetary provisions for affirmative action also communicate a set of values and ideals about what are considered important, approved and those that are not important and disapproved (Macintosh and Scapens, 1990) by the state. The budget incorporates values of the dominant group i.e. those in power on what it regards as virtue or vice and what ought to happen and what not ought to happen.

The notion of race is still widely used in social sciences even though there is some shared understanding among social scientists that 'races' as such do not exist (Solomos and Black, 1996). Many argue that the concept should be bracketed each time it is used or replaced with 'ethnicity'. Even though race is a delicate topic, it needs to be remembered that it is 'all too real in its pernicious effects' (Loomba, 1998: 122) thus justifying continued usage of the concept. Similar to calls by Loomba, 1998; Miles, 1989; Miles and Brown, 2003, we are in concurrence with them for continued usage of the concept of race.

Race is one area (among others) where accounting lacks scholastic achievements, particularly where accounting is deployed to support racist regimes and race relations (Fleischman and Tyson, 2000). Of the limited studies undertaken on race and accounting, the majority have focused on racial discrimination within the public accountancy profession (Mitchell, 1969, 1976; Mitchell and Flintall, 1990; Hammond and Streeter, 1994; Hammond, 1997; Annisette, 2000, Annisette, 2003, Kim, 2004).

These studies demonstrate how race and accounting are infused in professional accounting industry leading to exclusion and/or under-representation of minority groups in different societies. This study is different from those just cited above, for it examines how a state budget based on technical, objective accounting rules and processes legitimate subjective and political decisions such as segregation of the population on racial lines.

The rest of the paper is structured along the following lines. In section two, we review the conventional and non-conventional perspectives on public sector budgets. We then trace the historical roots of affirmative action and summarise the main arguments for and against affirmative action. In the fourth section, we provide an overview of affirmative action initiatives and state budgetary provisions in the Fijian context. Section five provides case illustrations of affirmative action initiatives and their involvement in reconstitution of race relations in Fiji. The paper ends with a summary, conclusion and implication for further research in this sensitive area.

## **2. Different Perspectives on Budgeting**

Budgeting in the public sector generally reflects the policy of the government towards the economy. Such a document plays a significant role in the process of government fulfilling allocative, stabilization and distributive functions (Gildenhuy, 1997). The normative literature on budgetary process stresses the importance of objectives and aims of budgetary policy in the resource allocation process. By concentrating on the objectives and principles, the planners can prioritise and face up to constraints when choosing alternatives. The role of accounting in resource allocation process is highly significant as it provides a basis for the development of rational calculations in allocating resources.

A normative approach to understand public budgeting would require an understanding of the formal structure within which rules are framed based on set objectives about the economy. Budgetary decision making in this sense would allow a comprehensive analysis of different options that achieves a set of objectives. As Wildavsky stated "...a normative theory of budgeting would be a comprehensive and specific political theory detailing what the government's action ought to be at a particular time. Given

that the budget represents the outcome of political struggle, a normative theory of budgeting suggests the elimination of any such conflict over the government's role in society. Such a theory, therefore, is utopian in the fullest sense of the word: Its creation and acceptance would mean the end of politics." As comprehensive budget calculations are impractical because of time constraints, resource limitations, and lack of clear decision rules, 'incrementalism' became the dominant theory of public budgeting. Such an approach is pragmatic as it highlights the importance of stability and predictability of the budgetary process. Under incrementalism it is viewed that the budgetary decision making is based on small and marginal changes from the existing policies rather than a comprehensive analysis of all options. The incremental approach was seriously challenged by the late 1970s not least, as it failed to analyse budgetary process from political and social perspectives (LeLoup, 1978).

Different scholars argued that budgeting cannot always be understood as a rational means of achieving objectives (Pondy, 1970, Covalleski & Dirsmith, 1986). Instead, budgetary process should be seen in terms of its dependence on historically established structures, social culture and tradition. Accounting and budgeting research also moved from an understanding of accounting as an isolated and neutral activity towards an appreciation of accounting as an institution and social practice (Hopwood & Miller, 1994). Studying budgetary process from social and institutional perspectives would focus on how budgetary decision making is undertaken within a social setting. As a social practice, a state budget is embedded in the political and cultural values and preferences and priorities of the nation state. Studying the budgetary process would require an understanding of the network of stakeholders, the institutions and the incentives for actions affecting the budgetary decision making process.

The pervasive nature of accounting and budgeting is well documented (Collier, 2001, Hopwood and Miller, 1994) in terms of their roles in accommodating and representing institutional and societal values. From an institutional perspective, budgeting should be seen in terms of how different practices, rules, and routines evolved within a particular socio-political setting. Once such rules are established they become institutionalised (Burns and Scapens, 2000). Budget rules can be historically established and can be interpreted in Hardy's institutional framework.

The evaluation of budgetary process depends on country specific circumstances, such as social and institutional values, political culture and historical traditions. Budgeting should be seen from both formal and informal relations including dominant norms and values. While certain aspects of budgeting can be formal, other informal aspects will dictate how prioritised are set, who can participate, and who can be marginalised. Budgetary policies can be influenced by dialectic and historical interplays between different stakeholders within a given society.

When budgeting is seen from institutional and historical sense, one can reveal that certain rules and procedures can be ingrained with history. For example, certain rights can be given to certain section of people through the formal resource allocation process. Such rights can be widely characterised as legitimate once it is embodied in the budgetary process. Rational calculation of budgeting cannot explain such privileges as these inhibits efficient resource allocation for delivering a broad range of economic , political and social rights.

Finally, a state budget has sense making and sense giving roles which are indicative of its connections to the social, political and symbolic activities of the state. The preparers and users of budgets make and give sense of situations, conditions events and happenings by placing a particular interpretation on them. A state budget represents the goals of people/party in power, that enables giving and making sense of beliefs, values and goals held by those in power. A state budget, once approved by the parliament, is a tool for power and authority and an important means by which power and authority network is revealed, reinforced and even changed (Roberts and Scapens, 1985; Macintosh and Scapens, 1990). A state budget also reflects the culture of the nation/state. The principal values, norms and beliefs of the rulers of a state are reflected in its budget. For example, piecemeal and uncoordinated efforts on affirmative action during and after the colonial rule in Fiji became explicitly recognised in the constitution since 1987 and dovetailed into the government's macro economic policy decisions, calling for greater budgetary allocations every year for such initiatives. Given the segregation of the population of Fiji on racial lines, affirmative action involves issues of race. We argue that the Fijian national budget is influential in the constitution and reconstitution of race and race related tensions in

the Country. The next two sections discuss in more detail arguments for and against affirmative action and affirmative action policies in Fiji respectively.

### **3. Affirmative Action: Arguments For and Against**

The term ‘affirmative action’ has US origin, tracing its roots to the Civil rights Act of 1964 (Title VII as amended in 1972) which bans all discrimination in employment based on race, colour, religion, sex, or national origin. It denotes design and implementation of policies to redress the exclusion of minorities (African Americans) from business, employment, education, housing, and so on (see for example Weiss, 1997 for a comprehensive history of affirmative action in the US). Affirmative action was conceived as a temporary measure to compensate for the years of slavery, with a hope that it would lead to equal opportunity for all (Edmonds, 1994: 22; Stein, 1995: 28). Its purpose was to increase equity and opportunity, to permit race and, subsequently gender to become a factor in hiring, contracting, admissions, and financial aid. Affirmative action policies thus justified using unequal means to achieve greater equality among diverse groups of people, which would contribute to ‘public welfare because it reduces poverty and inequalities ...’ (Greene, 1989: 9). But is this enough! It needs to be clear that ‘blacks have not simply been treated unfairly; they have been subjected first to decades of slavery, and then to decades of second-class citizenship, widespread legalized discrimination, economic persecution, educational deprivation and cultural stigmatization. They have been bought, sold, killed, beaten, raped, excluded, exploited, shamed, and scorned for a very long time’ (Fish, 1993: 2). Words such as ‘compensate’ rarely give sufficient description of their experiences. Some might argue that affirmative action policies are hardly an adequate remedy for the ‘deep disadvantages’ arising from discrimination, while others might see it as a small consolation for unfair treatment. Other arguments advanced in favour of affirmative action are: that it is just reparation of historical injustices (McGary, Jr., 1977 – 78); that affirmative action can be justified on the ground that the harms of discrimination are current, and require compensation (Ezorsky, 1991); and that race-based affirmative action policies are necessary in college admissions because a central mission of the university is to promote a democratic culture (Post, 1998). This requires building the cultural capital of all citizens, so that they have the

‘communicative and imaginative’ skills necessary for creating a universally inclusive, democratic discourse (ibid).

The main argument against affirmative action is that ‘two wrongs don’t make a right; if it was wrong to treat blacks unfairly, it is wrong to give blacks preference and thereby treat whites unfairly (Fish, 1993:2). In other words, turning the tables on previously favoured groups is as unjust as the original discrimination. Further, the argument that affirmative action is reverse racism is faulty reasoning that ignores the historical context of the issue and any attempt to establish a level playing field would perpetuate existing unfair conditions (ibid). Stein (1995: 1) contends that affirmative action policies have not been fully accepted within the US, and argues that such policies further reinforce ‘racist stereotypes instead of eliminating them’. Finally, Sowell (1996) went on to argue in the US context that affirmative action programmes stigmatise its intended beneficiaries by implying that they are less competent and cause white resentment towards black, thereby reproducing racial hatred.

Affirmative action initiatives are generally driven by political imperatives, aimed at addressing the question of equality. But then, equality itself is a subjective term with different interpretations and contextualisations. As a result of complex social, political and economic factors, there are practical difficulties in achieving equality (Ratuva, 2002: 130). For example, in countries like the USA, Malaysia, South Africa, India and Fiji, affirmative action is more than just a normal economic policy prescription.

#### **4 Affirmative Action Initiatives and State Budgetary Provisions in Fiji**

This study is based on archival research undertaken by the authors during 2004 and 2005. Apart from literature review, documents for empirical analysis were collected from Fiji Archives, libraries and state offices such as the Office of the Auditor General, the Registrar of Companies and the Parliament of Fiji. Corporate annual reports of some of the state-owned organisations involved in the promotion of affirmative action were also studied.

Fiji’s population stood at 775,077 according to 1996 Census (52% Fijians, 43.75% Indians and 4.25% other communities such as Chinese and Europeans. Currently the



population is estimated around 846,085 (Fijians make up 54.5%, Indians, 38% and other communities comprise 7.5% of the population (Fiji Islands Bureau of Statistics, 2005). The decline in Indian population is due to prolonged political uncertainty, culminating in skilled and family reunion migration to Australia, New Zealand and the USA.

The 1987 coup and subsequent political turmoils have intensified race relations in Fiji. The national budget not only allocates resources for national development policy but also for affirmative action initiatives for indigenous Fijians. The latter has been in a form of 'economic nationalism', largely driven by political motives (Ratuva, 2002: 137). It took a new turn in 2000 when the state put together a Blueprint outlining a comprehensive 20 year plan for affirmative action. The 1997 Fijian constitution (chapter 5, Social Justice Act) defines affirmative action as follows:

*'Affirmative action is a coherent pack of measures of a temporary character, aimed specifically at correcting the position of members of a target group in one or more aspects of their social life, in order to obtain effective equality'.*

Several privileges have been extended to the Fijians through the state budget at the expense of other races. The affirmative action initiatives include preference and priority in recruitment to senior public service positions, generous grants to the 14 Fijian provincial councils, government guaranteed and interest subsidized loans in the form of development finance and provision for Fijian scholarships for tertiary level studies. As the above initiatives are implemented through the yearly state budget, we argue that it is an important accounting modality (Macintosh and Scapens, 1990) enrolled in the constitution and reconstitution of race relations in Fiji. As an interpretive scheme, a state budget provides an understanding of activities of the government, its priorities and communicating them meaningfully to the society at large. A state budget also embodies the norms of the state, they legitimate the rights of some people and penalise others, and communicate values and ideals about what is important and approved. A state budget is also an important resource used in the exercise of power by the state. Both Fijians and Indo-Fijians suffered different kinds of exploitation during colonial rule, and more so, the latter have been completely deprived of native assets such as land, forest, and sea resources and so on, and 'born

into the less favourable social positions'. Thus drawing upon Rawls (1972: 100) we argue that affirmative action programmes should be made available to all the disadvantaged groups of the society so as to provide genuine equality of opportunity.

In Fiji, the Social Justice Act 2001 was designed to legislate all existing and new affirmative action programmes. The Government has put in place a Blueprint<sup>1</sup> that outlines a 20 year development plan (2001 – 2020) for the enhancement of participation of indigenous Fijians and Rotumans in the socio-economic development. The previous governments and present regime remain committed to the programme on the protection of Fijian and Rotuman rights and interests with significant budgetary allocations year after year. The 2003 national budget allocated F\$15.20 million for Blueprint initiatives and this was increased to F\$16.20 million in the 2004 budget (Ministry of Finance and National Planning, 2004). As similar provisions are not available for other races that are equally poor and live below the poverty line (Scarr, 1983; Cameron, 2000; Chand, 2001), it is argued that affirmative action programmes become a major source conflict and tension between the two main races. Instead of eliminating racism, such policies further 'reinforce racist stereotypes' (Stein, 1995). White (2001:242) goes further and argues that 'there is no national consensus that Fijians constitute a disadvantaged group whose status warrants affirmative action. Such an ambiguity of Fijian status problematises the legitimacy of affirmative action policies for Fijians and Rotumans.

Affirmative action policies in Fiji 'have received an ambivalent response from Indo-Fijians' and some factions of even the Fijian community (see the FHL case later under section 5.3), and 'related debates have been couched in a colonial discourse that pervades the discussion of group differences in the society' (White, 2001: 240). The origins of colonial discourse are traced to the 'protectionist' (also at times referred to as the 'handout') philosophy of the British colonial administration expressed in three major policies (land inalienation, immigrant labour and traditional hierarchy), discussed in detail earlier. This philosophy and associated policies were based on the

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<sup>1</sup> The Blueprint is titled: *'50/50 by year 2020: 20-year development plan for the enhancement of participation of indigenous Fijians and Rotumans in the socio-economic development of Fiji* printed by Government Printer, Fiji.

notion that Fijians were a primitive people, unprepared to function in a civilized society, and therefore, needed to be sheltered from its influences (Sutherland, 1992; White, 2001). The colonial policies and a corresponding colonial discourse configured Fijian natives as a group that first required protection and then gradually introduced to the modern competitive and complex economic environment (Norton, 2002; White, 2001; Sutherland, 1992, 2000). Hence 'protectionist' policies were designed and implemented to preserve Fijian customs and practices, and to shelter the Fijian people from the detriments that were perceived to follow from rapid exposure to commercialisation and modernization particularly in the urban centres (Scarr, 1983, White, 2001). The Fijian community was seen as not ready for individualistic rights, thus requiring the guidance from Europeans. Key to this nuance of Fijians was an estimation of their incompetence in governing their own affairs in 'civilised' institutionalized settings Sutherland, 1992).

Apart from discriminatory educational practices in Fiji (for details see Puamau, 2001), political segmentation was also institutionalized through the introduction of race-based representation in the Government. The majority representation of Fijians at the helm of government coupled with demands for the positions of prime minister and president reserved for Fijians is itself a form of affirmative action, suggesting the symbolic and practical value of political power. The significance of political power follows from the premise that only Fijian leaders have the greatest motivation to promote and protect material Fijian interests and therefore, uphold affirmative action programmes until economic and educational inequalities are eliminated. The above practices of racial segmentation perpetuated distinct cultural, religious and linguistic identities among Fijians and Indo-Fijians and the legacy of these practices is clearly evident today in form of racially segmented patterns of employment, political affiliations minimal intermarriages and in other forms of everyday interaction (Norton, 1977, 2002, White, 2001).

As the colonial administration began preparation for Fiji's independence, the issue of economic inequality (however problematic) between the two major races came increasingly to the fore. Prominent Fijian leaders regarded such disparities with a heightened sense of foreboding (Durutalo, 1986, White, 2001). The danger for them was that not only 'cunning' and 'greedy' Indo-Fijians would be over-represented in

the private sector, but numerically dominant to take political control of the country, resulting in change of land legislations. Losing land to others, for Fijians, means losing their identity and the most important allocative and authoritative resource, and hence slipping away from power and domination. The only way out was the promulgation of a constitution that protected the status of Fijians. This came to be known as ‘paramouncy of Fijian interests’, a tacit contract intended to recognize and protect Fijians as an indigenous group (Durutalo, 1986).

The first constitution of independent Fiji and others that followed had several provisions that required budgetary allocations to uphold and enhance the paramouncy of Fijian interests. Among others, the glaring ones are identified as follows: Great Council of Chief’s nominees to the senate; 83% of the land in communal holding; dual (communal and cross) voting system to preclude Indo-Fijian political domination. The Social Justice Act (2001) outlines a variety of affirmative action programmes with a view to protecting rights and interests of Fijians and advancement of their development. Its main features are: new constitution to consolidate the provisions mentioned earlier plus give effect to the collective desire of the Fijians that national leadership positions of head of state and head of government be held by them; revamping Fijian administration so that its operations are fully autonomous of the central government; government to fully fund Fijian administration; government financial assistance to the NLTB; government to help funding Fijian Development Trust Fund and Education Fund; government to provide interest-free loans to Fijian Holdings and other Fijian Investment companies to purchase shares in profitable companies; reserve 50% of major licenses (import, taxi permits) and government contracts to Fijians; continuation of the Fiji Development Bank special loans to Fijians; assistance to landowners taking up cane farming; small business agency to provide training and advisory services and business information to Fijians; and among others, government assistance to Fijians to buy back ancestral land alienated as freehold during colonial rule. In the next section we outline only three of the several case studies demonstrating the unintended consequences of affirmative action initiatives in Fiji. It is not our intention to focus on failed cases alone, but unfortunately there are hardly any success stories for celebration.

## **5. Cases Illustrating the Unintended Consequences of Affirmative Action**

While there may be very few success stories to celebrate about affirmative action in Fiji, instances of unsuccessful projects and wastages are several. The experiences of various countries including Fiji show that affirmative action works in complex ways and involves interplay of economic, political and cultural factors (Ratuva, 2002: 131). The set goals are not achieved and the beneficiaries are mostly privileged individuals and groups linked to the established power structure. The first case relates to the failure of the Fiji Development Bank's Equity Investment and Management Company Limited (EIMCOL) programme, the second is about the most recent agricultural scam within the Ministry of Agriculture and the third pertains to the activities of the Fijian Holding Company. Each case illustrates a different kind of a failure and these are discussed below in some detail.

### **5.1 The FDB's Equity Investment and Management Company Limited (EIMCOL)**

The Fiji Development Bank, a wholly owned government financial institution is fully committed to the implementation of the affirmative action policies of the government. To enhance indigenous participation in commerce and industry, the Bank introduced EIMCOL, also known as the 'store' management scheme in 1989, whereby indigenous Fijians, after a period of management training, could own and operate retail stores purchased by the FDB. The investment by the Bank on this initiative amounted to around five million dollars. The idea was borrowed from the Agricultural Bank of Papua New Guinea, where the scheme has been very successful. Initially, eight trainee managers were identified for the eight EIMCOL shops acquired by the Bank, and upon successful completion of three months training period, each took charge of a shop. Information on EIMCOL to date is very confidential but on 12 March, 1996, The Fiji Times (a daily news paper) was able to publish confidential information on EIMCOL's failure, from a leaked Bank's (January 1996) Board paper. It outlined serious problems faced by each of the eight stores, and requested the FDB Board to freeze interest on loan on all the stores. By the end of 1990 two shops ran into financial difficulties and were sold by the FDB. The remaining shops did not last long and the properties were leased out but the rental income from them wasn't sufficient to cover the repayment of the principal amount. As a last resort they were

put on mortgagee sale, but the extent of write-off to date is unknown. Interviews with at least four shop managers (other four's whereabouts not known) revealed that they could not survive stiff local competition, and their position in the market was further weakened by constraints associated with Fijian tradition and communal way of life. As Sutherland (2000: 206) put it:

*'At the heart of the 'Fijian' question is a longstanding indigenous Fijian concern about their economic backwardness. As early as 1959 an inquiry into the economic problems and prospects facing the indigenous Fijian people identified the root causes as the indigenous Fijian communal way of life and the system of 'Fijian Administration' instituted by the colonial state'.*

In general, Fijian economic disadvantages are explained in terms of their 'subsistence affluence', their preference for 'leisurely' village lifestyle, a lack of entrepreneurship and capitalist discipline, communalistic as opposed to individualistic values, and a strong sense of traditional obligation (Sutherland, 1992, 2000).

The FDB's good intention of enhancing Fijian participation in commerce is more than offset by racial tensions. The Bank's 'Special Loans Division' is a profit centre that makes funds available to Fijians and Rotumans on relaxed terms and conditions. The structure and the key performance indicators<sup>2</sup> (KPI's) of the division are very much 'indigenized' and its management accounting and control systems carry a different set of meanings in comparison to other profit centres within the Bank. As per the FDB's corporate plan (1993: 28) for the years 1994 to 1998, the Special Loans Divisions' performance targets in key result areas were much lower in comparison to the targets of other profit centres and the Bank as a whole. It is thus argued that the management accounting and control systems of the FDB's Special Loans Division is a key player in producing and reproducing race relations.

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<sup>2</sup> The FDB's profit centre portfolio performance is measured using eight primary indicators: arrears as a % of portfolio; provisions as a % of portfolio; write-off as a % of arrears; rescheduling as a % arrears; current due collection rate; overdue collection rate; overall collection rate; profit as a % of portfolio.

## 5.2 Ministry of Agriculture Scam

The data for this case is mostly drawn from the report of the Auditor General of the Republic of Fiji Islands (Special Audit Report, Parliamentary Paper No. 11, 2002). In summary, this report states that the senior officials of the Ministry of Agriculture should be held accountable for the financial mismanagement of the agricultural affirmative action plan, and should be charged under the Public Service Act. 'Without a doubt these officials demonstrated blatant disregard of the Finance Act and other policies and regulations of the government' (ibid: 25) that resulted in mismanagement of \$25 million dollars of the tax-payers money. The agricultural affirmative action programme for Fijians and Rotumans is yet another example of mismanagement of funds and a source of racial tension. The Ministry of Agriculture is required to play a pivotal role in the Fijian economy, providing critical and reciprocal linkages with all other sectors of the economy. The Ministry implemented the affirmative action plan in 2000 for indigenous Fijians and Rotumans to enhance their participation in agriculture. The audit investigation revealed that there was no system of authorization, lack of forecasting and planning, poor channels of communication and co-ordination and no means of performance monitoring and control (ibid. 3). The audit noted that there were no standard selection criteria or documented procedures for selecting farmers for assistance and for monitoring them after assistance was provided. In the majority of cases, the permanent secretary, the deputy secretary and /or the principal accounts officer approved the applications without any technical assessment and evaluation by experts in the field located in various districts. There were many evidences of uneconomic purchases by the Ministry. No quotations were obtained and the investigation revealed that the majority of purchases were made from a single supplier whose prices on average were twice as much as in other hardware shops. The audit found that the Ministry acquired goods and services without issuing local purchase orders requiring authorization/approvals at different levels, and liabilities committed through such irregular practices ran in millions of dollars. This irregular practice is viewed as a deliberate attempt by the Ministry, particularly the Principal Accounts Officer, to violate standard Government procurement procedures, thereby opening avenues for abuses (ibid: 13). The special audit further revealed that some local purchase orders issued to suppliers were open, leaving room for manipulation by the supplier and/ or

the farmer, a practice contrary to the accepted procedures. The audit further noted that no stock registers were maintained for receipts books, cheque books, purchase orders and requisitions as they were sent direct to the divisions and centres by the printery, thus escalating misuse of funds. Finally, several evidences exist to support purchases of items not covered by the plan (example purchase of lap top computers, fax machines, generators, air compressors, spray guns etc.).

### 5.3 The Fijian Holding Limited (FHL)

The FHL was founded in 1984 in response to a call by the Great Council of chiefs, the core purpose of its existence being ‘to accelerate the participation of the Fijian people in the corporate sector and in doing so enhance their socio-economic standing within the economy’ (Fijian Holding Limited, Annual Report, 2003: 1), with a vision of becoming the leading investment company in the South Pacific Region’ (ibid). It is modelled on the lines of Malaysian *bhumiputera* investment body, Permodalan Nasional Berhad. Its shareholders include Provincial Councils, the Native Land Trust Board, the Fijian Affairs Board, Tikina and village groups, Fijian Co-operatives, individuals and family companies. The FHL is a successful company for it acquires stake in only major established and profitable companies, with a key objective of bringing indigenous Fijians fully into the mainstream of the Country’s economic life through acquisition of its shares. As part of affirmative action initiative, the Government, in 1989 provided an interest-free loan (to be paid over twenty years) to the Fijian Affairs Board, which used the loan to buy shares in the FHL. This loan was later converted to a Government grant on the condition that one million B class shares held by the Fijian Affairs Board in the FHL are transferred to each of the fourteen provinces (the balance of six million shares to remain with the FAB). The unintended consequences of affirmative action resulting from the FHL case are somewhat different from the previous two cases, and these are outlined below.

The good intentions of the Great Council of Chiefs i.e. to boost the ownership of the Provincial Councils and other Fijian institutions in the FHL for the benefit of ordinary Fijians were not honoured. Several private family-owned companies were formed by some politicians (including the current prime minister) and other elite Fijians groups within a short span of time that acquired shares in the FHL through the FDB loans.



The 1992 Annual Report of the FHL revealed that 70% shareholding by individuals and newly formed family-owned companies and the remaining 30% held by Fijian institutions. A recent visit to the head office of the FHL and the Registrar of Companies office by one of the researchers to obtain shareholding details was in vain. As a public company such details should be readily available to the public.

Ratuva (2000) argues that the principle underlying the FHL is that of 'communal capitalism'. The FHC was the Great Council of Chief's creation in 1984, and under its hegemonic guardianship, was to symbolically represent the interests of the entire Fijian community. The objective of the FHL as outlined in its corporate plan was 'to increase Fijian participation in commerce ... through acquisition of equity in established, well-managed profitable companies with excellent prospects for growth' (FHL Annual Report, 1994:1). The Company was to ensure that the 'benefit spread as widely as possible among the Fijian people' (ibid.). The shareholding of the company was communal, mobilized through the Provinces by the NLTB and the Fijian Affairs Board. By 1994, the FHL had interests in nine major companies in Fiji. Its paid-up capital grew from \$F1.2 million in 1985 to F\$27.5 million in 1994 and total assets in the same period rose from F\$1.3 million to F\$36.3 million. During 1990's dividend payments averaged 25%. Further, as part of affirmative action, a \$20 million interest-free government loan in 1989 promoted dramatic expansions in 1990 to 1994. Certainly, as an investment company, the FHL has done relatively well but unfortunately represents only elite and chiefly Fijian interests (Ratuva, 2000).

The FHL has served to 'reproduce the exploitive hegemony of a minority of elite ethnic Fijians within the state-chiefly alliance, and in so doing maintained the broad outlines of colonial native policy' (Ratuva, 2000: 247). Communal capitalism and the need for resources that it entails, becomes an arena for economic and political mobilization of ordinary Fijians by an elite group concerned with sustaining its own economic and political hegemony, thus deepening poverty amongst ethnic Fijians generally (Ratuva, 2000; Sepehri and Akram-Lodhi, 2000). As the limit placed on investment fund was F\$10,000, only the elite group of Fijians benefited, giving a smack and 'recognition of the principle of embourgeoisement which, behind the rhetoric, underpinned much of the economic affirmative action taking place on behalf of the ethnic Fijian community' (Ratuva, 2000: 240). It is clear that the benefits of

affirmative action programmes have been concentrated in the hands of a few state bureaucrats, chiefs, and ethnic Fijian bourgeois class.

## **5. Summary and conclusion**

This study has attempted to demonstrate that a state budget can be implicated in the furtherance of many and diverse sets of human and social needs. One such role, as enlightened in this study is its involvement in furtherance of racism. In our daily life we human agents draw upon certain modalities which provide the medium through which social interaction takes place (Giddens, 1984). We draw upon interpretive schemes to make sense, understand and communicate meaning of actions and the world around us. A state budget is one such scheme or a modality which allows the preparers and the users to understand what is important for the state and what it wants to achieve. Creating budgetary provisions for affirmative action for one particular group in a society that is segregated on racial lines, reproduces and intensifies race relations. The budget thus gives legitimacy to race and its reconstitution. Race and race relations therefore, can be sensed in the Fijian state budget that allocates significant amounts annually to resolve racial differences in the country. Budgets are thus not an objective and neutral tool for resource allocation, instead, intertwined with the political processes that characterise social life. With command and control over the budget, it becomes a very important resource or facility that the state uses to exercise of power, control and discharge accountability. Budgetary provisions for affirmative action also communicate a set of values and ideals about what are considered important, approved and those that are not important and disapproved by the state. The budget incorporates values of the dominant group i.e. those in power on what it regards as virtue or vice and what ought to happen and what not ought to happen.

A budget, therefore, is more than a rational reflection of a technical reality. It is a social construct, complicit in the construction social reality. The state budgetary process with allocations for affirmative action is a mechanism through which interests on racial lines are negotiated, justified and articulated. The main objective of affirmative action in Fiji is to allow for equality of access to opportunities for Fijians but case studies presented earlier demonstrate the unintended consequences through

intended actions of purposive, self-interested human actors. Actions such as above not only intensify inter ethnic but also intra ethnic tensions in Fiji.

Moral justification for affirmative action in several countries has come about on the grounds of equality but such initiatives are usually driven by political motives, aimed at promoting the interests of a particular ethnic group. In Fiji, the concept of equality remains problematic, and the methods used to accomplish the aims of affirmative action are contentious. For example, there is no national consensus that indigenous Fijians are a disadvantaged group (White, 2001). Further, the three Fijian case studies cited above illustrate that monitoring and accountability of public funds for affirmative action did not incorporate values of good governance.

The actual practice of budgeting is implicated with the furtherance of many and very different sets of social, political and economic needs. Through the annual state budget (based on accounting rules and principles), with budgetary provisions for affirmative action, the Fijian state is able to intervene, design and implement policies that favour indigenous Fijians and Rotumans, thereby enabling the government of the day to remain in power. The economic calculations for affirmative action provided in the state budget become the basis for allocation of future resources and consolidation of race-based policies that further deteriorate race relations.

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