

MINISTRY OF ECONOMY CIRCULAR

MINISTRY OF ECONOMY
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From: Permanent Secretary for Economy

To: As per Distribution

Subject: 2019-2020 BUDGET STRATEGY

1.0 Objective

1.1 The objective of this Circular is to inform Permanent Secretaries and Heads of Department of the strategy and broad guidelines for the formulation of the 2019-2020 Budget.

2.0 2019-2020 Budget

2.1 Cabinet at its meeting on 5 February 2019 approved the following fiscal targets and policy measures for the 2019-2020 Budget:

- a) a net deficit of 3.0 percent of GDP;
- b) an operating-capital expenditure ratio of 60:40; and
- c) the broad 2019-2020 Budget timelines provided in paragraph 5.0.

3.0 Economic and Fiscal Performance

3.1 The Budget Strategy for 2019-2020 Budget has been developed taking into account global, regional and domestic financial and economic circumstances that affect the economy.

3.2 Government's macroeconomic targets are clearly articulated in the 5-Year & 20-Year Development Plan, a document which provides forward looking vision for Transforming Fiji towards an even more progressive, vibrant and inclusive society. The Plan consists of two approaches namely; Inclusive Socio-economic Development and Transformational Strategic Thrusts. The first will ensure that all socio economic rights in the Constitution are realised and the latter are forward looking policy shifts to support the vision for transforming Fiji.

3.3 As such, achieving the following key macro-economic targets will remain the focus of Government's policies in the medium term:

- Growing the economy by 5 percent annually;
- Maintaining inflation at around 2-3 percent on average;
- Maintaining foreign exchange reserves at 4-5 months of import cover;
- Reducing the rate of poverty to a negligible level;
- Reducing fiscal deficits, with a view to achieving a balanced budget;
- Reducing government debt to 45 percent of GDP;
- Raising investment levels to 25 percent of GDP; and
- Channeling resources to priority sectors to boost investment and export.

4.0 Medium-Term Fiscal Strategy and Framework

4.1 Macroeconomic fundamentals remain strong with a growing economy and improving standards of living for Fijians. Fiscal policy over the last two financial years has been expansionary in order to accommodate the high expenditure demand for reconstruction and other public sector spending.

4.2 While some fiscal impetus is necessary to maintain the momentum on capital investments, ensuring a sustainable macro-fiscal environment is equally essential.

4.3 Against this backdrop, the medium-term fiscal framework is designed to ensure revenue projections are achievable, expenditures are driven by realistic revenue collections, fiscal buffers are built in to manage shocks and that debt remains on a sustainable path.

4.4 The net deficit target for the FY2019-2020 Budget is broadly set at 3.0 per cent of GDP, with revenue estimated at 30.8 per cent of GDP and expenditure at 33.8 per cent of GDP. The deficit will be gradually lowered to 2.5 per cent and 2.0 per cent of GDP for FY2020-2021 and FY2021-2022.

Expenditure Policy

4.5 In line with the medium-term fiscal framework, expenditure policies in the budget will be guided by the following principles:

- (i) Financial resources allocated are used prudently to derive real value for money where funding for ongoing programmes are based on assessments of current and past performance and achievement of planned outputs;

- (ii) Financial resources are allocated based on a multi-year perspective taking into account implementation capacity of agencies and the need to meet competing expenditure demands;
- (iii) New project proposals are supported with proper feasibility and cost benefits analyses;
- (iv) Raising efficiency gains in ministries managing operational spending such as travel, telecommunication and other incidentals;
- (v) Increases in remuneration based on productivity improvements and assessed through the performance management framework;
- (vi) Maintaining an optimal operating-capital expenditure mix;
- (vii) Support to budget sector agencies for better accountability, reporting and effective implementation; and
- (viii) Regular monitoring and reporting of budget performance by the Ministry of Economy.

5.0 FY2019-2020 Budget Broad Preparation Timelines

5.1 Table 1 below provides the broad preparation timelines for the FY2019-2020 Budget.

Table 1: FY2019-2020 Budget Broad Preparation Timelines

	Budget Phase	Date
1.	Budget Strategy tabled to Cabinet	5 February
2.	Budget submissions due from ministries and departments	29 March
3.	Public consultations on the Budget	March/April
4.	Assessment of submissions from ministries and departments	1 April - 12 April
5.	Officials consultations with ministries and departments	15 April - 18 April
6.	Ministerial consultations	23 April - 26 April

7.	Finalisation of Budget documents for printing	5 June - 6 June
8.	Tabling of Budget documents to Cabinet	7 June
9.	Parliamentary Budget Announcement	7 June
10.	Parliament debate on the Budget	17 June - 21 June

6.0 Conclusion

6.1 Noting the 2019-2020 fiscal targets, measures and timelines outlined above, we reiterate the importance of close coordination between the Budget Focus Groups of your Ministry/Department and the Budget and Planning team of the Ministry of Economy to ensure timely preparation of the 2019-2020 Budget.

6.2 We thank you in advance for your support and cooperation.



Makereta Konrote
Permanent Secretary for Economy

As per distribution:

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Permanent Secretary, Office of the Prime Minister
Solicitor General, Office of the Attorney General
Permanent Secretary, iTaukei Affairs
Permanent Secretary, Defence and National Security
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Permanent Secretary, Foreign Affairs
Auditor General, Office of the Auditor General
Supervisor of Elections, Fijian Elections Office
Secretary General, Parliament
Permanent Secretary, Justice
Commissioner, Fiji Corrections Service
Permanent Secretary, Civil Service
Permanent Secretary, Rural and Maritime Development and National Disaster Management
Commander, Republic of Fiji Military Force
Commissioner, Fiji Police Force
Permanent Secretary, Education, Heritage and Arts
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